

**NAN YA PRINTED CIRCUIT BOARD
CORPORATION**

Financial Statements

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

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

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Independent Auditors' Report

To the Board of Directors of Nan Ya Printed Circuit Board Corporation:

Opinion

We have audited the financial statements of Nan Ya Printed Circuit Board Corporation (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 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. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Valuation of inventories

The Company estimates the loss on decline of inventory market price on a monthly basis using the aging analysis of inventories and the lower of cost or net realizable value. Since the net realizable value of inventory relies on the impact of international raw material prices, the valuation of inventories is one of the key audit matters while conducting the audit for the financial statements of the Company. For accounting policies, estimation uncertainty, and related disclosures on the valuation of inventories, please refer to notes 4(g), 5(a), and 6(d), respectively, of the financial statements.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided 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 determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Tzu-Hui Lee.

KPMG

Taipei, Taiwan (Republic of China)

February 25, 2021

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
NAN YA PRINTED CIRCUIT BOARD CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>December 31, 2020</u>		<u>December 31, 2019</u>			<u>December 31, 2020</u>		<u>December 31, 2019</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
Assets										
Current assets:										
1100 Cash and cash equivalents (note 6(a))	\$ 4,763,106	12	4,475,522	12	2170	\$ 2,034,288	5	926,920	3	
1170 Accounts receivable, net (notes 6(b)(m))	8,114,786	20	6,459,883	18	2180	960,179	2	1,068,172	3	
1180 Accounts receivable due from related parties (notes 6(b)(m) and 7)	9,846	-	23,015	-	2200	1,672,290	4	1,270,157	4	
1200 Other receivables (note 6(c))	131,726	-	144,832	1	2280	171,201	1	157,651	-	
1210 Other receivables due from related parties (notes 6(c) and 7)	3,004,885	7	4,000,000	11	2300	179,628	1	165,356	-	
1310 Current inventories (note 6(d))	3,050,275	8	2,491,936	7		Total current liabilities	5,017,586	13	3,588,256	10
1470 Other current assets	17,451	-	36,225	-		Non-current liabilities:				
Total current assets	19,092,075	47	17,631,413	49	2570	Deferred tax liabilities (note 6(j))	1,313,232	3	1,247,780	3
Non-current assets:					2580	Non-current lease liabilities, related parties (notes 6(h) and 7)	80,090	-	204,529	1
1550 Investments accounted for using equity method (notes 6(e) and 7)	12,036,662	29	10,092,571	28	2640	Net defined benefit liability, non-current (note 6(i))	1,970,937	5	1,779,646	5
1600 Property, plant and equipment (notes 6(f) and 7)	8,559,458	21	6,943,909	19	2645	Guarantee deposits received	13,200	-	57,056	-
1755 Right-of-use assets (note 6(g))	248,697	1	360,624	1		Total non-current liabilities	3,377,459	8	3,289,011	9
1840 Deferred tax assets (note 6(j))	815,984	2	1,068,788	3		Total liabilities	8,395,045	21	6,877,267	19
1900 Other non-current assets	4,858	-	4,643	-		Equity (note 6(k)):				
Total non-current assets	21,665,659	53	18,470,535	51	3100	Capital stock	6,461,655	16	6,461,655	18
					3200	Capital surplus	18,125,555	44	18,577,844	51
					3310	Legal reserve	4,512,049	11	4,488,449	12
					3320	Special reserve	592,160	1	379,765	1
					3350	Unappropriated retained earnings	3,475,906	9	235,995	1
					3400	Other equity interest	(804,636)	(2)	(919,027)	(2)
						Total equity	32,362,689	79	29,224,681	81
Total assets	\$ 40,757,734	100	36,101,948	100		Total liabilities and equity	\$ 40,757,734	100	36,101,948	100

(English Translation of Financial Statements Originally Issued in Chinese)
NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(m) and 7)	\$ 33,367,222	100	25,730,237	100
5000 Operating costs (notes 6(d)(f)(g)(h)(i)(n) and 7)	<u>28,250,898</u>	<u>85</u>	<u>24,373,952</u>	<u>95</u>
Gross profit from operations	5,116,324	15	1,356,285	5
5910 Less: Unrealized profit on from sales (note 7)	798	-	986	-
5920 Add: Realized profit on from sales (note 7)	<u>986</u>	<u>-</u>	<u>755</u>	<u>-</u>
Gross profit from operations	<u>5,116,512</u>	<u>15</u>	<u>1,356,054</u>	<u>5</u>
Operating expenses (notes 6(f)(g)(h)(i)(n) and 7):				
6100 Selling expenses	396,603	1	414,705	2
6200 Administrative expenses	<u>903,900</u>	<u>3</u>	<u>768,130</u>	<u>3</u>
6000 Total operating expenses	<u>1,300,503</u>	<u>4</u>	<u>1,182,835</u>	<u>5</u>
6900 Net operating income	<u>3,816,009</u>	<u>11</u>	<u>173,219</u>	<u>-</u>
Non-operating income and expenses (notes 6(b)(e)(f)(o) and 7):				
7010 Other income	165,850	1	133,919	1
7020 Other gains and losses	(404,480)	(1)	55,669	-
7050 Finance costs	(6,473)	-	(5,457)	-
7070 Share of profit (loss) of subsidiaries and associates accounted for using equity method, net	369,226	1	(84,248)	-
7100 Interest income	<u>62,610</u>	<u>-</u>	<u>113,389</u>	<u>-</u>
Total non-operating income and expenses	<u>186,733</u>	<u>1</u>	<u>213,272</u>	<u>1</u>
Profit before tax	4,002,742	12	386,491	1
7950 Less: Tax expense (note 6(j))	<u>336,825</u>	<u>1</u>	<u>78,288</u>	<u>-</u>
Profit	<u>3,665,917</u>	<u>11</u>	<u>308,203</u>	<u>1</u>
8300 Other comprehensive income (notes 6(e)(j)(k)):				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Loss on remeasurements of defined benefit plans	(237,560)	(1)	(90,058)	-
8330 Share of other comprehensive income of associates accounted for using equity method	(1,342)	-	1,192	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(47,512)</u>	<u>-</u>	<u>(18,012)</u>	<u>-</u>
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(191,390)</u>	<u>(1)</u>	<u>(70,854)</u>	<u>-</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation	144,713	1	(363,918)	(1)
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>28,943</u>	<u>-</u>	<u>(72,784)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>115,770</u>	<u>1</u>	<u>(291,134)</u>	<u>(1)</u>
8300 Other comprehensive income, net	<u>(75,620)</u>	<u>-</u>	<u>(361,988)</u>	<u>(1)</u>
Total comprehensive income	<u>\$ 3,590,297</u>	<u>11</u>	<u>(53,785)</u>	<u>-</u>
9750 Basic earnings per share (expressed in New Taiwan Dollars) (note 6(l))	<u>\$ 5.67</u>		<u>0.48</u>	
9850 Diluted earnings per share (expressed in New Taiwan Dollars)(note 6(l))	<u>\$ 5.67</u>		<u>0.48</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest			Total	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance at January 1, 2019	\$ 6,461,655	19,684,095	4,488,449	379,765	(653,935)	(629,247)	-	(629,247)	29,730,782
Profit for the year ended December 31, 2019	-	-	-	-	308,203	-	-	-	308,203
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(72,208)	(291,134)	1,354	(289,780)	(361,988)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	235,995	(291,134)	1,354	(289,780)	(53,785)
Other changes in capital surplus:									
Capital surplus used to offset accumulated deficits	-	(653,935)	-	-	653,935	-	-	-	-
Cash dividends from capital surplus	-	(452,316)	-	-	-	-	-	-	(452,316)
Balance at December 31, 2019	<u>6,461,655</u>	<u>18,577,844</u>	<u>4,488,449</u>	<u>379,765</u>	<u>235,995</u>	<u>(920,381)</u>	<u>1,354</u>	<u>(919,027)</u>	<u>29,224,681</u>
Profit for the year ended December 31, 2020	-	-	-	-	3,665,917	-	-	-	3,665,917
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(190,011)	115,770	(1,379)	114,391	(75,620)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	3,475,906	115,770	(1,379)	114,391	3,590,297
Appropriation and allocation of earnings									
Legal reserve appropriated	-	-	23,600	-	(23,600)	-	-	-	-
Special reserve appropriated	-	-	-	212,395	(212,395)	-	-	-	-
Other changes in capital surplus:									
Cash dividends from capital surplus	-	(452,316)	-	-	-	-	-	-	(452,316)
Other changes in capital surplus	-	27	-	-	-	-	-	-	27
Balance at December 31, 2020	<u>\$ 6,461,655</u>	<u>18,125,555</u>	<u>4,512,049</u>	<u>592,160</u>	<u>3,475,906</u>	<u>(804,611)</u>	<u>(25)</u>	<u>(804,636)</u>	<u>32,362,689</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Profit Before tax	\$ 4,002,742	386,491
Adjustments:		
Adjustments to reconcile profit :		
Depreciation expense	1,555,481	1,215,863
Amortization expense	-	2,413
Expected credit gain	-	(10,851)
Interest expense	6,473	5,457
Interest income	(62,610)	(113,389)
Share of (profit) loss of subsidiaries and associates accounted for using equity method	(369,226)	84,248
Gain on disposal of property, plant and equipment	(7,863)	(28,419)
Unrealized profit on from sales	798	986
Realized profit on from sales	(986)	(755)
Unrealized foreign exchange loss	85,155	86,628
Loss (gain) on impairment on non-financial assets	36,198	(59)
Total adjustments to reconcile profit	<u>1,243,420</u>	<u>1,242,122</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in accounts receivable (including related parties)	(1,712,471)	(714,447)
Decrease (increase) in other receivables (including related parties)	8,203	(17,174)
(Increase) decrease in inventories	(558,339)	71,020
Decrease in other current assets	15,548	9,363
Total changes in operating assets	<u>(2,247,059)</u>	<u>(651,238)</u>
Changes in operating liabilities:		
Increase in accounts payable (including related parties)	1,020,106	243,992
Increase (decrease) in other payables	402,159	(77,769)
Increase in other current liabilities	14,272	8,343
Decrease in net defined benefit liability	(46,269)	(25,473)
Total changes in operating liabilities	<u>1,390,268</u>	<u>149,093</u>
Total changes in operating assets and liabilities	<u>(856,791)</u>	<u>(502,145)</u>
Total adjustments	<u>386,629</u>	<u>739,977</u>
Cash inflow generated from operations	4,389,371	1,126,468
Interest received	65,463	113,663
Interest paid	(6,473)	(5,457)
Income taxes refund	391	83
Net cash flows from operating activities	<u>4,448,752</u>	<u>1,234,757</u>
Cash flows used in investing activities:		
Decrease (increase) in other receivables due from related parties	1,000,000	(2,578,010)
Acquisition of investments accounted for using equity method	(1,456,560)	(472,968)
Acquisition of property, plant and equipment	(3,036,130)	(3,023,168)
Proceeds from disposal of property, plant and equipment	14,520	28,072
(Increase) decrease in other non-current assets	(215)	596
Dividends received	29,187	-
Net cash flows used in investing activities	<u>(3,449,198)</u>	<u>(6,045,478)</u>
Cash flows used in financing activities:		
(Decrease) increase in guarantee deposits received	(43,856)	548
Payment of lease liabilities	(180,649)	(176,782)
Cash dividends paid	(452,316)	(452,316)
Net cash flows used in financing activities	<u>(676,821)</u>	<u>(628,550)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(35,149)</u>	<u>(20,950)</u>
Net increase (decrease) in cash and cash equivalents	287,584	(5,460,221)
Cash and cash equivalents at beginning of period	<u>4,475,522</u>	<u>9,935,743</u>
Cash and cash equivalents at end of period	<u>\$ 4,763,106</u>	<u>4,475,522</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
NAN YA PRINTED CIRCUIT BOARD CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

Nan Ya Printed Circuit Board Corporation “the Company” was legally established with the approval by the Ministry of Economic Affairs on October 28, 1997, with registered address at 3F, No.201-36, Dunhua N. Rd., Songshan Dist., Taipei City, Taiwan. The Company’s main operating activities are primarily in the manufacturing and selling of printed circuit boards.

(2) Approval date and procedures of the financial statements

The accompanying financial statements were approved and authorized for issue by the Board of Directors on February 25, 2021.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</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”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary	Effective date to be determined by IASB
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	January 1, 2022

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(4) Summary of significant accounting policies

The following significant accounting policies are adopted in the accompanying financial statements. Except for those additional accounting policy disclosures described in Note 3, the significant accounting policies have been applied consistently to each of the periods presented in these financial statements.

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as The Regulations).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

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

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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 currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) 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 one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

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

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and 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 should be recognized as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
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These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, accounts receivable, other receivables, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and 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 accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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Notes to Financial Statements

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- 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. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

5) Derecognition of financial assets

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

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Notes to Financial Statements

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(g) Inventories

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

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

(h) Investment in associates

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

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

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

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

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

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(i) Investment in subsidiaries

On preparing financial statements, the Company values the investees over which it holds control using the equity method. Under the equity method, net income and other comprehensive income on the separate financial statement is the same as the net income and other comprehensive income attributable to parent on the consolidated financial statements. The stockholders' equity on the separate financial statement is the same as the stockholders' equity attributable to the parent on the consolidated financial statement.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings:	25 to 35 years
2) Machinery equipment:	3 to 15 years
3) Vehicles:	6 to 15 years
4) Miscellaneous equipment:	5 to 15 years

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

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(k) Leases

(i) Identifying a lease

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

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

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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 Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there are 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 or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(iii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

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

(l) Intangible assets

(i) Technical cooperation fee

The technical cooperation fee paid by the Company is measured at cost, less, accumulated amortization and accumulated impairment loss.

(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 expenditures are 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.

Amortization is recognized as an expense on a straight-line basis over the estimated useful lives from the date that the technical cooperation fee is made available for use. The estimated useful life for the technical cooperation fee is 10 years.

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

(m) Impairment of non-financial assets

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

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 cash-generating units(CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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.

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

(n) Revenue recognition

(i) Revenue from contracts with customers

Revenue 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 accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

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

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2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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(iii) Short-term employee benefits

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

(p) 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. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they 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 Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

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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 improves.

(q) Earnings per share

The Company reports the basic earnings per share and the diluted earnings per share. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholder of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee compensation.

(r) Operating segments

The Company disclosed information on its operating segments in its consolidated financial statements. Therefore, no information on operating segments is disclosed in the separate financial statements.

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

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following 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 Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

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(b) Impairment assessment of property, plant and equipment

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 26	1
Cash in banks	974,616	459,387
Time deposits	1,971,052	1,509,138
Cash equivalents	<u>1,817,412</u>	<u>2,506,996</u>
	<u>\$ 4,763,106</u>	<u>4,475,522</u>

Please refer to note 6(p) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable – non-related parties	\$ 8,162,740	6,507,837
Accounts receivable – related parties	9,846	23,015
Less: Loss allowance	<u>(47,954)</u>	<u>(47,954)</u>
	<u>\$ 8,124,632</u>	<u>6,482,898</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision of receivables as of December 31, 2020 and 2019 both amounted to \$47,954. The expected loss rate as of December 31, 2020 is 0.551% for current, 1.577% for past due within 3 months, 24.224% for 3 to 6 months past due, 72.676% for 6 to 12 months past due and 100% for past due over 1 year. The expected loss rate is lower than 1% as of December 31, 2019.

(Continued)

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The aging analysis of accounts receivable with expected credit losses were determined as follows:

	December 31, 2020	December 31, 2019
Past due within 3 months	\$ 56,074	38,919
Past due 3 to 6 months	7,748	1,993
Past due 6 to 12 months	6	903
Past due over 1 year	529	-
	<u>\$ 64,357</u>	<u>41,815</u>

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

	For the years ended December 31,	
	2020	2019
Balance as of January 1	\$ 47,954	58,805
Impairment losses reversed	-	(10,851)
Balance as of December 31	<u>\$ 47,954</u>	<u>47,954</u>

As of December 31, 2020 and 2019, the Company did not provide any accounts receivable as collateral for its loans.

(c) Other receivables

	December 31, 2020	December 31, 2019
Other receivables—others	\$ 131,726	144,832
Other receivables—other related parties	4,885	-
Other receivables—loans to related parties	3,000,000	4,000,000
Less: Loss allowance	-	-
	<u>\$ 3,136,611</u>	<u>4,144,832</u>

For further credit risk information, please refers to note 6(p).

(d) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 757,852	703,254
Work in process	1,746,735	1,449,896
Raw materials	393,037	281,482
Supplies	152,651	57,304
	<u>\$ 3,050,275</u>	<u>2,491,936</u>

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

For the years ended December 31, 2020 and 2019, raw materials, supplies, and changes in the finished goods and work in process recognized as cost of goods sold amounted to \$28,250,898 and \$24,373,952, respectively.

For the years ended December 31, 2020 and 2019, net realizable value of inventories has increased due to the increase in market price, the Company recognized a gain from recovery in the value of inventories of \$30,294 and \$40,184, which were credited to cost of goods sold, respectively.

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loan.

(e) Investments accounted for using the equity method

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

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 11,549,510	9,616,861
Associates	487,152	475,710
	<u>\$ 12,036,662</u>	<u>10,092,571</u>

(i) Subsidiaries

For subsidiaries, please refer to the consolidated financial statements for the year ended December 31, 2020.

(ii) Associates

On December 16, 2019, the Company acquired 3% of the shares of Formosa Advanced Technologies Co., Ltd. (FATC), by cash, amounting to \$472,968, which was deducted from the transaction cost.

The related information of associate to the Company was as follows:

Name of Associates	Nature of Relationship to the Company	Registration country	Percentage of ownership	
			December 31, 2020	December 31, 2019
Formosa Advanced Technologies Co., Ltd. (FATC)	It mainly engages in assembling and testing of IC.	Taiwan	3 %	3 %

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

Aggregate information of associates that were not individually material:

	For the years ended	
	December 31,	
	2020	2019
Attributable to the Company:		
Net income	\$ 41,970	1,550
Other comprehensive income	(1,342)	1,192
Total comprehensive income	<u>\$ 40,628</u>	<u>2,742</u>

(iii) Collateral

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using equity method as collateral for its loans.

(f) Property, plant and equipment

The cost and accumulated depreciation and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Building	Machinery and equipment	Vehicles	Miscellaneous equipment	Construction in progress	Total
Cost:						
Balance as of January 1, 2020	\$ 2,149,857	24,576,230	13,650	4,287,208	473,591	31,500,536
Additions	-	282,963	1,303	20,836	2,731,028	3,036,130
Disposals	-	(1,398,761)	(650)	(11,486)	-	(1,410,897)
Reclassification	8,243	2,700,922	-	59,679	(2,768,844)	-
Balance as of December 31, 2020	<u>\$ 2,158,100</u>	<u>26,161,354</u>	<u>14,303</u>	<u>4,356,237</u>	<u>435,775</u>	<u>33,125,769</u>
Balance as of January 1, 2019	\$ 2,149,857	23,753,744	15,833	4,147,613	405,274	30,472,321
Additions	-	258,041	1,300	20,666	2,743,161	3,023,168
Disposals	-	(1,986,708)	(3,483)	(4,762)	-	(1,994,953)
Reclassification	-	2,551,153	-	123,691	(2,674,844)	-
Balance as of December 31, 2019	<u>\$ 2,149,857</u>	<u>24,576,230</u>	<u>13,650</u>	<u>4,287,208</u>	<u>473,591</u>	<u>31,500,536</u>
Accumulated depreciation and impairment:						
Balance as of January 1, 2020	\$ 1,224,178	19,731,019	7,274	3,594,156	-	24,556,627
Depreciation for the period	60,482	1,220,322	902	92,088	-	1,373,794
Impairment loss	-	36,198	-	-	-	36,198
Disposals	-	(1,388,171)	(650)	(11,487)	-	(1,400,308)
Reclassification	-	(206)	-	206	-	-
Balance as of December 31, 2020	<u>\$ 1,284,660</u>	<u>19,599,162</u>	<u>7,526</u>	<u>3,674,963</u>	<u>-</u>	<u>24,566,311</u>

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

	<u>Building</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 1,160,658	20,815,103	9,996	3,515,614	-	25,501,371
Depreciation for the period	63,520	890,131	761	83,113	-	1,037,525
Recovery of impairment loss	-	(59)	-	-	-	(59)
Disposals	-	(1,973,965)	(3,483)	(4,762)	-	(1,982,210)
Reclassification	-	(191)	-	191	-	-
Balance as of December 31, 2019	<u>\$ 1,224,178</u>	<u>19,731,019</u>	<u>7,274</u>	<u>3,594,156</u>	<u>-</u>	<u>24,556,627</u>
Carrying amounts:						
Balance as of December 31, 2020	<u>\$ 873,440</u>	<u>6,562,192</u>	<u>6,777</u>	<u>681,274</u>	<u>435,775</u>	<u>8,559,458</u>
Balance as of December 31, 2019	<u>\$ 925,679</u>	<u>4,845,211</u>	<u>6,376</u>	<u>693,052</u>	<u>473,591</u>	<u>6,943,909</u>

The Company recognized an impairment loss amounted to \$36,198 for the year ended December 31, 2020, was due to incapability for future manufacturing process of some of the machinery equipment, the Company expected a decrease in the future cash flow, leading to the value in use smaller than a carrying amount. The recovery of impairment which amounted to \$59 for the year ended December 31, 2019 was due to the sale of impaired machinery equipment. For gains and losses on disposals, please refer to note 6(o). The Company uses the value of use as the recoverable amount of the property, plant and equipment.

(g) Right-of-use assets

The Company leases assets including land and buildings. Information about leases for which the Company as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2020	\$ 147,878	315,296	463,174
Additions	-	69,042	69,042
Change in an index of lease payment	718	-	718
Balance as of December 31, 2020	<u>\$ 148,596</u>	<u>384,338</u>	<u>532,934</u>
Balance as of January 1, 2019	\$ 132,361	72,766	205,127
Additions	18,507	313,624	332,131
Write-off	(2,990)	(72,798)	(75,788)
Change in an index of lease payment	-	1,704	1,704
Balance as of December 31, 2019	<u>\$ 147,878</u>	<u>315,296</u>	<u>463,174</u>
Accumulated depreciation:			
Balance as of January 1, 2020	\$ 50,128	52,422	102,550
Depreciation for the period	53,524	128,163	181,687
Balance as of December 31, 2020	<u>\$ 103,652</u>	<u>180,585</u>	<u>284,237</u>

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance as of January 1, 2019	\$ -	-	-
Depreciation for the period	53,118	125,220	178,338
Write off	<u>(2,990)</u>	<u>(72,798)</u>	<u>(75,788)</u>
Balance as of December 31, 2019	<u>\$ 50,128</u>	<u>52,422</u>	<u>102,550</u>
Carrying amount:			
Balance as of December 31, 2020	<u>\$ 44,944</u>	<u>203,753</u>	<u>248,697</u>
Balance as of December 31, 2019	<u>\$ 97,750</u>	<u>262,874</u>	<u>360,624</u>

(h) Lease liabilities

The carrying amount of the lease liabilities was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 171,201</u>	<u>157,651</u>
Non-current	<u>\$ 80,090</u>	<u>204,529</u>

For the maturity analysis, please refer to note 6(p).

The amounts recognized in profit or loss was as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 4,938</u>	<u>4,113</u>
Variable lease payment not included in the measurement of lease liabilities; expenses relating to short-term leases; expenses relating to leases of low-value assets	<u>\$ 49,484</u>	<u>41,736</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 235,071</u>	<u>222,631</u>

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(i) Real estate leases

As of December 31, 2020, the Company leases land and buildings to be used for its office space and plants, which typically run for a period of 3 years.

(ii) Other leases

The Company leases equipment with contract terms ranging from 1 to 3 years. These leases are short-term leases or leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(i) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 2,780,999	2,526,519
Fair value of the plan assets	<u>(810,062)</u>	<u>(746,873)</u>
Net defined benefit liabilities	<u>\$ 1,970,937</u>	<u>1,779,646</u>

Contributions are made to an independent fund that is deposited with Bank of Taiwan. For employees that are eligible for the Labor Standards Act, the payments of retirement benefits are based on the years of service and the average salary for the last six months before the employee's retirement.

1) Composition of the plan assets

The Labor Pension Fund Supervisory Committee (the "LPFSC") manages the Company's pension fund which is being funded according to the Labor Standards Act. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by the local banks.

As of the report date, the Company's pension fund with Bank of Taiwan amounted to \$810,062. Please refer to the related information published on the website of the Labor Pension Fund Supervisory Committee concerning the utilization of the labor pension fund, related yield rate, and its allocation.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

- 2) Movements in the present value of the defined benefit obligations were as follows:

The movements in the present value of defined benefit obligations of the Company for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended	
	December 31,	
	2020	2019
Present value of defined benefit obligations as of January 1,	\$ 2,526,519	2,399,399
Current service cost and interest	49,477	56,156
Remeasurement of net defined benefit obligations		
-Experience adjustments	259,389	111,461
Benefits paid	<u>(54,386)</u>	<u>(40,497)</u>
Present value of defined benefit obligations as of December 31,	<u>\$ 2,780,999</u>	<u>2,526,519</u>

- 3) Movements in the fair value of the plan assets were as follows:

The movements in the fair value of the plan assets of the Company for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended	
	December 31,	
	2020	2019
Fair value of plan assets as of January 1,	\$ 746,873	684,338
Interest income	7,675	8,813
Remeasurements of net defined benefit obligations		
-Return on plan assets for the period (excluding interest for the period)	21,829	21,403
Appropriations to the plan	72,527	68,938
Benefits paid by plan assets	<u>(38,842)</u>	<u>(36,619)</u>
Fair value of plan assets as of December 31,	<u>\$ 810,062</u>	<u>746,873</u>

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

4) Expense recognized as profit or loss

Expense of the Company recognized as profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
	Current service cost	\$ 24,357
Net interest of defined benefit obligations	17,445	21,009
	\$ 41,802	47,343

	For the years ended December 31,	
	2020	2019
	Operating costs	\$ 36,053
Selling expenses	1,118	1,288
Administrative expenses	4,631	5,071
	\$ 41,802	47,343

5) Remeasurements of the net defined benefit obligations recognized as other comprehensive income

The Company's cumulated pretax remeasurements of the net defined benefit obligations recognized in other comprehensive income were as follows:

	For the years ended December 31,	
	2020	2019
	Balance as of January 1,	\$ (339,101)
Recognized in the current period	(237,560)	(90,058)
Balance as of December 31,	\$ (576,661)	(339,101)

6) Actuarial assumptions

The principal actuarial assumptions as of December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Discount rate	1.00 %	1.00 %
Future salary increase rate	2.50 %	2.50 %

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

The Company is expected to make a contribution of \$74,601 to the defined benefit plans for the one-year period after the reporting date.

The weighted average duration of the defined benefit plan is 16.3 years.

7) Sensitivity analysis

As of December 31, 2020 and 2019, the effects on the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect on present value of defined benefit obligations	
	Decrease Amount	Increase Amount
December 31, 2020		
Discount rate (0.25% variation)	\$ 107,513	(102,619)
Future salaries (1% variation)	(380,509)	448,338
December 31, 2019		
Discount rate (0.25% variation)	106,769	(101,610)
Future salaries (1% variation)	(374,779)	446,786

The sensitivity analysis was conducted based on the assumption that only a single variable changed and all other variables remained constant. However, the assumptions may be correlated. The sensitivity analysis adopts the same methods used in determining the defined benefit liability on the balance sheet.

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

(ii) Defined contribution plan

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

The Company's pension costs under the contribution pension plan amounted to \$201,132 and \$187,877 for the years ended December 31, 2020 and 2019, respectively.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(j) Income tax

(i) Income tax expense

The details of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Current income tax expense	\$ -	1,550
Deferred tax expense	336,825	76,738
Income tax expense	\$ 336,825	78,288

The details of income tax benefit (expense) under other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	\$ 47,512	18,012
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (28,943)	72,784

Reconciliation of income tax and profit before tax for the years ended December 31, 2020 and 2019 were as follow:

	For the years ended December 31,	
	2020	2019
Profit before tax	\$ 4,002,742	386,491
Income tax expense calculated based on profit before tax	\$ 800,549	77,298
Reversal of previously unrecognized tax loss	(477,066)	(13,782)
Effect of profit of associates accounted for using equity method	(8,394)	(310)
Other adjustments required by the tax law	21,736	13,532
Other taxes	-	1,550
Income tax expense	\$ 336,825	78,288

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(ii) Deferred tax assets and liabilities

- 1) As of December 31, 2020 and 2019, the Company's unrecognized deferred tax assets amounted to \$521,989 and \$999,055, respectively. The Company's unrecognized deferred tax liabilities both amounted to \$0.
- 2) Recognized deferred tax liabilities and assets

Movements in recognized deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred tax liabilities:

	Foreign investment income	Exchange differences on translation of foreign financial statements	Others	Total
Balance on January 1, 2020	\$ 820,498	-	427,282	1,247,780
Recognized in profit or loss	65,452	-	-	65,452
Balance on December 31, 2020	<u>\$ 885,950</u>	<u>-</u>	<u>427,282</u>	<u>1,313,232</u>
Balance on January 1, 2019	\$ 837,658	33	427,282	1,264,973
Recognized in profit or loss	(17,160)	-	-	(17,160)
Recognized in other comprehensive income	-	(33)	-	(33)
Balance on December 31, 2019	<u>\$ 820,498</u>	<u>-</u>	<u>427,282</u>	<u>1,247,780</u>

Deferred tax assets:

	Defined benefit plan	Exchange differences on translation of foreign financial statements	Others	Total
Balance on January 1, 2020	\$ 349,297	230,096	489,395	1,068,788
Recognized in profit or loss	(9,254)	-	(262,119)	(271,373)
Recognized in other comprehensive income	47,512	(28,943)	-	18,569
Balance on December 31, 2020	<u>\$ 387,555</u>	<u>201,153</u>	<u>227,276</u>	<u>815,984</u>
Balance on January 1, 2019	\$ 336,380	157,345	578,198	1,071,923
Recognized in profit or loss	(5,095)	-	(88,803)	(93,898)
Recognized in other comprehensive income	18,012	72,751	-	90,763
Balance on December 31, 2019	<u>\$ 349,297</u>	<u>230,096</u>	<u>489,395</u>	<u>1,068,788</u>

- (iii) The Company's tax returns for the year through 2018 were assessed by the ROC tax authority.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

- (iv) The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. As of December 31, 2020, unused loss carry forward available to the Company were as follows:

<u>Year</u>	<u>Unused loss carry forward</u>	<u>Expiry year</u>
2016 (Assessment)	\$ 698,377	2026
2017 (Assessment)	1,881,034	2027
2018 (Assessment)	<u>429,770</u>	2028
Total	<u><u>\$ 3,009,181</u></u>	

- (k) Capital and other equity interest

- (i) Ordinary share

As of December 31, 2020 and 2019, the Company's total authorized capital both amounted to \$7,000,000, of which \$84,110 were reserved for stock options. As of December 31, 2020 and 2019, the total authorized common stocks were both 700,000 thousand shares, and the total issued common stocks both amounted to 646,166 thousand shares, with \$10 par value per share.

- (ii) Capital surplus

The components of capital surplus were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Paid-in capital in excess of par value	\$ 17,874,841	18,327,157
Employee stock options	250,434	250,434
Others	<u>280</u>	<u>253</u>
	<u><u>\$ 18,125,555</u></u>	<u><u>18,577,844</u></u>

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

As approved by the stockholders' meeting on June 17, 2020 and June 14, 2019, the Company resolved to appropriate both \$452,316 out of its paid-in capital in excess of par value as cash dividends to its shareholders both \$0.7 (NTD) per stock.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(iii) Retained earnings

According to the rules of the Company' s articles, the Company' s annual net earnings, 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. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. 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.

The Company adopts three kinds of dividend distribution policies, which are cash dividends, capitalization of earnings, and capital surplus. The net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent of the Company' s total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

Information related to special reserve was as follows:

	December 31, 2020	December 31, 2019
Others	\$ 592,160	379,765

According to Ruling No. 1010012865 by FSC dated April 6, 2012, when the Company distributes its earnings, it should set aside from the earnings of the current period and the accumulated unappropriated earnings a special reserve which is equivalent to the amount of the net reductions of other equity interest in the current period. If the distributed earnings were appropriated from the accumulated unappropriated earnings of prior periods, a special reserve which is equivalent to the amount of the distribution should be appropriated. If subsequently there is a reversal of the reductions in other equity interest, earnings can be distributed from the reversal. Except for the above appropriations required by the regulations, the special reserve also includes:

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

The special reserve includes the following:

- a) Special reserve recorded for special purposes.
 - b) Investment income under the equity method.
 - c) Net valuation gains from financial instrument transactions. Only when its accumulated amount decreases, the special reserve should be decreased at the same amount and is restricted to the recognized amount in this item.
- (iv) Other equity interest (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balances as of January 1, 2020	\$ (920,381)	1,354	(919,027)
Exchange differences on translation of foreign operations	115,770	-	115,770
Unrealized gains (losses) from financial assets measured at fair value through associates accounted for using the equity method	-	(1,379)	(1,379)
Balances as of December 31, 2020	<u>\$ (804,611)</u>	<u>(25)</u>	<u>(804,636)</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balances as of January 1, 2019	\$ (629,247)	-	(629,247)
Exchange differences on translation of foreign operations	(291,134)	-	(291,134)
Unrealized gains (losses) from financial assets measured at fair value through associates accounted for using the equity method	-	1,354	1,354
Balances as of December 31, 2019	<u>\$ (920,381)</u>	<u>1,354</u>	<u>(919,027)</u>

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(l) Earnings per share

Calculation of earnings per share for the years ended December 31, 2020 and 2019 were as follows:

(i) Basic earnings per share

1) Net profit attributable to equity shareholders of the Company

	For the years ended December 31,	
	2020	2019
	Net profit attributable to equity shareholders of the Company	\$ 3,665,917

2) Weighted average number of ordinary shares outstanding

	For the years ended December 31,	
	2020	2019
	Weighted average number of ordinary shares outstanding (in thousands of shares)	646,166

(ii) Diluted earnings per share

1) Net profit attributable to equity shareholders of the Company (diluted)

	For the years ended December 31,	
	2020	2019
	Net profit attributable to equity shareholders of the Company (diluted)	\$ 3,665,917

2) Weighted average number of ordinary shares outstanding (diluted)

	For the years ended December 31,	
	2020	2019
	Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)	646,166
Effects of dilutive potential ordinary shares		
Effects of employee stock compensation (in thousands of shares)	45	14
Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares)	646,211	646,180

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31,	
	2020	2019
Primary geographical markets:		
Taiwan	\$ 16,702,121	13,392,928
Mainland China	10,688,184	6,376,707
Korea	2,318,737	2,207,036
Other countries	<u>3,658,180</u>	<u>3,753,566</u>
	<u>\$ 33,367,222</u>	<u>25,730,237</u>
Major products:		
Printed circuit board	\$ 33,321,233	25,688,137
Others	<u>45,989</u>	<u>42,100</u>
	<u>\$ 33,367,222</u>	<u>25,730,237</u>

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable from operating activities	\$ -	-	185
Accounts receivable— non-related parties	8,162,740	6,507,837	5,881,355
Accounts receivable— related parties	9,846	23,015	13,983
Less: Loss allowance	<u>(47,954)</u>	<u>(47,954)</u>	<u>(58,805)</u>
	<u>\$ 8,124,632</u>	<u>6,482,898</u>	<u>5,836,718</u>

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

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(n) Employee compensation

According to the Company's Articles of Incorporation, which are subject to the shareholders' approval, the Company's annual net profit should be set aside from the allocation 0.05% to 0.5% as employee compensation based on the Company's net profit before tax offsetting employee compensation. When the Company incurs accumulated deficit, the Company should be reserved in advance with covering the accumulated deficit. The remunerations to employees amounted to \$7,641 and \$630 for the years ended December 31, 2020 and 2019, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees for each period, multiplied by the proposed percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for the period. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors. If there are any subsequent adjustments to the actual remuneration amounts after the approval by the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Related information would be available at the Market Observation Post System website. The remunerations to employees approved by the Board of Directors were same as the financial report for the years ended December 31, 2020 and 2019.

(o) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2020	2019
Interest income from bank deposits	\$ 12,813	61,213
Other interest income	49,797	52,176
	<u>\$ 62,610</u>	<u>113,389</u>

(ii) Other income

The details of other income were as follows:

	For the years ended December 31,	
	2020	2019
Lease revenue	\$ 71,086	32,120
Gain on recovery of expected credit loss	-	10,851
Others	94,764	90,948
	<u>\$ 165,850</u>	<u>133,919</u>

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(iii) Other gains and losses

The details of other gains and (losses) were as follows:

	For the years ended December 31,	
	2020	2019
Net foreign exchange loss	\$ (357,757)	(70,174)
Gain on disposal of property, plant and equipment	7,863	28,419
Gain on disposal of recycled materials	-	115,088
(Impairment loss) gain on recovery of impairment loss	(36,198)	59
Others	(18,388)	(17,723)
	\$ (404,480)	55,669

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31,	
	2020	2019
Interest expense	\$ (6,473)	(5,457)

(p) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets after deducting the warranty amount represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk were \$7,165,540 and \$6,225,021, respectively.

2) Concentration of credit risk

Since most of the Company's clients are renowned international companies with good credit which scatter in different industries and geographic areas, the Company does not make concentrated transactions with any specific client. Therefore, there is no concentration of credit risk for accounts receivable. In order to reduce its credit risk, the Company assesses the financial condition of clients consistently and periodically.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(ii) Liquidity risk

The following table shows the remaining contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount	Contractual cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 2,994,467	2,994,467	2,994,467	-	-	-	-
Other payables	1,672,290	1,672,290	1,672,290	-	-	-	-
Lease liabilities (including current portion)	<u>251,291</u>	<u>254,087</u>	<u>92,807</u>	<u>80,776</u>	<u>80,504</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,918,048</u>	<u>4,920,844</u>	<u>4,759,564</u>	<u>80,776</u>	<u>80,504</u>	<u>-</u>	<u>-</u>
December 31, 2019							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 1,995,092	1,995,092	1,995,092	-	-	-	-
Other payables	1,270,157	1,270,157	1,270,157	-	-	-	-
Lease liabilities (including current portion)	<u>362,180</u>	<u>368,386</u>	<u>80,876</u>	<u>80,876</u>	<u>149,754</u>	<u>56,880</u>	<u>-</u>
	<u>\$ 3,627,429</u>	<u>3,633,635</u>	<u>3,346,125</u>	<u>80,876</u>	<u>149,754</u>	<u>56,880</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 foreign currency risk

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

	December 31, 2020		
	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets			
<u>Monetary items</u>			
USD	\$	311,676	28.5080
EUR		729	34.5600
JPY		7,047	0.2724
CNY		181	4.3691
Financial liabilities			
<u>Monetary items</u>			
USD		74,787	28.5080
JPY		630,515	0.2724

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

	December 31, 2019		
	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 240,669	30.1060	7,245,566
EUR	30	33.6895	1,004
JPY	247,039	0.2763	68,257
CNY	70	4.3155	301
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	41,603	30.1060	1,252,500
EUR	78	33.6895	2,641
JPY	741,295	0.2763	204,820

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables which are denominated in foreign currencies. A 1% depreciation or appreciation of the NTD against the USD as of December 31, 2020 and 2019 would have increased or decreased the net income before tax by \$67,532 and \$59,931 for the years ended December 31, 2020 and 2019, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Due to the variety of functional currencies, the Company disclosed its aggregated foreign exchange gains (losses); the Company's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2020 and 2019 were the net exchange losses of \$357,757 and \$70,174, respectively.

(iv) Interest rate analysis

The Company's exposure to interest rate risk arising from financial assets and liabilities is described in the liquidity risk section of this note.

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase or decrease in interest rate is assessed by management to be a reasonably possible change in interest rate.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

	Carrying amount	December 31, 2019			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial liabilities measured by amortized cost					
Accounts payable (including related parties)	\$ 1,995,092	-	-	-	-
Other payables	1,270,157	-	-	-	-
Lease liabilities (including current portion)	<u>362,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,627,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Financial liabilities measured by amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

If a quoted price is available on an active market, the market price should be used as the fair value; the market price published by the primary stock exchanges as the basis of fair value evaluation for listed equity instruments.

Financial instruments have an active market price when the public offer of financial instruments, which represents the actual price of the fair market where transactions often incur, can be frequently and promptly obtained from brokers, underwriters, industrial unions, institutes of pricing services and authorities. The market is considered inactive when conditions mentioned above are not met. In general, high or incremental differences between the buying and selling price or low trading volumes are indications of inactive markets.

The fair values of financial instruments are measured by referring to the price of other commencing components.

4) Transfers between Level 1 and Level 2

There were no transfers from Level 1 to Level 2 for the years ended December 31, 2020 and 2019.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(q) Financial risk management

(i) Nature and extent

The Company has exposures to the following risks from holding certain financial instruments:

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

This note expresses the information of risk exposure, the goals, policies and procedures for the Company to measure and manage risks. Please refer to each note in financial statements for further quantitative disclosures.

(ii) Framework of risk management

The risk management policies are established according to the regulations of the authorities and the policy of the corporation. The Company understands that risk management is crucial to the business operation when facing the ever-changing market conditions. The Company, through strict internal control and complete risk management system, aims to effectively control the credit, liquidity, and market risk when operating. By doing so, the Company hopes to achieve its goal of sustainable operation.

The internal audit section of the Company reviews the effectiveness and appropriateness of each risk hedge transaction on a nonscheduled basis and reports the results to the Board of Directors.

(iii) Credit risk

Credit risk is the risk that resulted from receivables generated from operating activities and financial investments (including bank deposits, investments with fixed return, and other financial instruments).

1) Accounts receivable

To insure the collection of accounts receivable, the Company established risk management relating to operations, including operation goal management, credit authorization management, and accounts receivable management, constantly paying attention to the operating condition and dynamics of the client in order to take necessary measures and to prevent impairment of accounts receivable.

Most of the counterparties of the Company's accounts receivable are renowned international companies with good reputation, scattering across different industrial and geographic regions. For the years ended December 31, 2020 and 2019, sales to clients that exceeded 10% of the revenue were accounted for 39.80% and 38.83%, of the total revenue respectively. The credit risk concentration for other accounts receivable are relatively immaterial.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

2) Financial investments

The credit risk of bank deposits, fixed return investments and other financial instruments conforms to the financial framework of the Company. To prevent default from counterparties due to credit abnormalities, the Company trades mostly with companies with long-term credit rating, larger scale and higher liquidity. Also, the Company explicitly states different credit levels and ranges for counterparties according to the risk and period of financial instruments.

(iv) Liquidity risk

The goal of liquidity risk management of the Company is to ensure enough cash and cash equivalents, highly liquid securities, and sufficient bank financing credit to ensure sufficient financial flexibility.

(v) Market risk

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

1) Exchange rate risk

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

Deficit of foreign currency funds for daily operations are offset by spot exchange or forward exchange agreements bought in during an advantageous situation. For foreign currency long-term debt, in order to minimize the impact of exchange rate changes on the Company's profit, the Company signs long period forward exchange agreements or cross currency swaps with several renowned international banks at times when exchange rates are favorable.

2) Interest rate risk

The Company has no short-term or long-term loans. Therefore, the fluctuation of interest rate in the market do not have significant impact on the Company's cash flows.

(r) Capital management

The capital management of the Company focuses on ensuring necessary financial resources and operation plans support the Company's operating funds, capital expenditure, research and development expense, and dividend payments in the following 12 months.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

- (s) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019 were as follows:

- (i) For right-of-use assets, please refer to note 6(g).
(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Acquisition	
Lease liabilities (including current portion)	\$ <u>362,180</u>	<u>(180,649)</u>	<u>-</u>	<u>69,760</u>	<u>251,291</u>
			Non-cash changes		
	January 1, 2019	Cash flows	Foreign exchange movement	Acquisition	December 31, 2019
Lease liabilities (including current portion)	\$ <u>205,127</u>	<u>(176,782)</u>	<u>-</u>	<u>333,835</u>	<u>362,180</u>

(7) Related-party transactions

- (a) Parent company and ultimate controlling party

The parent company of the Company, also the ultimate control party of the Company, holds 66.97% of the outstanding shares of the Company and has prepared consolidated financial statements for the public.

- (b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Nan Ya Plastics Corporation	The parent company
Nan Ya PCB (Hong Kong) Corp.	The Company's subsidiary
Nan Ya PCB (USA) Corp.	The Company's subsidiary
Nan Ya PCB (Kunshan) Corp.	The Company's subsidiary
Formosa Advanced Technologies Co., Ltd.	The Company's associates (Note)
Formosa Plastics Corporation	The Company's parent company is the company's board of director
Formosa Heavy Industries Corporation	The Company's parent company is the company's board of director

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Formosa Plastics Marine Corporation	The Company's parent company is the company's board of director
Formosa Biomedical Technology Corp.	The Company's parent company is a board of director of the company
Wellink Technology Co., Ltd.	The same chairman
Formosa Taffeta Co., Ltd.	The Company's board of director is the chairman of the company

Note: FATC was the previous other related party of the Company. However, the Company acquired the shares of stock of FATC, it became the Company's associates since December 16, 2019.

(c) Significant related-party transactions

(i) Operating revenues

Significant sales to related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries – NPKC	\$ 32,242	29,359
Associates – FATC	213,434	106,503
Other related parties – others	2,699	4,257
	<u>\$ 248,375</u>	<u>140,119</u>

(ii) Receivables from related parties

The balance of accounts receivable from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Accounts receivable due from related parties	Subsidiaries – NPKC	\$ 9,659	6,430
Accounts receivable due from related parties	Associates – FATC	-	16,398
Accounts receivable due from related parties	Other related parties – others	187	187
		<u>\$ 9,846</u>	<u>23,015</u>

The selling prices and collection terms for the sales to related parties above are not significantly different from those third-party customers, and the normal credit term with the related parties above is collection on open account 70 days. There is no collateral received among related parties accounts receivable and there is no need to estimate loss allowance.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

Downstream realized (unrealized) sales profits arising from sales to subsidiary, NPKC, were as follows:

	For the years ended December 31,	
	2020	2019
Downstream unrealized sales profits	\$ (798)	(986)
Downstream realized sales profits	986	755
	\$ 188	(231)

As of December 31, 2020 and 2019, the balances of unrealized profits from inter-company sales transactions were \$798 and \$986, respectively, which were recognized as a deduction of investments accounted for using equity method.

(iii) Purchases from related parties

Significant purchases from related parties were as follows:

	For the years ended December 31,	
	2020	2019
The parent company	\$ 1,060,830	976,164
Subsidiaries – NPKC	8,605,502	8,438,867
Other related parties – others	140,834	134,605
	\$ 9,807,166	9,549,636

(iv) Payables to related parties

The details of accounts payable to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Accounts payable to related parties	The parent company	\$ 82,150	83,490
Accounts payable to related parties	Subsidiaries – NPKC	872,319	978,457
Accounts payable to related parties	Other related parties – others	5,710	6,225
		\$ 960,179	1,068,172

The purchase price from related parties is not significantly different from non-related general parties. The normal credit term with the related parties above is collected on open account 30 days, on open account 60 days, on open account 90 days, and on the day following the day of approving payment, respectively.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(v) Property transactions

- 1) The Company sold equipment to NPKC at \$11,149 and \$9,126, respectively, for the years ended December 31, 2020 and 2019. The uncollected amount as of December 31, 2020 and 2019, amounted to \$4,885 and \$0, respectively, and was recognized under other receivables due from related parties.
- 2) The Company purchased fixed assets from the parent company with the acquisition price of \$11,976 for the year ended December 31, 2020. There was no unpaid balance as of December 31, 2020.
- 3) Downstream realized (unrealized) gain on disposal resulting from the sale of equipment to its subsidiary, NPKC, were as follows:

	For the years ended December 31,	
	2020	2019
Unrealized downstream gain on disposal of property, plant and equipment	\$ (7,441)	(2,893)
Realized downstream gain on disposal of property, plant and equipment	11,373	15,983
Total	\$ 3,932	13,090

As of December 31, 2020 and 2019, unrealized gain on disposal of property, plant and equipment, amounted to \$64,602 and \$68,534, respectively, and was recognized as a deduction of the investments accounted for as using equity method.

4) Acquisition of financial assets

Relationship	Account	Item of transaction	2020		2019	
			Number of shares (in thousands)	Acquisition	Number of shares (in thousands)	Acquisition
Subsidiary	Investments accounted for using equity method	Shares of stock of Nan Ya PCB (Hong Kong) Corp.	374,400	\$ 1,456,560	-	-
Other related parties-others	Investments accounted for using equity method	Shares of stock of Formosa Advanced Technologies Co., Ltd.	-	-	13,267	472,968
			\$ 374,400	\$ 1,456,560	13,267	472,968

(vi) Loan to related parties

The loans to related parties were as follows:

	Other receivables due from related parties	
	December 31, 2020	December 31, 2019
The parent company	\$ 3,000,000	4,000,000
Range of interest rates	1.230%~1.418%	1.418%

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

- 1) The loans to related parties are unsecured. There are no provisions for impairment loss required after management's assessment.
 - 2) For details on loans to other parties, please refer to note 13(a).
- (vii) Lease of property, plant and equipment

- 1) The lease revenue of the Company from leasing its property, plant and equipment to its related parties, accounted for as other income, were as follows:

	Lease revenue	
	For the years ended	
	December 31,	
	2020	2019
The parent company	\$ 29,712	-

The rentals charged to related parties are determined based on the local market prices and rents that are collected monthly depending on the contract. As of December 31, 2020, there was no unrecieved balance .

- 2) The rental expenses of the Company's property, plant and equipment leased from its related parties were as follows:

The Company entered into different lease agreements with its parent company for its Taipei office, as well as its factories and employee dormitories, both located at Luchu Dist., Taoyuan City and Shulin Dist., New Taipei City, with monthly rental fees based on the local market prices within their respective vicinities. For the years ended December 31, 2020 and 2019, the above rentals amounting to \$23,020 and \$22,410, respectively, were recognized as expenses. Upon the application of IFRS 16, with the initial application date on January 1, 2019, the above lease transactions recognized the additional amounts of both \$205,127 of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2020 and 2019, the amount of \$4,938 and \$4,113 was recognized as interest expense. As of December 31, 2020 and 2019, the balance of lease liabilities amounting to \$251,291 and \$362,180, respectively, included the current liabilities amounting to \$171,201 and \$157,651, respectively, and non-current portion amounting to \$80,090 and \$204,529, respectively. For the years ended December 31, 2020 and 2019, the Company recognized the additional amount of \$69,042 and \$332,131 of right-of-use assets.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(viii) Others

The Company appointed NPUC to collect business information, do credit investigation and introduce clients on its behalf; the commission paid to NPUC for the years ended December 31, 2020 and 2019 are \$23,004 and \$23,394, respectively, and all of payable had been paid as of December 31, 2020 and 2019.

(d) Key management personnel compensation

Key management personnel compensation comprised

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 23,019	16,996

(8) Pledged assets: None

(9) Significant Commitments and contingencies

- (a) The outstanding letters of credit for the importation of raw materials by the Company were as follows:

	December 31, 2020	December 31, 2019
Outstanding letters of credit for the importation of raw materials	\$ 230,565	110,548

- (b) The endorsements by the bank were as follows:

	December 31, 2020	December 31, 2019
The guarantee for customs	\$ 35,000	29,000

	December 31, 2020	December 31, 2019
The guarantee for letters of credit	\$ 32,000	24,000

- (c) The Company provided a comfort letter for the loan from Mega International Commercial Bank of the Company's subsidiary, NPKC, and are responsible for monitoring timely repayments.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(12) Other

A summary of current-period employee benefits, depreciation, and amortization by function, were as follows:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	operating costs	operating expenses	Total	operating costs	operating expenses	Total
Employee benefits						
Salaries	5,208,272	598,739	5,807,011	4,158,117	319,204	4,477,321
Labor and health insurance	410,563	40,486	451,049	388,313	38,710	427,023
Pension expenses	218,537	24,397	242,934	211,266	23,954	235,220
Remuneration of directors	-	6,200	6,200	-	6,080	6,080
Other personnel expenses	121,614	13,662	135,276	116,974	8,881	125,855
Depreciation expenses	1,541,922	13,559	1,555,481	1,204,427	11,436	1,215,863
Amortization expenses	-	-	-	2,413	-	2,413

The additional information of the number of employees and the employee benefits were as follows :

	For the years ended December 31,	
	2020	2019
Number of employees	<u>5,863</u>	<u>5,713</u>
Number of directors who were not employees	<u>7</u>	<u>8</u>
The average employee benefit	<u>\$ 1,133</u>	<u>923</u>
The average salaries and wages	<u>\$ 992</u>	<u>785</u>
Percentage of average employee salary adjustment	<u>26.37 %</u>	<u>6.80 %</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company's remuneration policy for its employees (including directors, supervisors, managers and employees) were as follows:

The Company's remuneration policy for its employees (including directors, supervisors, managers and employees) is based on the consideration of the equity of the shareholders and employees. The Company set up salary and remuneration committees to regularly review its directors and managers' performance evaluation and formulate remuneration policies, systems, standards and structures. Furthermore, the Company attracts and retains talented people by providing its employees with a competitive overall salary.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(13) Other disclosures**(a) Information on significant transactions**

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(in thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	NPHK	Other receivables due from related parties	Yes	100,000	100,000	-	-	2	-	Operating capital	-	None	-	8,090,672 (Note 2)	16,181,345 (Note 3)
0	The Company	NYPC	Other receivables due from related parties	Yes	7,000,000	3,000,000	3,000,000	1.230% ~1.418%	2	-	Operating capital	-	None	-	8,090,672 (Note 2)	16,181,345 (Note 3)

Note 1: 1. With business contact

2. Necessary for short-term financing

Note 2: The amount of financing to related parties or parties with business contact is subjected to a limit, which is 25% of the net value. To other counterparties, the limit is 20% of the net value.

Note 3: The amount of financing to others is subjected to a limit, which is 50% of the net value. To those without business contact but in need of fund, the limit is 40% of the net value.

(ii) Guarantees and endorsements for other parties: None**(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):None****(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock:**

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	NPHK	Investments accounted for using the equity method	NPHK	Investments accounted for using the equity method	1,223,820	9,603,122	374,400	1,456,560	-	-	-	-	1,598,220	11,534,930
NPHK	NPKC	Investments accounted for using the equity method	NPKC	Investments accounted for using the equity method	-	9,589,396	-	1,456,560	-	-	-	-	-	11,521,860

Note : Refer to details of investments accounts for using equity method to note 6(e).

(v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None**(vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None**

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Notes to Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock:

(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	NYPK	Parent company	Purchase	1,060,830	5.69 %	O/A 30 days	-	-	(82,150)	(2.74)%	-
The Company	NPKC	Subsidiary of the Company	Purchase	8,605,502	46.19 %	O/A 30 days	-	-	(872,319)	(29.13)%	-
The Company	FATC	Associates	(sale)	(213,434)	(0.64)%	O/A 70 days	-	-	-	-%	-
NPKC	The Company	Parent company	(sale)	(8,605,502)	(62.43)%	O/A 30 days	-	-	872,319	45.50%	-
NPKC	FATC	Associates	(sale)	(201,128)	(1.46)%	O/A 70 days	-	-	46,704	2.44%	-
NPKC	NEMK	Same chairman	Purchase	1,249,818	16.00 %	O/A 60 days	-	-	(147,626)	(9.18)%	-
NPKC	WLTC	Same chairman	Purchase	105,982	1.36 %	O/A 60 days	-	-	(26,916)	(1.67)%	-

- (viii) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock:

(in thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	NYPK	Parent company	Other receivables due from related parties 3,000,000	Note	-		-	-
NPKC	The Company	Parent company	Accounts receivable due from related parties 872,319	9.3	-		872,319	-

Note: Other receivables due from related parties without the calculating of turnover rate.

- (ix) Trading in derivative instruments: None

(b) Information on investees

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

(in thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/(losses) of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying amount			
The Company	NPHK	HK	Business of electronic products	6,477,460	5,020,900	1,598,220,000	100.00 %	11,534,930	325,627	325,627	-
The Company	NPUC	USA	Customer sales promotion	3,479	3,479	1,000,000	100.00 %	14,580	1,629	1,629	-
The Company	FATC	TW	Assembling testing and producing modules for IC	472,968	472,968	13,267,000	3.00 %	487,152	1,402,677	41,970	-

(c) Information on investment in mainland China

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

(in thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Carrying amount	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NPKC	Production and marketing of PCBs	6,474,281	(Note 1)	5,017,721	1,456,560	-	6,474,281	325,553	100.00%	325,553	11,521,860	-

Note 1: NPKC in Mainland China is invested through a company established in a third region.

Note 2: Investment income or loss is recognized according to the financial statements audited by the CPA of the Taiwanese parent company.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Notes to Financial Statements

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note)
6,474,281	6,474,281	-

Note: The Industrial Development Bureau of the MOEA issued a letter to the Company stating that it qualifies under Section 12 of the Statute for Upgrading Industries.

(iii) Significant transactions:

Please refer to “Information on significant transactions” for direct or indirect significant transactions, between the Company and its investees in Mainland China for the year ended December 31, 2020.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Nan Ya Plastics Corporation		432,744,977	66.97 %

- (i) 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 common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.
- (ii) 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.

(14) Segment information:

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

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 26
Cash in banks	Checking account	1,725
	Demand deposits	1,317
	Foreign currency demand deposits (Note 1) (Note 2)	971,574
Time deposits	Time deposits (Note 3)	1,971,052
Cash equivalents	Repurchase bonds (Note 4)	509,106
	Commercial paper (Note 5)	<u>1,308,306</u>
Total		<u>\$ 4,763,106</u>

Note 1:

<u>Exchange rate</u>		<u>Amount</u>	
USD	28.508	USD	33,812
JPY	0.2724	JPY	7,047
EUR	34.56	EUR	144
CNY	4.3691	CNY	181

Note 2:

Note 3:

	<u>Amount</u>	<u>Maturity</u>	<u>Interest rate</u>
USD	20,031	2021.1.4~2021.3.17	0.34%~0.47%
NTD	1,400,000		

Note 4:

	<u>Maturity</u>	<u>Interest rate</u>
	2021.1.4~2021.1.12	0.22%~0.23%

Note 5:

	<u>Maturity</u>	<u>Interest rate</u>
	2021.1.4~2021.1.21	0.22%~0.28%

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statement of accounts receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Name Of Client</u>	<u>Description</u>	<u>Amount</u>
Accounts receivable	Client A	Common Client/Operation	\$ 1,663,213
	Client B	Common Client/Operation	1,521,867
	Client C	Common Client/Operation	1,326,788
	Client D	Common Client/Operation	898,935
	Client E	Common Client/Operation	496,580
	Others (Note)	Common Client/Operation	<u>2,255,357</u>
	Subtotal of accounts receivable		8,162,740
Loss allowance			<u>(47,954)</u>
	Accounts receivable, net		<u>\$ 8,114,786</u>
Receivables due from related parties	Nan Ya PCB (Kunshan) Corporation	Operation	\$ 9,659
	Wellink Technology Co., Ltd.	Operation	<u>187</u>
			<u>\$ 9,846</u>

(Note: The sum of individual accounts with less than 5% of the total amount).

For details on other receivables due from related parties please refer to note 7.

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Raw materials	\$ 393,550	393,037
Supplies	154,567	152,651
Work in process	1,746,735	1,746,735
Finished goods	757,852	757,852
Subtotal	3,052,704	3,050,275
Less: allowance for inventory obsolescence and devaluation	(2,429)	
Inventories, net	\$ 3,050,275	

For details on property, plant and equipment, please refer to note 6(f).

NAN YA PRINTED CIRCUIT BOARD CORPORATION
Statement of changes in investments accounted for using equity method
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

	<u>Balance as of January 1, 2020</u>		<u>Increase</u>		<u>Decrease</u>		<u>Investment Income (loss) on Equity-method</u>	<u>Translation Adjustment on Equity-method</u>	<u>Others (Note)</u>	<u>Balance as of December 31, 2020</u>			<u>Market Value or net carrying amount</u>		
	<u>Shares (in thousands)</u>	<u>Amount</u>	<u>Shares (in thousands)</u>	<u>Amount</u>	<u>Shares (in thousands)</u>	<u>Amount</u>				<u>Shares (in thousands)</u>	<u>Owned%</u>	<u>Amount</u>	<u>Price</u>	<u>Total</u>	<u>Collateral</u>
Accounted for using the equity method:															
NPHK	1,223,820	\$ 9,672,642	374,400	1,456,560	-	-	325,627	145,501	-	1,598,220	100.00 %	11,600,330	-	11,534,930	None
NPUC	1,000	13,739	-	-	-	-	1,629	(788)	-	1,000	100.00 %	14,580	-	14,580	None
FATC	13,267	475,710	-	-	-	-	41,970	-	(30,528)	13,267	3.00 %	487,152	-	487,152	None
Add: Unrealized gain (loss)															
NPHK		(69,520)		-		-	-	-	4,120			(65,400)	-	-	
		<u>\$ 10,092,571</u>		<u>1,456,560</u>		<u>-</u>	<u>369,226</u>	<u>144,713</u>	<u>(26,408)</u>			<u>12,036,662</u>		<u>12,036,662</u>	

Note: Others include dividends received, other comprehensive income on equity-method, and other changes in capital surplus.

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statement of accounts payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts payable	Purchases of raw materials and supplies	\$ 426,708
	Purchases of O/A	1,316,636
	Construction payable	197,917
	Others (sum of amounts less than 5% of the total balance)	<u>93,027</u>
Total		<u>\$ 2,034,288</u>
Accounts payable to related parties	Nan Ya Plastics Corp.	\$ 82,150
	Nan Ya PCB (Kunshan) Corporation	872,319
	Formosa Biomedical Technology Corp	866
	Wellink Technology Co., Ltd.	603
	Formosa Plastics Corporation	<u>4,241</u>
Total		<u>\$ 960,179</u>

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Statement of other payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other payables	Salaries	\$ 1,197,793
	Insurance expense	94,367
	Employees' bonus for holding stocks	145,760
	Others (sum of amounts less than 5% of the total balance)	<u>234,370</u>
Total		<u>\$ 1,672,290</u>

NAN YA PRINTED CIRCUIT BOARD CORPORATION**Statement of operating revenue****For the year ended December 31, 2020****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Unit</u>	<u>Quantity</u>	<u>Amount</u>
Printed circuit board	KSF	16,069	\$ 33,321,233
Others		-	<u>45,989</u>
Total			<u><u>\$ 33,367,222</u></u>

**NAN YA PRINTED CIRCUIT BOARD
CORPORATION**

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Beginning balance of raw materials	\$ 285,468
Purchases	9,895,429
Ending balance of raw materials	(393,550)
Add: Samples provided by manufacturers	68,130
Self-produced raw materials	5,897
Less: Reclassified to manufacturing overhead	167,539
Reclassified to selling and administrative expenses	4,115
Sale of raw materials	5,944
Cost of raw materials consumed	<u>9,683,776</u>
Beginning balance of supplies	59,921
Purchases	1,703,251
Ending balance of supplies	(154,567)
Add: Samples provided by manufacturers	14,655
Less: Reclassified to manufacturing overhead	1,581,395
Reclassified to selling expenses	713
Reclassified to administrative expenses	16,147
Sale of supplies	25,005
Cost of supplies consumed	<u>-</u>
Direct labor	5,027,345
Manufacturing overhead	<u>6,844,644</u>
Manufacturing costs	21,555,765
Beginning balance of work in process	1,472,939
Ending balance of work in process	(1,746,735)
Add: Finished goods transferred in	445,084
Less: Self-produced raw materials transferred to warehouse	5,897
Cost of finished goods	21,721,156
Beginning balance of finished goods	706,331
Add: Purchases of finished goods	7,026,568
Less: Reclassified to selling expenses	876
Reclassified to work in process	445,084
Ending balance of finished goods	<u>(757,852)</u>
Cost of finished goods for the period	28,250,243
Reversal of inventory devaluation	(30,294)
Sale of raw materials and supplies	30,949
Operating costs	<u><u>\$ 28,250,898</u></u>

NAN YA PRINTED CIRCUIT BOARD CORPORATION

Schedule of Manufacturing Overhead

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Indirect labor	\$ 811,501
Depreciation	1,541,922
Construction expenses	1,058,613
Supplies expenses	836,548
Utilities expenses	1,323,061
Maintenance expenses	501,612
Others (Note)	<u>771,387</u>
Total	<u><u>\$ 6,844,644</u></u>

(Note: less than 5% of the total amount)

NAN YA PRINTED CIRCUIT BOARD CORPORATION**Statement of selling expenses****For the year ended December 31, 2020****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Commissions on export sales	\$ 188,692
Salary expenses	120,705
Employee benefits	26,663
Others (Note)	<u>60,543</u>
Total	<u>\$ 396,603</u>

(Note: less than 5% of the total amount)

NAN YA PRINTED CIRCUIT BOARD CORPORATION**Statement of administrative expenses****For the year ended December 31, 2020****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Salary expenses	\$ 356,040
Research and development expense	207,360
Amortization	166,981
Others (Note)	<u>173,519</u>
Total	<u>\$ 903,900</u>

(Note: less than 5% of the total amount)