

**NANYA TECHNOLOGY CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2020 and 2019**

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

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## Independent Auditors' Review Report

To the Board of Directors of Nanya Technology Corporation :

### Introduction

We have reviewed the accompanying consolidated balance sheets of Nanya Technology Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,226,166 thousand and \$3,331,312 thousand, constituting 1.94% and 1.81% of the consolidated total assets; the total liabilities amounting to \$37,180 thousand and \$30,771 thousand, constituting 0.30% and 0.18% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively; as well as the total comprehensive income amounting to the net income of \$22,751 thousand and \$43,184 thousand, constituting 1.20% and 1.16% of the consolidated total comprehensive income for the three months ended March 31, 2020 and 2019, respectively.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and of its consolidated cash flows for the three months ended March 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of Formosa Advanced Technologies Co., Ltd., an investment in other accounted for using the equity method of the Group. The financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., is based solely on the review report of another auditor. The aforementioned investment accounted for using the equity method amounted to \$4,914,568 thousand and \$3,077,326 thousand, constituting 2.95% and 1.67% of the consolidated total assets as of March 31, 2020 and 2019, respectively; and the share of profit of associates accounted for using the equity method amounted to 118,406 thousand and 37,391 thousand, constituting 5.10% and 1.04% of the consolidated total profit before tax for the three months ended March 31, 2020 and 2019, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)

May 6, 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 review 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)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019**

**Nanya Technology Corporation and Subsidiaries**  
**Consolidated Balance Sheets**

**March 31, 2020, December 31 and March 31, 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (Note 6(a))	\$ 47,532,381	28	44,148,979	27	60,373,690	33
1160 Notes receivable due from related parties (Notes 6(b)(n) and 7)	-	-	41,545	-	-	-
1170 Accounts receivable, net (Notes 6(b)(n))	8,445,897	5	7,291,735	4	7,027,650	4
1200 Other receivables (Note 6(g))	1,892,197	1	1,620,743	1	1,552,239	1
1310 Inventories (Note 6(c))	17,818,520	11	18,122,496	11	15,974,288	8
1410 Prepayments	1,470,341	1	1,637,129	1	1,347,509	1
<b>Total current assets</b>	<b>77,159,336</b>	<b>46</b>	<b>72,862,627</b>	<b>44</b>	<b>86,275,376</b>	<b>47</b>
<b>Non-current assets:</b>						
1550 Investments accounted for using equity method (Note 6(d))	4,914,568	3	5,019,236	3	3,077,326	2
1600 Property, plant and equipment (Notes 6(f) and 7)	82,877,974	50	85,530,112	52	92,935,583	50
1755 Right-of-use assets (Note 6(f))	49,611	-	99,222	-	248,055	-
1780 Intangible assets	277,154	-	296,710	-	283,197	-
1840 Deferred tax assets	496,607	-	555,885	-	867,331	-
1940 Long-term financial lease payments receivable (Note 6(g))	640,273	1	689,886	1	831,198	1
1990 Other non-current assets (Note 8)	50,847	-	46,974	-	41,259	-
<b>Total non-current assets</b>	<b>89,307,034</b>	<b>54</b>	<b>92,238,025</b>	<b>56</b>	<b>98,283,949</b>	<b>53</b>
<b>Total assets</b>	<b>\$ 166,466,370</b>	<b>100</b>	<b>165,100,652</b>	<b>100</b>	<b>184,559,325</b>	<b>100</b>
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Accounts payable	2,270,219	1	2,573,759	2	3,027,983	2
Accounts payable to related parties (Note 7)	126,300	-	133,199	-	350,130	-
Other payables	6,262,741	5	6,650,153	4	9,086,772	5
Other payables to related parties (Note 7)	1,200,179	1	1,205,857	1	980,433	1
Current tax liabilities	1,834,982	1	1,515,896	1	2,456,341	1
Current lease liabilities (Notes 6(h) and 7)	50,050	-	99,924	-	198,443	-
Other current liabilities	755	-	92,754	-	1,461	-
<b>Total current liabilities</b>	<b>11,745,226</b>	<b>8</b>	<b>12,271,542</b>	<b>8</b>	<b>16,101,563</b>	<b>9</b>
<b>Non-current liabilities:</b>						
Deferred tax liabilities	16,062	-	1,197	-	626	-
Non-current lease liabilities (Notes 6(h) and 7)	-	-	-	-	50,050	-
Net defined benefit liability, non-current (Note 6(k))	574,764	-	575,896	-	536,693	-
Other non-current liabilities	167,632	-	240,464	-	229,137	-
<b>Total non-current liabilities</b>	<b>758,458</b>	<b>-</b>	<b>817,557</b>	<b>-</b>	<b>816,506</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,503,684</b>	<b>8</b>	<b>13,089,099</b>	<b>8</b>	<b>16,918,069</b>	<b>9</b>
<b>Equity (Note 6(m)):</b>						
Ordinary share	30,739,969	18	30,733,649	19	30,534,159	17
Advance receipts for share capital	19,389	-	3,475	-	2,946	-
Capital surplus	32,042,237	20	32,005,339	20	31,444,561	17
Legal reserve	13,128,412	8	13,128,412	8	9,192,249	5
Special reserve	273,834	-	273,834	-	39,163	-
Unappropriated retained earnings	79,983,150	48	78,054,876	47	97,722,519	53
Other equity interest	(1,077,373)	(1)	(1,041,100)	(1)	(147,409)	-
Treasury shares	(1,146,932)	(1)	(1,146,932)	(1)	(1,146,932)	(1)
<b>Total equity</b>	<b>153,962,686</b>	<b>92</b>	<b>152,011,553</b>	<b>92</b>	<b>167,641,256</b>	<b>91</b>
<b>Total liabilities and equity</b>	<b>\$ 166,466,370</b>	<b>100</b>	<b>165,100,652</b>	<b>100</b>	<b>184,559,325</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**Nanya Technology Corporation and Subsidiaries**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2020 and 2019**

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

		For the three months ended March 31,			
		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6(n))</b>	\$ 14,418,870	100	11,371,805	100
5000	<b>Operating costs (Notes 6(e)(f)(i)(l)(o) and 7)</b>	<u>10,982,671</u>	<u>76</u>	<u>6,739,241</u>	<u>59</u>
	<b>Gross profit from operations</b>	<u>3,436,199</u>	<u>24</u>	<u>4,632,564</u>	<u>41</u>
	<b>Operating expenses (Notes 6(e)(f)(i)(l)(o) and 7):</b>				
6100	Selling expenses	178,990	1	147,367	1
6200	Administrative expenses	353,893	3	317,491	3
6300	Research and development expenses	<u>1,071,119</u>	<u>7</u>	<u>1,148,168</u>	<u>10</u>
	<b>Total operating expenses</b>	<u>1,604,002</u>	<u>11</u>	<u>1,613,026</u>	<u>14</u>
	<b>Net operating income</b>	<u>1,832,197</u>	<u>13</u>	<u>3,019,538</u>	<u>27</u>
7010	Other income	249,502	1	394,332	3
7020	Other gains and losses, net	124,018	1	126,897	2
7050	Finance costs	(372)	-	(1,090)	-
7055	Expected credit impairment gain	-	-	9,384	-
7060	Share of profit of associates accounted for using equity method, net	<u>118,406</u>	<u>1</u>	<u>37,391</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>491,554</u>	<u>3</u>	<u>566,914</u>	<u>5</u>
7900	<b>Profit from continuing operations before tax</b>	2,323,751	16	3,586,452	32
7950	<b>Income tax expenses (Note 6(j))</b>	<u>(395,477)</u>	<u>(3)</u>	<u>(446)</u>	<u>-</u>
	<b>Profit</b>	<u>1,928,274</u>	<u>13</u>	<u>3,586,006</u>	<u>32</u>
8300	<b>Other comprehensive income: (Note 6(j))</b>				
8310	<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>				
8311	Remeasurements of the net defined benefit	-	-	-	-
8320	Share of other comprehensive loss of associates accounted for using equity method, components of other comprehensive loss that will not be reclassified to profit or loss	(223,074)	(1)	33,332	-
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>(223,074)</u>	<u>(1)</u>	<u>33,332</u>	<u>-</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	186,801	1	93,093	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>	<u>186,801</u>	<u>1</u>	<u>93,093</u>	<u>1</u>
8300	<b>Other comprehensive (loss) income, net</b>	<u>(36,273)</u>	<u>-</u>	<u>126,425</u>	<u>1</u>
8500	<b>Comprehensive income</b>	<u>\$ 1,892,001</u>	<u>13</u>	<u>3,712,431</u>	<u>33</u>
	<b>Earnings per share (Note 6(m))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 0.63</u>		<u>1.18</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.63</u>		<u>1.16</u>	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**

**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Other equity interest			Total equity
								Unrealized gains	(losses) on financial assets measured at fair value	Total other equity interest	
<b>Balance at January 1, 2019</b>	\$ 31,032,389	6,488	33,557,005	9,192,249	39,163	94,136,513	(179,736)	(94,098)	(273,834)	(2,782,675)	164,907,298
Net profit for the three months ended March 31, 2019	-	-	-	-	-	3,586,006	-	-	-	-	3,586,006
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	93,093	33,332	126,425	-	126,425
<b>Total comprehensive income for the three months ended March 31, 2019</b>	-	-	-	-	-	<b>3,586,006</b>	<b>93,093</b>	<b>33,332</b>	<b>126,425</b>	-	<b>3,712,431</b>
Other changes in capital surplus:											
Recognized compensation costs on employee stock options	-	-	44,587	-	-	-	-	-	-	-	44,587
Repurchase of treasury share	-	-	-	-	-	-	-	-	-	(1,029,878)	(1,029,878)
Retirement of treasury share	(501,360)	-	(2,164,261)	-	-	-	-	-	-	2,665,621	-
Exercise of employee share options	3,130	(3,542)	7,230	-	-	-	-	-	-	-	6,818
<b>Balance at March 31, 2019</b>	<b>\$ 30,534,159</b>	<b>2,946</b>	<b>31,444,561</b>	<b>9,192,249</b>	<b>39,163</b>	<b>97,722,519</b>	<b>(86,643)</b>	<b>(60,766)</b>	<b>(147,409)</b>	<b>(1,146,932)</b>	<b>167,641,256</b>
<b>Balance at January 1, 2020</b>	<b>\$ 30,733,649</b>	<b>3,475</b>	<b>32,005,339</b>	<b>13,128,412</b>	<b>273,834</b>	<b>78,054,876</b>	<b>(938,039)</b>	<b>(103,061)</b>	<b>(1,041,100)</b>	<b>(1,146,932)</b>	<b>152,011,553</b>
Net profit for the three months ended March 31, 2020	-	-	-	-	-	1,928,274	-	-	-	-	1,928,274
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	186,801	(223,074)	(36,273)	-	(36,273)
<b>Total comprehensive income (loss) for the three months ended March 31, 2020</b>	-	-	-	-	-	<b>1,928,274</b>	<b>186,801</b>	<b>(223,074)</b>	<b>(36,273)</b>	-	<b>1,892,001</b>
Other changes in capital surplus:											
Recognized compensation costs on employee stock options	-	-	24,764	-	-	-	-	-	-	-	24,764
Exercise of employee share options	6,320	15,914	12,134	-	-	-	-	-	-	-	34,368
<b>Balance at March 31, 2020</b>	<b>\$ 30,739,969</b>	<b>19,389</b>	<b>32,042,237</b>	<b>13,128,412</b>	<b>273,834</b>	<b>79,983,150</b>	<b>(751,238)</b>	<b>(326,135)</b>	<b>(1,077,373)</b>	<b>(1,146,932)</b>	<b>153,962,686</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**Nanya Technology Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31,	
	2020	2019
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 2,323,751	3,586,452
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	3,580,728	3,348,621
Amortization expense	23,889	12,963
Expected credit impairment gain	-	(9,384)
Interest expense	372	1,090
Interest income	(249,502)	(394,332)
Share-based payments	24,764	44,587
Share of profit of associates accounted for using equity method	(118,406)	(37,391)
Gain on disposal of property, plant and equipment	-	(6)
Unrealized foreign exchange gain	(74,295)	(13,463)
Others	(16,380)	-
<b>Total adjustments to reconcile profit</b>	3,171,170	2,952,685
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable (including related parties)	(1,038,237)	2,755,773
Other receivables	(104,174)	(91,849)
Inventories	303,976	(3,806,551)
prepayments	166,788	-
Other current assets	-	410,807
Accounts payable (including related parties)	(320,413)	(361,643)
Other payables (including related parties)	(395,464)	234,258
Other current liabilities	(91,999)	(107)
Net defined benefit liability	(1,132)	(610)
Other non-current liabilities	2,088	11,351
<b>Total changes in operating assets and liabilities</b>	(1,478,567)	(848,571)
Cash inflow generated from operations	4,016,354	5,690,566
Interest received	65,804	246,270
Interest paid	(48)	(149)
Income taxes paid	(2,247)	(21,072)
<b>Net cash flows from operating activities</b>	4,079,863	5,915,615
<b>Cash flows used in investing activities:</b>		
Acquisition of property, plant and equipment	(837,711)	(1,722,794)
Proceeds from disposal of property, plant and equipment	-	12
(Increase) decrease in refundable deposits	(1,885)	1,104
Acquisition of intangible assets	(53,327)	-
Decrease in lease and installment receivables	66,083	66,083
(Increase) decrease in other non-current assets	(4,122)	58
<b>Net cash flows used in investing activities</b>	(830,962)	(1,655,537)
<b>Cash flows used in financing activities:</b>		
Decrease in guarantee deposits received	(25,122)	(315,071)
Decrease in other payables to related parties	(32)	(3,959)
Payment of lease liabilities	(50,168)	(33,610)
Exercise of employee share options	34,368	6,818
Payments to acquire treasury shares	-	(1,029,878)
<b>Net cash flows used in financing activities</b>	(40,954)	(1,375,700)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	175,455	105,306
<b>Net increase in cash and cash equivalents</b>	3,383,402	2,989,684
<b>Cash and cash equivalents at beginning of period</b>	44,148,979	57,384,006
<b>Cash and cash equivalents at end of period</b>	\$ 47,532,381	60,373,690

See accompanying notes to consolidated financial statements.

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

**Nanya Technology Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**March 31, 2020 and 2019**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on May 6, 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, 2020.

<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.

- (b) 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

(Continued)

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

Those which may be relevant to the Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

**(4) Summary of significant accounting policies:**

**(a) Statement of compliance**

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

The significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

**(b) Basis of consolidation**

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

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

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

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

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

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

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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

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

(a) Cash and cash equivalents

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Petty cash	\$ 128	147	146
Checking accounts and demand deposit	3,845,621	4,119,539	4,333,412
Cash equivalents:			
Time deposits	40,063,507	39,215,453	43,740,842
Commercial paper	2,117,773	454,300	7,722,934
Repurchase agreements collateralized by corporate bonds	<u>1,505,352</u>	<u>359,540</u>	<u>4,576,356</u>
	<b><u>\$ 47,532,381</u></b>	<b><u>44,148,979</u></b>	<b><u>60,373,690</u></b>

(b) Notes and accounts receivable

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Notes receivable-related parties from non-operating activities	\$ -	41,545	-
Accounts receivable-measured at amortized cost	<u>8,445,897</u>	<u>7,291,735</u>	<u>7,027,650</u>
	<b><u>\$ 8,445,897</u></b>	<b><u>7,333,280</u></b>	<b><u>7,027,650</u></b>

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

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

	<b>March 31, 2020</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	\$ 8,392,082	-	-
1 to 30 days past due	49,875	-	-
31 to 60 days past due	<u>3,940</u>	-	<u>-</u>
	<b><u>\$ 8,445,897</u></b>		<b><u>-</u></b>

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

<b>December 31, 2019</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	\$ 7,283,834	-	-
1 to 30 days past due	49,446	-	-
	<b>\$ 7,333,280</b>		<b>-</b>
<b>March 31, 2019</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	\$ 6,033,628	-	-
1 to 30 days past due	988,322	-	-
31 to 60 days past due	5,700	-	-
	<b>\$ 7,027,650</b>		<b>-</b>

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

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1,	\$ -	9,298
Reversal of impairment losses	-	(9,384)
Foreign exchange gains	-	86
Balance on March 31,	<b>\$ -</b>	<b>-</b>

(c) Inventories

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Raw materials	\$ 421,206	381,848	608,864
Work in progress	6,874,246	7,329,074	6,086,823
Finished goods	10,523,068	10,411,574	9,278,601
	<b>\$ 17,818,520</b>	<b>18,122,496</b>	<b>15,974,288</b>

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 three months ended March 31, 2020.

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

(d) Investments accounted for using equity method

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Associates	<u>\$ 4,914,568</u>	<u>5,019,236</u>	<u>3,077,326</u>

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

<u>Name of Associates</u>	<u>Nature of Relationship to the Group</u>	<u>Registration Country</u>	<u>Percentage of ownership</u>		
			<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Formosa Advanced Technologies Co., Ltd.(FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	32.00 %	32.00 %	19.00 %

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Formosa Advanced Technologies Co., Ltd.	<u>\$ 14,350,111</u>	<u>16,494,889</u>	<u>15,654,667</u>

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

The financial information of FATC was as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current assets	\$ 6,755,020	6,631,748	6,894,114
Non-current assets	6,305,763	6,643,175	6,599,457
Current liabilities	(1,352,744)	(1,250,356)	(1,094,878)
Non-current liabilities	(587,415)	(594,494)	(610,569)
Net asset	<u>\$ 11,120,624</u>	<u>11,430,073</u>	<u>11,788,124</u>
Net asset contributed to FATC	<u>\$ 11,120,624</u>	<u>11,430,073</u>	<u>11,788,124</u>

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	<u>\$ 2,574,022</u>	<u>2,172,966</u>
Profit	387,656	256,214
Other comprehensive (loss) income	(697,105)	175,431
Total comprehensive (loss) income	<u>\$ (309,449)</u>	<u>431,645</u>
Comprehensive income contributed to FATC	<u>\$ (309,449)</u>	<u>431,645</u>

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

	For the three months ended March 31,	
	2020	2019
Share of net assets of the major associate at January 1	\$ 3,657,624	2,157,732
Total comprehensive income contributed to the Group	(99,025)	82,012
Share of net assets of major associate at March 31	3,558,599	2,239,744
Add: good will	1,463,162	887,684
Less: unrealized profits on upstream sales net assets of the associates	(107,193)	(50,102)
Total carrying amount of the major associate	\$ 4,914,568	3,077,326

(e) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
<b>Cost:</b>						
<b>Balance as of January 1, 2020</b>	\$ 1,013,924	8,157,551	195,903,720	919,015	2,249,124	208,243,334
Additions	-	-	296,617	6,374	691,141	994,132
Reclassification	-	-	399,562	(3,685)	(579,266)	(183,389)
Effect of exchange rate change	-	30	1,515	(86)	-	1,459
<b>Balance as of March 31, 2020</b>	\$ 1,013,924	8,157,581	196,601,414	921,618	2,360,999	209,055,536
<b>Balance as of January 1, 2019</b>	\$ 1,013,924	7,740,635	180,746,435	1,132,778	13,886,443	204,520,215
Additions	-	-	100,167	20,156	754,902	875,225
Disposals	-	-	(55,149)	(1,448)	-	(56,597)
Reclassification	-	414,766	9,876,268	14,396	(10,305,430)	-
Effect of exchange rate change	-	11	110	2,504	-	2,625
<b>Balance as of March 31, 2019</b>	\$ 1,013,924	8,155,412	190,667,831	1,168,386	4,335,915	205,341,468
<b>Accumulated depreciation / impairment:</b>						
<b>Balance as of January 1, 2020</b>	\$ -	2,295,380	119,651,185	766,657	-	122,713,222
Depreciation for the period	-	80,005	3,440,861	10,251	-	3,531,117
Reclassification	-	-	(62,101)	(6,103)	-	(68,204)
Effect of exchange rate change	-	25	1,494	(92)	-	1,427
<b>Balance as of March 31, 2020</b>	\$ -	2,375,410	123,031,439	770,713	-	126,177,562
<b>Balance as of January 1, 2019</b>	\$ -	1,978,349	106,196,034	986,840	-	109,161,223
Depreciation for the period	-	77,024	3,212,515	9,308	-	3,298,847
Disposals	-	-	(55,189)	(1,402)	-	(56,591)
Reclassification	-	-	(10,292)	10,292	-	-
Effect of exchange rate change	-	8	(342)	2,740	-	2,406
<b>Balance as of March 31, 2019</b>	\$ -	2,055,381	109,342,726	1,007,778	-	112,405,885
<b>Carrying amounts:</b>						
<b>Balance as of March 31, 2020</b>	\$ 1,013,924	5,782,171	73,569,975	150,905	2,360,999	82,877,974
<b>Balance as of December 31, 2019</b>	\$ 1,013,924	5,862,171	76,252,535	152,358	2,249,124	85,530,112
<b>Balance as of March 31, 2019</b>	\$ 1,013,924	6,100,031	81,325,105	160,608	4,335,915	92,935,583

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

(f) Right-of-use assets

	<b>Land</b>
Cost :	
The balance of January 1 and March 31, 2020	\$ <u><u>297,829</u></u>
Balance at January 1, 2019	\$ -
Additions	300,605
Decrease	<u>(2,776)</u>
Balance at March 31, 2019	\$ <u><u>297,829</u></u>
Accumulated depreciation:	
Balance at January 1, 2020	\$ 198,607
Depreciation for the period	<u>49,611</u>
Balance at March 31, 2020	\$ <u><u>248,218</u></u>
Balance at January 1, 2019	\$ -
Depreciation for the period	<u>49,774</u>
Balance at March 31, 2019	\$ <u><u>49,774</u></u>
Carrying Amount:	
Balance at March 31, 2020	\$ <u><u>49,611</u></u>
Balance at December 31, 2019	\$ <u><u>99,222</u></u>
Balance at March 31, 2019	\$ <u><u>248,055</u></u>

(g) Lease receivables

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

- (ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the three months ended March 31, 2020 and 2019, the Group recognized the interest revenue of \$21,381 and \$25,806, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Less than one year	\$ 264,330	264,330	264,330
One to two years	264,330	264,330	264,330
Two to three years	264,330	264,330	264,330
Three to four years	198,247	264,330	264,330
Four to five years	-	-	198,248
Total lease payments receivable	<u>991,237</u>	<u>1,057,320</u>	<u>1,255,568</u>
Unearned finance income	<u>(160,039)</u>	<u>(181,420)</u>	<u>(252,344)</u>
Present value of lease payments receivable	<u><u>\$ 831,198</u></u>	<u><u>875,900</u></u>	<u><u>1,003,224</u></u>

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

- (h) Lease liabilities

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current	<u>\$ 50,050</u>	<u>99,924</u>	<u>198,443</u>
Non-current	<u>\$ -</u>	<u>-</u>	<u>50,050</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<u>\$ 294</u>	<u>997</u>
Expense relating to short-term and low-value lease assets	<u>\$ 22,340</u>	<u>14,864</u>

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**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 three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b>\$ 72,508</b>	<b>46,760</b>

(i) Land lease

As of March 31, 2020, 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 staff dorm, factory, parking lots and office spaces with contract terms ranging from one to five years. These leases are short-term or with low-value items. The Group applied the recognition exemptions and elected not to recognize its right-of-use assets and lease liabilities for these leases.

(i) Employee benefits

(i) Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Operating cost	\$ 1,585	1,918
Operating expenses	908	1,046
Total	<b>\$ 2,493</b>	<b>2,964</b>

(ii) Defined contribution plans

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

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Operating cost	\$ 23,110	22,062
Operating expenses	19,760	17,590
Total	<b>\$ 42,870</b>	<b>39,652</b>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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## (j) Income tax

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

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Current tax expense	\$ 321,312	446
Deferred tax expense	74,165	-
Tax expense	<b>\$ 395,477</b>	<b>446</b>

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

## (k) Capital and other equity

Except as described below, there was no material change in equity for the three months ended March 31, 2020 and 2019. Please refer to Note 6(o) of the consolidated financial statements as of and for the year ended December 31, 2019 for the related detail disclosures on equity.

## (i) Ordinary Share

On February 26, 2020, the Company's Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 632 thousand ordinary shares at par value, with an issuing prices of \$29.2 per share, which totaled \$6,320. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the first quarter of 2020, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 664 thousand ordinary shares, at issuing prices of \$29.2 per share, which totaled \$19,389, which was recognized as advance receipts for share capital as of March 31, 2020.

## (ii) Capital surplus

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Premium from the issuance of stock	\$ 29,022,643	29,010,509	28,555,279
Employee stock option plans	2,757,071	2,732,307	2,626,778
Expired employee stock option plans	262,499	262,499	262,499
Change in equity of associates accounted for using equity method	24	24	5
	<b>\$ 32,042,237</b>	<b>32,005,339</b>	<b>31,444,561</b>

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

(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.

2) Special Reserve

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

3) Earnings distribution

Earnings distribution for 2019 and 2018 were approved by the Board of Directors and the general meetings of shareholders were held on February 26, 2020 and May 30, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>For the year ended December 31, 2019</b>	
	<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:		
Cash dividends	\$ 1.51	<b>4,600,000</b>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	For the year ended December 31, 2018		
	Dividends per share	Amount	
Dividends attributable to ordinary shareholders:			
Cash dividends	\$ 7.11	<b>21,700,000</b>	
 (iv) Other equity (net of tax)			
	Exchange differences on translation of foreign financial statements	Unrealized losses from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2020	\$ (938,039)	(103,061)	(1,041,100)
Exchange differences on translation of foreign financial statements	186,801	-	186,801
Unrealized loss from financial of assets measured at fair value through other comprehensive loss, associates accounted for using equity method	-	(223,074)	(223,074)
Balance as of March 31, 2020	<b>\$ (751,238)</b>	<b>(326,135)</b>	<b>(1,077,373)</b>
Balance as of January 1, 2019	\$ (179,736)	(94,098)	(273,834)
Exchange differences on translation of foreign financial statements	93,093	-	93,093
Unrealized gains from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	33,332	33,332
Balance as of March 31, 2019	<b>\$ (86,643)</b>	<b>(60,766)</b>	<b>(147,409)</b>

(1) Share-based payment

Except as described below, there was no material change on the share-based payment transactions for three months ended March 31, 2020 and 2019. Please refer to Note 6(n) of consolidated financial statements as of and for the year ended December 31, 2019 for related disclosures on share-based payment transactions.

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

## (i) Relevant information of employee stock option plans

The Company:

	For the three months ended March 31,			
	2020		2019	
	Weighted- average exercise (price TWD)	Number of options (Thousand Units)	Weighted- average exercise (price TWD)	Number of options (Thousand Units)
Outstanding at January 1,	\$ 29.25	28,202	34.49	109,382
Options granted	29.20	(1,177)	33.10	(206)
Options expired	-	-	35.60	(60,367)
Options forfeited	29.38	(60)	33.15	(275)
Outstanding at March 31,	29.22	<u>26,965</u>	33.12	<u>48,534</u>
Options exercisable at March 31,	29.24	<u>4,440</u>	33.15	<u>2,419</u>

## (ii) Compensation cost

	For the three months ended March 31,	
	2020	2019
Compensation cost arising from share options granted to employees	\$ <u>24,764</u>	<u>44,587</u>

## (m) Earnings per share

	For the three months ended March 31,	
	2020	2019
<b>Basic earnings per share:</b>		
Net profit attributable to the Company	\$ <u>1,928,274</u>	<u>3,586,006</u>
Weighted-average number of ordinary shares outstanding (basic)	<u>3,054,149</u>	<u>3,035,013</u>
Basic earnings per share (dollar)	\$ <u>0.63</u>	<u>1.18</u>
<b>Diluted earnings per share:</b>		
Net profit attributable to the Company (basic)	\$ <u>1,928,274</u>	<u>3,586,006</u>
Weighted-average number of ordinary shares (basic)	3,054,149	3,035,013
Effect of employee share option	16,810	39,747
Effect of employee remuneration	9,055	21,658
Weighted-average number of ordinary shares (diluted)	<u>3,080,014</u>	<u>3,096,418</u>
Diluted earnings per share (dollar)	\$ <u>0.63</u>	<u>1.16</u>

(Continued)

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

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31, 2020</b>		
	<b>Manufacturing department</b>	<b>Overseas sales department</b>	<b>Total</b>
Primary geographic markets:			
Taiwan	\$ 4,317,981	409,628	4,727,609
Turkey	-	77,910	77,910
Japan	-	386,807	386,807
Malaysia	53,794	283,450	337,244
Korea	26,234	88,299	114,533
China	6,110,231	1,523,609	7,633,840
USA	11,788	52,875	64,663
Thailand	95,298	215,153	310,451
Germany	-	141,642	141,642
Vietnam	49,605	75,581	125,186
Singapore	82,565	85,976	168,541
Other countries	103,083	227,361	330,444
	<b>\$ 10,850,579</b>	<b>3,568,291</b>	<b>14,418,870</b>
Major products line:			
Dynamic Random Access Memory (DRAM)	\$ 10,819,871	3,568,020	14,387,891
Other	30,708	271	30,979
	<b>\$ 10,850,579</b>	<b>3,568,291</b>	<b>14,418,870</b>
	<b>For the three months ended March 31, 2019</b>		
	<b>Manufacturing department</b>	<b>Overseas sales department</b>	<b>Total</b>
Primary geographic markets:			
Taiwan	\$ 5,118,647	64,948	5,183,595
Turkey	-	65,980	65,980
Japan	-	604,990	604,990
Malaysia	11,499	232,425	243,924
Korea	68,815	144,970	213,785
China	3,142,485	1,056,587	4,199,072
USA	38,053	56,836	94,889
Thailand	90,442	169,255	259,697
Germany	-	98,364	98,364
Vietnam	1,192	136	1,328
Singapore	23,195	39,501	62,696
Other countries	80,930	262,555	343,485
	<b>\$ 8,575,258</b>	<b>2,796,547</b>	<b>11,371,805</b>

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

	For the three months ended March 31, 2019		
	Manufacturing department	Overseas sales department	Total
Major products line:			
Dynamic Random Access Memory (DRAM)	\$ 8,537,972	2,796,270	11,334,242
Other	37,286	277	37,563
	<b>\$ 8,575,258</b>	<b>2,796,547</b>	<b>11,371,805</b>

(ii) Contract balances

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable-related parties from non-operating activities	\$ -	41,545	-
Accounts receivable	8,445,897	7,291,735	7,027,650
Total	<b>\$ 8,445,897</b>	<b>7,333,280</b>	<b>7,027,650</b>

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

(o) Remuneration to employees

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

The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to \$163,221 and \$219,302 for the three months ended March 31, 2020 and 2019, respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a change in accounting estimates and recognized through profit or loss in the following year.

There is no difference between the estimated 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.

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

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.

(p) Non-operating income and expenses

(i) Other income

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	Bank deposits and short-term notes	\$ 228,121
Financial lease	21,381	25,806
	<b>\$ 249,502</b>	<b>394,332</b>

(ii) Other gains and losses

	<b>For the three months ended March 31,</b>	
	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Gain on disposal of property, plant and equipment	\$ -	6
Foreign exchange gain	78,039	91,231
Others	45,979	35,660
	<b>\$ 124,018</b>	<b>126,897</b>

(iii) Finance costs

	<b>For the three months ended March 31,</b>	
	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Financing from other related parties	\$ 30	46
Amortization interest of lease liabilities	294	997
Others	48	47
	<b>\$ 372</b>	<b>1,090</b>

(Continued)

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

(q) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2019.

- (i) For credit risk exposure of notes and accounts receivables (including related parties), please refer to note 6(b).

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

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

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

- (ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6-12months</u>	<u>1-2years</u>	<u>2-5years</u>	<u>Over 5 years</u>
<b>March 31, 2020</b>							
Non-derivative financial liabilities							
Financing from other related parties	\$ 3,418	3,537	3,537	-	-	-	-
Accounts payable (including related parties)	2,396,519	2,396,519	2,396,519	-	-	-	-
Other payables (including related parties)	7,459,502	7,459,502	7,459,502	-	-	-	-
Lease liabilities-current	50,050	50,168	50,168	-	-	-	-
	<u>\$ 9,909,489</u>	<u>9,909,726</u>	<u>9,909,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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)	2,706,958	2,706,958	2,706,958	-	-	-	-
Other payable (including related parties)	7,852,560	7,852,560	7,852,560	-	-	-	-
Lease liabilities-current	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>March 31, 2019</b>							
Non-derivative financial liabilities							
Financing from other related parties	\$ 3,666	3,894	114	3,780	-	-	-
Accounts payable (including related parties)	3,378,113	3,378,113	3,378,113	-	-	-	-
Other payables (including related parties)	10,063,539	10,063,539	10,063,539	-	-	-	-
Lease liabilities (including current portion)	248,493	250,841	100,337	100,336	50,168	-	-
	<u>\$ 13,693,811</u>	<u>13,696,387</u>	<u>13,542,103</u>	<u>104,116</u>	<u>50,168</u>	<u>-</u>	<u>-</u>

(Continued)

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

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

(iii) Currency risk

1) Exposure to currency risk

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

	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars
Financial assets:									
Monetary items									
USD	\$ 304,188	30.254	9,202,904	242,435	30.106	7,298,748	415,634	30.825	12,811,918
JPY	510,285	0.2807	143,237	888,926	0.2763	245,610	972,096	0.2789	271,118
EUR	47	33.4489	1,572	144	33.690	4,851	7	34.6432	243
HKD	291,986	3.9039	1,139,884	227,936	3.863	880,608	-	-	-
Financial liabilities:									
Monetary items									
USD	112,279	30.254	3,396,889	112,965	30.106	3,400,924	105,333	30.825	3,246,890
JPY	1,156,178	0.2807	324,539	2,014,894	0.2763	556,715	2,471,875	0.2789	689,406
EUR	442	33.4489	14,784	4,616	33.6895	155,511	663	34.6432	22,968
CHF	-	-	-	-	-	-	2,180	30.9840	67,545

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, borrowing, 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, HKD and CHF as of March 31, 2020 and 2019 would have increased the net income before tax by \$67,514 and \$90,565 for the three months ended March 31, 2020 and 2019, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the three months ended March 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$78,039 and \$91,231, respectively.

(iv) interest rate analysis

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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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 \$34 and \$37 for the three months ended March 31, 2020 and 2019 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The 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:

	March 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 47,532,381	-	-	-	-
Accounts receivable (including related parties)	8,445,897	-	-	-	-
Other receivables	1,701,272	-	-	-	-
Lease payments receivable (including current portion)	831,198	-	-	-	-
<b>Total</b>	<b>\$ 58,510,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 2,396,519	-	-	-	-
Other payables (including related parties)	7,462,920	-	-	-	-
Lease liabilities-current	50,050	-	-	-	-
<b>Total</b>	<b>\$ 9,909,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

		<b>December 31, 2019</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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 position)	875,900	-	-	-	-
<b>Total</b>	<b>\$ 53,792,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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	-	-	-	-
<b>Total</b>	<b>\$ 10,662,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>March 31, 2019</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 60,373,690	-	-	-	-
Accounts receivable	7,027,650	-	-	-	-
Other receivables	1,380,213	-	-	-	-
Lease payments receivable (including current portion)	1,003,224	-	-	-	-
<b>Total</b>	<b>\$ 69,784,777</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 3,378,113	-	-	-	-
Other payables (including related parties)	10,067,205	-	-	-	-
Lease liabilities (including current portion)	248,493	-	-	-	-
<b>Total</b>	<b>\$ 13,693,811</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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 three months ended March 31, 2020 and 2019.

(r) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

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

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

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

	<b>For the three months ended March 31, 2019</b>
(ii) Retirement of treasury shares	<b><u>\$ 2,665,621</u></b>

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

	January 1, 2019	Cash flow	Non-Cash changes			March 31, 2020
			Change in an index of lease payment	Increased by other payables	Interest expense	
Lease liabilities	\$ 99,924	(50,168)	-	-	294	50,050

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

(t) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2019 for further details.

(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 Waters Technology Co., Ltd.	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group

(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 three months ended March 31,</u>		<u>March 31,</u>	<u>December</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>31, 2019</u>	<u>2019</u>
Entities with significant influence over the Group	\$ 20,862	44,845	7,128	6,183	5,610
Associates	710	323	-	-	-
Other related parties:					
Formosa Sumco Technology Corporation	172,181	406,951	114,007	119,204	339,857
Other related parties	<u>51,876</u>	<u>57,082</u>	<u>5,165</u>	<u>7,812</u>	<u>4,663</u>
	<u>\$ 245,629</u>	<u>509,201</u>	<u>126,300</u>	<u>133,199</u>	<u>350,130</u>

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

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

(ii) Consigned out for processing

<u>Relationship</u>	<u>Amount</u>		<u>Other payables to related parties</u>		
	<u>For the three months ended March 31,</u>		<u>March 31,</u>	<u>December</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>31, 2019</u>	<u>2019</u>
Associates	<u>\$ 1,958,034</u>	<u>1,625,320</u>	<u>1,196,666</u>	<u>1,202,342</u>	<u>976,667</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

<u>Relationship</u>	<u>Financial costs</u>	
	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Other related parties:		
Formosa Technologies (Nanjing) Corporation	<u>\$ 30</u>	<u>46</u>

  

<u>Relationship</u>	<u>Other payables to related parties</u>					
	<u>Balance of borrowings</u>			<u>Interest payable</u>		
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Other related parties:						
Formosa Technologies (Nanjing) Corporation	<u>\$ 3,418</u>	<u>3,450</u>	<u>3,666</u>	<u>95</u>	<u>65</u>	<u>100</u>

(iv) Property transactions

Acquisition of equipment

<u>Relationship</u>	<u>Acquisition price</u>
	<u>For the year ended March 31, 2019</u>
Other related parties	<u>\$ 340</u>

(Continued)

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

## (v) Leases

<b>Relationship</b>	<b>Acquisition price</b>	
	<b>For the year ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Entities with significant influence over the Group	\$ <b>15,027</b>	<b>10,502</b>

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

A three-year land lease contract was signed in July 2017. The total value of the contract was \$617,862. For the three months ended March 31, 2020 and 2019, the Group recognized the amount of \$294 and \$997, as interest expense, respectively. As of March 31, 2020, March 31 and December 31, 2019, the balance of lease liabilities amounted to \$50,050, \$99,924 and \$248,493, respectively.

## (vi) Other

<b>Relationship</b>	<b>Note payables</b>
	<b>to related</b>
	<b>parties</b>
	<b>December 31,</b>
	<b>2019</b>
Associates	\$ <b>41,545</b>

## (c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 13,433	12,757
Share-based payment	393	1,169
	\$ <b>13,826</b>	<b>13,926</b>

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

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

**(8) Pledged assets:**

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

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other non-current assets	Office leasing	\$ <u>5,158</u>	<u>5,122</u>	<u>5,152</u>

**(9) Commitments and contingencies:****(a) Significant commitments**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Guarantees for importation goods provided by bank	\$ 1,045,000	1,045,000	1,035,000
Unused letters of credit	<u>131,045</u>	<u>39,023</u>	<u>184,372</u>
Total	<u>\$ 1,176,045</u>	<u>1,084,023</u>	<u>1,219,372</u>

**(b) Contingent liabilities**

- (i) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The lawsuit was in a court hearing. The Company has engaged counsels to properly handle it to ensure the Company's rights.
- (ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was handed over to the US District Court of Northern California in July 2017, wherein it was denied in January 2018. Therefore, Lone Star appealed to the US Court of Appeals for the Federal Circuit on the said matter. The case is still in progress. The Group has engaged lawyers to handle the case to ensure its rights.
- (iii) In November 2019, Monterey Research LLC (Monterey) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure the Company's rights.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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- (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 March 31, 2020 and 2018, the payment amounting to \$198,080 and \$44,150 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 three months ended March 31, 2020			For the three months ended March 31, 2019		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	779,150	537,974	1,317,124	699,719	461,712	1,161,431
Labor and health insurance	49,267	38,441	87,708	46,862	36,001	82,863
Pension expenses	24,695	20,668	45,363	23,980	18,636	42,616
Remuneration for directors	-	1,560	1,560	-	1,540	1,540
Other personnel expenses	18,509	6,390	24,899	17,739	5,843	23,582
Depreciation expenses	3,475,321	105,407	3,580,728	3,305,112	43,509	3,348,621
Amortization expenses	23,889	-	23,889	12,963	-	12,963

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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**(13) Other disclosures:**

## (a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2020:

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

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(1,913,208)	(13.35)%	O/A 60-90Days	-	-	1,558,914	17.94%	(Note)
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(805,052)	(5.62)%	O/A 180Days	-	-	583,585	6.72%	(Note)
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(717,754)	(5.01)%	O/A 60-90Days	-	-	450,464	5.19%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	172,181	5.85%	O/A 60Days	-	-	(114,007)	(4.76)%	-
Nanya Technology Corp., U.S.A	Nanya Technology Corp	The parent company	Purchase	1,913,028	100.00%	O/A 60-90Days	-	-	(1,558,914)	(100.00)%	(Note)
Nanya Technology Corp., Japan	Nanya Technology Corp	The parent company	Purchase	805,052	100.00%	O/A 180Days	-	-	(583,585)	(100.00)%	(Note)
Nanya Technology Corp., Europe GmbH	Nanya Technology Corp	The parent company	Purchase	717,754	100.00%	O/A 60-90Days	-	-	(450,464)	(100.00)%	(Note)

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance of accounts receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	1,558,914	4.99	-	-	702,739	-
The Company	Nanya Technology Corp., Japan	Subsidiary	583,585	6.18	-	-	194,914	-
The Company	Nanya Technology Europe GmbH	Subsidiary	450,464	6.87	-	-	263,152	-

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	1,913,208	On the basis of general conditions	13.27%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Sales	805,052	On the basis of general conditions	5.58%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Sales	717,754	On the basis of general conditions	4.98%
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Accounts receivable	1,558,914	On the basis of general conditions	0.94%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Accounts receivable	583,585	On the basis of general conditions	0.35%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Accounts receivable	450,464	On the basis of general conditions	0.27%

Note 1: Assigned numbers represent the following:

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

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

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

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

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

The following is the information on investees for the three months ended March 31, 2020:

(In Thousands of New Taiwan Dollars / Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income of investee	Share of profits of investee	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Nanya Technology Corp., U.S.A	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00 %	158,034	4,796	4,796	(Note1)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	169,511	5,009	5,009	(Note1)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	60,846	3,667	3,667	(Note1)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	192,902	9,279	9,279	(Note1)
The Company	Nanya Technology International, Ltd	British Virgin Island	General investment business	37,004,400	37,004,400	12	100.00 %	37,455,411	215,746	215,746	(Note 1)
The Company	Formosa Advanced Technologies Co., Ltd.	Yunlin	Assembling, testing and producing modules for IC	5,099,482	5,099,482	141,511	32.00 %	4,914,568	387,656	118,406	(Note 2)
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00 %	69,453	4,745	4,745	(Note1)

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

(2) Investment accounted for using equity method.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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## (c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	29,800 (USD985 thousand)	(Note)	29,800 (USD985 thousand)	-	-	29,800 (USD985 thousand)	(1,528)	100.00%	(1,528)	13,624	-

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 March 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
29,800 (USD985 thousand)	29,800 (USD985 thousand)	92,377,612

Note 1 : The exchange rate of New Taiwan dollars to US dollars on March 31, 2020 was USD1 : TWD 30.254.

Note 2 : 60% of net equity.

## (iii) Significant transactions: None

## (d) Information on major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Nan Ya Plastics Corporation		907,303,775	29.50 %
Formosa Chemicals & Fibre Corporation		334,815,409	10.88 %
Formosa Plastics Corporation		334,815,409	10.88 %
Formosa Petrochemical Corp		334,815,409	10.88 %

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

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

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

**(14) Segment information:**

	For the three months ended March 31, 2020					
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 3,568,291	-	10,850,579	-	-	14,418,870
From sales among intersegments	10,327	95,919	3,479,897	-	(3,586,143)	-
Total revenue	<u>\$ 3,578,618</u>	<u>95,919</u>	<u>14,330,476</u>	<u>-</u>	<u>(3,586,143)</u>	<u>14,418,870</u>
Reportable segment profit or loss	<u>\$ 18,068</u>	<u>5,009</u>	<u>2,323,425</u>	<u>215,746</u>	<u>(238,497)</u>	<u>2,323,751</u>
	For the three months ended March 31, 2019					
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 2,796,547	-	8,575,258	-	-	11,371,805
From sales among intersegments	11,284	90,594	2,757,866	-	(2,859,744)	-
Total revenue	<u>\$ 2,807,831</u>	<u>90,594</u>	<u>11,333,124</u>	<u>-</u>	<u>(2,859,744)</u>	<u>11,371,805</u>
Reportable segment profit or loss	<u>\$ 38,931</u>	<u>4,699</u>	<u>3,586,006</u>	<u>259,696</u>	<u>(302,880)</u>	<u>3,586,452</u>
Reportable segment assets						
Balance at March 31, 2020	<u>\$ 3,104,786</u>	<u>170,609</u>	<u>166,461,373</u>	<u>37,455,411</u>	<u>(40,725,809)</u>	<u>166,466,370</u>
Balance at December 31, 2019	<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>
Balance at March 31, 2019	<u>\$ 3,233,830</u>	<u>155,240</u>	<u>184,559,610</u>	<u>31,088,610</u>	<u>(34,477,965)</u>	<u>184,559,325</u>
Reportable segment liabilities						
Balance at March 31, 2020	<u>\$ 2,680,687</u>	<u>1,098</u>	<u>12,498,687</u>	<u>-</u>	<u>(2,676,788)</u>	<u>12,503,684</u>
Balance at December 31, 2019	<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>
Balance at March 31, 2019	<u>\$ 2,819,766</u>	<u>556</u>	<u>16,918,353</u>	<u>99</u>	<u>(2,820,705)</u>	<u>16,918,069</u>