

**NAN YA PRINTED CIRCUIT BOARD
CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2021 and 2020**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Nan Ya Printed Circuit Board Corporation and its subsidiaries as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020, as well as the changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Nan Ya Printed Circuit Board Corporation and its subsidiaries as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, as well as its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Formosa Advanced Technologies Co., Ltd., an associate of Nan Ya Printed Circuit Board Corporation and its subsidiaries, which represented investment in another entity accounted for using the equity method. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., is based solely on the review report of another auditor. The investment in Formosa Advanced Technologies Co., Ltd. accounted for using the equity method amounting to \$455,455 thousand, constituting 1.14% of consolidated total assets as of June 30, 2020, and the related share of profit of associates accounted for using the equity method amounting to \$10,130 thousand and \$21,753 thousand, constituting 1.08% and 1.45% of the consolidated total profit before tax for the three months and six months ended June 30, 2020, respectively.

The engagement partners on the reviews resulting in this independent auditors' review report are Hui-Chih Ko and Tzu-Hui Lee.

KPMG

Taipei, Taiwan (Republic of China)
August 3, 2021

Notes to Readers

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

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

See accompanying notes to consolidated financial statements.

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

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2021 and 2020

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

| | For the three months ended | | | | For the six months ended | | | |
|---|----------------------------|------------|------------------|------------|--------------------------|------------|-------------------|------------|
| | June 30, | | | | June 30, | | | |
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 Operating revenue (notes 6(o) and 7) | \$ 12,484,947 | 100 | 9,104,077 | 100 | 23,340,766 | 100 | 17,020,842 | 100 |
| 5000 Operating costs (notes 6(d)(f)(g)(j)(k)(p) and 7) | <u>9,114,900</u> | <u>73</u> | <u>7,720,794</u> | <u>85</u> | <u>17,770,775</u> | <u>76</u> | <u>14,853,433</u> | <u>87</u> |
| Gross profit from operations | <u>3,370,047</u> | <u>27</u> | <u>1,383,283</u> | <u>15</u> | <u>5,569,991</u> | <u>24</u> | <u>2,167,409</u> | <u>13</u> |
| Operating expenses (notes 6(f)(g)(j)(k)(p) and 7): | | | | | | | | |
| 6100 Selling expenses | 155,574 | 1 | 101,725 | 1 | 284,953 | 1 | 205,324 | 1 |
| 6200 Administrative expenses | <u>339,697</u> | <u>3</u> | <u>290,792</u> | <u>3</u> | <u>675,865</u> | <u>3</u> | <u>579,076</u> | <u>4</u> |
| 6000 Total operating expenses | <u>495,271</u> | <u>4</u> | <u>392,517</u> | <u>4</u> | <u>960,818</u> | <u>4</u> | <u>784,400</u> | <u>5</u> |
| 6900 Net operating income | <u>2,874,776</u> | <u>23</u> | <u>990,766</u> | <u>11</u> | <u>4,609,173</u> | <u>20</u> | <u>1,383,009</u> | <u>8</u> |
| Non-operating income and expenses (notes 6(e)(f)(j)(q) and 7): | | | | | | | | |
| 7010 Other income | 183,132 | 1 | 42,188 | - | 237,754 | 1 | 89,359 | 1 |
| 7020 Other gains and losses | (182,105) | (1) | (119,339) | (1) | (152,213) | (1) | (20,574) | - |
| 7050 Finance costs | (6,545) | - | (11,823) | - | (8,996) | - | (27,849) | - |
| 7060 Share of profit of associates accounted for using equity method | 10,652 | - | 10,130 | - | 21,647 | - | 21,753 | - |
| 7100 Interest income | <u>12,891</u> | <u>-</u> | <u>22,484</u> | <u>-</u> | <u>28,269</u> | <u>-</u> | <u>50,997</u> | <u>-</u> |
| Total non-operating income and expenses | <u>18,025</u> | <u>-</u> | <u>(56,360)</u> | <u>(1)</u> | <u>126,461</u> | <u>-</u> | <u>113,686</u> | <u>1</u> |
| Profit before tax | 2,892,801 | 23 | 934,406 | 10 | 4,735,634 | 20 | 1,496,695 | 9 |
| 7950 Less: Tax expense (note 6(l)) | <u>564,006</u> | <u>4</u> | <u>101,472</u> | <u>1</u> | <u>822,002</u> | <u>3</u> | <u>197,061</u> | <u>1</u> |
| Profit | <u>2,328,795</u> | <u>19</u> | <u>832,934</u> | <u>9</u> | <u>3,913,632</u> | <u>17</u> | <u>1,299,634</u> | <u>8</u> |
| 8300 Other comprehensive income (notes 6(e)(l)(m)): | | | | | | | | |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | |
| 8320 Share of other comprehensive income of associates accounted for using equity method | (2,494) | - | 8,092 | - | 1,474 | - | (12,821) | - |
| 8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Components of other comprehensive income that will not be reclassified to profit or loss | <u>(2,494)</u> | <u>-</u> | <u>8,092</u> | <u>-</u> | <u>1,474</u> | <u>-</u> | <u>(12,821)</u> | <u>-</u> |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8361 Exchange differences on translation | (79,699) | (1) | (210,862) | (2) | (152,963) | (1) | (325,717) | (2) |
| 8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>(15,939)</u> | <u>-</u> | <u>(42,172)</u> | <u>-</u> | <u>(30,592)</u> | <u>-</u> | <u>(65,143)</u> | <u>-</u> |
| Components of other comprehensive income that will be reclassified to profit or loss | <u>(63,760)</u> | <u>(1)</u> | <u>(168,690)</u> | <u>(2)</u> | <u>(122,371)</u> | <u>(1)</u> | <u>(260,574)</u> | <u>(2)</u> |
| 8300 Other comprehensive income, net | <u>(66,254)</u> | <u>(1)</u> | <u>(160,598)</u> | <u>(2)</u> | <u>(120,897)</u> | <u>(1)</u> | <u>(273,395)</u> | <u>(2)</u> |
| Total comprehensive income | <u>\$ 2,262,541</u> | <u>18</u> | <u>672,336</u> | <u>7</u> | <u>3,792,735</u> | <u>16</u> | <u>1,026,239</u> | <u>6</u> |
| 9750 Basic earnings per share (expressed in New Taiwan Dollars) (note 6(n)) | <u>\$ 3.61</u> | | <u>1.29</u> | | <u>6.06</u> | | <u>2.01</u> | |
| 9850 Diluted earnings per share (expressed in New Taiwan Dollars) (note 6(n)) | <u>\$ 3.61</u> | | <u>1.29</u> | | <u>6.06</u> | | <u>2.01</u> | |

See accompanying notes to consolidated financial statements.

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

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | Retained earnings | | | | | Other equity interest | | | |
|---|---------------------|-------------------|------------------|-----------------|----------------------------------|---|---|--------------------|-------------------|
| | Ordinary share | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | Total equity |
| Balance at January 1, 2020 | \$ 6,461,655 | 18,577,844 | 4,488,449 | 379,765 | 235,995 | (920,381) | 1,354 | (919,027) | 29,224,681 |
| Profit for the six months ended June 30, 2020 | - | - | - | - | 1,299,634 | - | - | - | 1,299,634 |
| Other comprehensive income for the six months ended June 30, 2020 | - | - | - | - | - | (260,574) | (12,821) | (273,395) | (273,395) |
| Total comprehensive income for the six months ended June 30, 2020 | - | - | - | - | 1,299,634 | (260,574) | (12,821) | (273,395) | 1,026,239 |
| 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) |
| Balance at June 30, 2020 | <u>\$ 6,461,655</u> | <u>18,125,528</u> | <u>4,512,049</u> | <u>592,160</u> | <u>1,299,634</u> | <u>(1,180,955)</u> | <u>(11,467)</u> | <u>(1,192,422)</u> | <u>29,798,604</u> |
| Balance at January 1, 2021 | \$ 6,461,655 | 18,125,555 | 4,512,049 | 592,160 | 3,475,906 | (804,611) | (25) | (804,636) | 32,362,689 |
| Profit for the six months ended June 30, 2021 | - | - | - | - | 3,913,632 | - | - | - | 3,913,632 |
| Other comprehensive income for the six months ended June 30, 2021 | - | - | - | - | - | (122,371) | 1,474 | (120,897) | (120,897) |
| Total comprehensive income for the six months ended June 30, 2021 | - | - | - | - | 3,913,632 | (122,371) | 1,474 | (120,897) | 3,792,735 |
| Appropriation and allocation of earnings: | | | | | | | | | |
| Legal reserve appropriated | - | - | 347,591 | - | (347,591) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (2,196,962) | - | - | - | (2,196,962) |
| Balance at June 30, 2021 | <u>\$ 6,461,655</u> | <u>18,125,555</u> | <u>4,859,640</u> | <u>592,160</u> | <u>4,844,985</u> | <u>(926,982)</u> | <u>1,449</u> | <u>(925,533)</u> | <u>33,958,462</u> |

See accompanying notes to consolidated financial statements.

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

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|---|---|--------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Profit before tax | \$ 4,735,634 | 1,496,695 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 1,663,262 | 1,414,427 |
| Interest expense | 8,996 | 27,849 |
| Interest income | (28,269) | (50,997) |
| Share of profit of associates accounted for using equity method | (21,647) | (21,753) |
| Loss on disposal of property, plant and equipment | 15,912 | 16,444 |
| (Gain) loss on impairment on non-financial assets | (663) | 36,211 |
| Unrealized foreign exchange loss | 6,762 | 49,890 |
| Total adjustments to reconcile profit | 1,644,353 | 1,472,071 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Increase in notes and accounts receivable (including related parties) | (851,932) | (799,081) |
| Decrease (increase) in other receivables | 16,785 | (36,068) |
| Increase in inventories | (335,216) | (342,101) |
| Decrease (increase) in other current assets | 126,503 | (211,872) |
| Total changes in operating assets | (1,043,860) | (1,389,122) |
| Changes in operating liabilities: | | |
| Increase in contract liabilities | 711,975 | - |
| (Decrease) increase in accounts payable (including related parties) | (349,843) | 724,942 |
| Increase (decrease) in other payables (including related parties) | 168,861 | (112,862) |
| (Decrease) increase in other current liabilities | (41,380) | 14,169 |
| Decrease in net defined benefit liabilities | (21,332) | (19,631) |
| Total changes in operating liabilities | 468,281 | 606,618 |
| Total changes in operating assets and liabilities | (575,579) | (782,504) |
| Total adjustments | 1,068,774 | 689,567 |
| Cash inflow generated from operations | 5,804,408 | 2,186,262 |
| Interest received | 30,014 | 51,423 |
| Interest paid | (24,986) | (28,819) |
| Income taxes refund (paid) | 7,038 | (4,288) |
| Net cash flows from operating activities | 5,816,474 | 2,204,578 |
| Cash flows used in investing activities: | | |
| Acquisition of property, plant and equipment | (3,491,884) | (3,106,454) |
| Proceeds from disposal of property, plant and equipment | 10,274 | 7,527 |
| Decrease in other receivables due from related parties | 3,000,000 | - |
| Increase in other non-current assets | (3,215) | (100) |
| Net cash flows used in investing activities | (484,825) | (3,099,027) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 611,186 | - |
| Decrease in short-term loans | (900,906) | - |
| Proceeds from long-term debt | 273,732 | - |
| Decrease in guarantee deposits received | (13,596) | (47,182) |
| Increase (decrease) in other payables to related parties | 232,506 | (3,371) |
| Payment of lease liabilities | (92,263) | (89,991) |
| Net cash flows from (used in) financing activities | 110,659 | (140,544) |
| Effect of exchange rate changes on cash and cash equivalents | (42,349) | (136,086) |
| Net increase (decrease) in cash and cash equivalents | 5,399,959 | (1,171,079) |
| Cash and cash equivalents at beginning of period | 5,573,154 | 5,349,800 |
| Cash and cash equivalents at end of period | \$ 10,973,113 | 4,178,721 |

See accompanying notes to consolidated financial statements.

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

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

(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 and its subsidiaries “the Group” main operating activities are primarily in the manufacturing and selling of printed circuit boards.

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 3, 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. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated 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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|---|
| Amendments to 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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. | January 1, 2023 |

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

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

- 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(4) Summary of significant accounting policies

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IAS 34 “Interim Financial Reporting” which was endorsed by the FSC. These consolidated interim financial statements do not include all disclosures required for full annual consolidated financial statements under International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (hereinafter referred to as IFRS endorsed by the FSC).

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as those in the consolidated financial statements as of and for the year ended December 31, 2020. Please refer to note 4 of the consolidated financial statements as of and for the year ended December 31, 2020 relevant information.

(b) Basis of consolidation

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

| Investor | Name of subsidiary | Business activity | Percentage of ownership (%) | | |
|-------------|--------------------|--|-----------------------------|-------------------|---------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
| The Company | NPUC | Selling and other services | 100 % | 100 % | 100 % |
| The Company | NPHK | Selling and investing in electronic products | 100 % | 100 % | 100 % |
| NPHK | NPKC | Producing and selling PCB | 100 % | 100 % | 100 % |

(ii) Subsidiaries excluded from the consolidated financial statements: None.

(c) Government grants

The Group recognizes an unconditional government grant related to its equipment investment, employee training and technical improvements which is based on the government policy in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(e) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those in the consolidated financial statements as of and for the year ended December 31, 2020. Please refer to note 6 of the consolidated financial statements as of and for the year ended December 31, 2020 for relevant information.

(a) Cash and cash equivalents

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|------------------|-----------------------------|------------------------------|--------------------------|
| Cash on hand | \$ 2 | 26 | 19 |
| Cash in banks | 1,884,148 | 1,071,818 | 1,686,395 |
| Time deposits | 4,482,561 | 2,681,004 | 1,977,680 |
| Cash equivalents | <u>4,606,402</u> | <u>1,820,306</u> | <u>514,627</u> |
| | <u>\$ 10,973,113</u> | <u>5,573,154</u> | <u>4,178,721</u> |

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

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Notes and accounts receivable

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|----------------------------|------------------------------|--------------------------|
| Notes receivable from operating activities | \$ 7,550 | - | 4,190 |
| Accounts receivable—non-related parties | 9,982,477 | 9,161,226 | 8,163,306 |
| Accounts receivable—related parties | 47,479 | 46,891 | 76,935 |
| Less: Loss allowance | <u>(48,428)</u> | <u>(48,434)</u> | <u>(48,414)</u> |
| | <u>\$ 9,989,078</u> | <u>9,159,683</u> | <u>8,196,017</u> |

The Group 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 June 30, 2021, December 31 and June 30, 2020 amounted to \$48,428, \$48,434 and \$48,414, respectively. The expected loss rate as of June 30, 2021 and December 31, 2020 are 0.465% and 0.494%, respectively, for current, 0.877% and 1.504%, respectively, for past due within 3 months, 23.352% and 23.504%, respectively, for 3 to 6 months past due, 60.190% and 44.614%, respectively, for 6 to 12 months past due, and both 100% for past due over one year. The expected loss rate is lower than 1% as of June 30, 2020.

The aging analysis of notes and accounts receivable with expected credit losses was determined as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--------------------------|--------------------------|------------------------------|--------------------------|
| Past due within 3 months | \$ 150,575 | 60,793 | 54,439 |
| Past due 3 to 6 months | 143 | 7,748 | 7 |
| Past due 6 to 12 months | 1,788 | 6 | 684 |
| Past due over 1 year | <u>-</u> | <u>529</u> | <u>414</u> |
| | <u>\$ 152,506</u> | <u>69,076</u> | <u>55,544</u> |

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

| | For the six months ended June 30, | |
|---------------------------------|--|----------------------|
| | 2021 | 2020 |
| Balance as of January 1 | \$ 48,434 | 48,428 |
| Effect of exchange rate changes | <u>(6)</u> | <u>(14)</u> |
| Balance as of June 30 | <u>\$ 48,428</u> | <u>48,414</u> |

As of June 30, 2021, December 31 and June 30, 2020, the Group did not provide any notes and accounts receivable as collateral for its loans.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Other receivables

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|--------------------------|------------------------------|--------------------------|
| Other receivables — others | \$ 76,657 | 181,429 | 232,453 |
| Other receivables — loans to related parties | - | 3,000,000 | 4,000,000 |
| Other receivables — related parties | 908 | - | - |
| Less: Loss allowance | - | - | - |
| | <u><u>\$ 77,565</u></u> | <u><u>3,181,429</u></u> | <u><u>4,232,453</u></u> |

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

(d) Inventories

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------|----------------------------|------------------------------|--------------------------|
| Finished goods | \$ 1,024,973 | 984,756 | 1,002,178 |
| Work in process | 2,765,599 | 2,513,353 | 2,360,717 |
| Raw materials | 1,193,061 | 1,102,902 | 984,043 |
| Supplies | 341,115 | 387,754 | 263,662 |
| | <u><u>\$ 5,324,748</u></u> | <u><u>4,988,765</u></u> | <u><u>4,610,600</u></u> |

For the three months and six months ended June 30, 2021 and 2020, raw materials, supplies, and changes in the finished goods and work in process recognized as cost of goods sold amounted to \$9,114,900, \$7,720,794, \$17,770,775 and \$14,853,433, respectively.

For the three months and six months ended June 30, 2021 and 2020, net realizable value of inventories has decreased (increased) due to the decline in inventory market price or the increase in market price, the Group recognized a loss (gain from recovery) in the value of inventories of \$(201), \$(15,279), \$16,711 and \$(15,294), which was debited (credited) to cost of goods sold, respectively.

As of June 30, 2021, December 31 and June 30, 2020, the Group 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 the equity method were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|------------|--------------------------|------------------------------|--------------------------|
| Associates | <u><u>\$ 479,759</u></u> | <u><u>487,152</u></u> | <u><u>455,455</u></u> |

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) Associates

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

| Name of Associates | Nature of Relationship to the Group | Registration country | Percentage of ownership | | |
|--|--|----------------------|-------------------------|-------------------|---------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
| Formosa Advanced Technologies Co., Ltd. (FATC) | It mainly engages in assembling and testing of IC. | Taiwan | 3 % | 3 % | 3 % |

The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|----------------------------|-------------------------------------|---------------|-----------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Attributable to the Group: | | | | |
| Net income | \$ 10,652 | 10,130 | 21,647 | 21,753 |
| Other comprehensive income | (2,494) | 8,092 | 1,474 | (12,821) |
| Total comprehensive income | <u>\$ 8,158</u> | <u>18,222</u> | <u>23,121</u> | <u>8,932</u> |

(ii) Collateral

As of June 30, 2021, December 31 and June 30, 2020, the Group did not provide any investments accounted for using the 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 Group for the six months ended June 30, 2021 and 2020 were as follows:

| | Building | Machinery and equipment | Vehicles | Miscellaneous equipment | Construction in progress | Total |
|---------------------------------|---------------------|-------------------------|---------------|-------------------------|--------------------------|-------------------|
| Cost: | | | | | | |
| Balance as of January 1, 2021 | \$ 4,454,879 | 44,313,627 | 20,073 | 4,638,633 | 3,910,170 | 57,337,382 |
| Additions | - | 122,783 | - | 60,113 | 3,329,386 | 3,512,282 |
| Disposals | (2,526) | (2,097,091) | (1,019) | (19,316) | - | (2,119,952) |
| Reclassification | 281 | 6,013,146 | - | 43,241 | (6,056,668) | - |
| Effect of exchange rate changes | (28,840) | (260,429) | (63) | (2,714) | (18,146) | (310,192) |
| Balance as of June 30, 2021 | <u>\$ 4,423,794</u> | <u>48,092,036</u> | <u>18,991</u> | <u>4,719,957</u> | <u>1,164,742</u> | <u>58,419,520</u> |

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated 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, 2020 | \$ 4,418,492 | 41,988,382 | 19,056 | 4,487,530 | 615,734 | 51,529,194 |
| Additions | - | 159,306 | 1,813 | 55,553 | 2,889,782 | 3,106,454 |
| Disposals | - | (1,026,742) | (568) | (6,999) | - | (1,034,309) |
| Reclassification | 8,243 | 1,731,645 | - | 52,787 | (1,792,675) | - |
| Effect of exchange rate changes | (66,145) | (506,033) | (166) | (5,705) | (23,678) | (601,727) |
| Balance as of June 30, 2020 | <u>\$ 4,360,590</u> | <u>42,346,558</u> | <u>20,135</u> | <u>4,583,166</u> | <u>1,689,163</u> | <u>52,999,612</u> |
| Accumulated depreciation and impairment: | | | | | | |
| Balance as of January 1, 2021 | \$ 2,535,260 | 31,212,346 | 11,561 | 3,868,094 | - | 37,627,261 |
| Depreciation for the period | 81,792 | 1,424,725 | 678 | 62,263 | - | 1,569,458 |
| Recovery of impairment loss | - | (663) | - | - | - | (663) |
| Disposals | (579) | (2,073,373) | (593) | (19,221) | - | (2,093,766) |
| Reclassification | - | 7,358 | - | (7,358) | - | - |
| Effect of exchange rate changes | (16,208) | (146,744) | (47) | (2,439) | - | (165,438) |
| Balance as of June 30, 2021 | <u>\$ 2,600,265</u> | <u>30,423,649</u> | <u>11,599</u> | <u>3,901,339</u> | <u>-</u> | <u>36,936,852</u> |
| Balance as of January 1, 2020 | \$ 2,353,982 | 30,383,408 | 11,046 | 3,761,694 | - | 36,510,130 |
| Depreciation for the period | 82,777 | 1,180,983 | 637 | 58,661 | - | 1,323,058 |
| Impairment loss | - | 36,211 | - | - | - | 36,211 |
| Disposals | - | (1,002,955) | (568) | (6,815) | - | (1,010,338) |
| Reclassification | - | (206) | - | 206 | - | - |
| Effect of exchange rate changes | (33,949) | (314,499) | (114) | (5,086) | - | (353,648) |
| Balance as of June 30, 2020 | <u>\$ 2,402,810</u> | <u>30,282,942</u> | <u>11,001</u> | <u>3,808,660</u> | <u>-</u> | <u>36,505,413</u> |
| Carrying amounts: | | | | | | |
| Balance as of June 30, 2021 | <u>\$ 1,823,529</u> | <u>17,668,387</u> | <u>7,392</u> | <u>818,618</u> | <u>1,164,742</u> | <u>21,482,668</u> |
| Balance as of December 31, 2020 | <u>\$ 1,919,619</u> | <u>13,101,281</u> | <u>8,512</u> | <u>770,539</u> | <u>3,910,170</u> | <u>19,710,121</u> |
| Balance as of June 30, 2020 | <u>\$ 1,957,780</u> | <u>12,063,616</u> | <u>9,134</u> | <u>774,506</u> | <u>1,689,163</u> | <u>16,494,199</u> |

For gains and losses on disposals and interest rate of capitalization, please refer to note 6(q).

(g) Right-of-use assets

The Group leases assets including land and buildings, as recognized right-of-use assets. Information about leases for which the Group as a lessee was presented below:

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|-------------------------------------|-------------------|------------------|----------------|
| Cost: | | | |
| Balance as of January 1, 2021 | \$ 183,653 | 384,338 | 567,991 |
| Additions | - | 37,930 | 37,930 |
| Change in an index of lease payment | 579 | - | 579 |
| Effect of exchange rate changes | (441) | - | (441) |
| Balance as of June 30, 2021 | <u>\$ 183,791</u> | <u>422,268</u> | <u>606,059</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
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| | Land | Buildings | Total |
|-------------------------------------|--------------------------|-----------------------|-----------------------|
| Balance as of January 1, 2020 | \$ 182,504 | 315,296 | 497,800 |
| Additions | - | 69,042 | 69,042 |
| Change in an index of lease payment | 718 | - | 718 |
| Effect of exchange rate changes | (1,009) | - | (1,009) |
| Balance as of June 30, 2020 | <u><u>\$ 182,213</u></u> | <u><u>384,338</u></u> | <u><u>566,551</u></u> |
| Accumulated depreciation: | | | |
| Balance as of January 1, 2021 | \$ 105,862 | 180,585 | 286,447 |
| Depreciation for the period | 27,615 | 66,189 | 93,804 |
| Effect of exchange rate changes | (34) | - | (34) |
| Balance as of June 30, 2021 | <u><u>\$ 133,443</u></u> | <u><u>246,774</u></u> | <u><u>380,217</u></u> |
| Balance as of January 1, 2020 | \$ 51,219 | 52,422 | 103,641 |
| Depreciation for the period | 27,287 | 64,082 | 91,369 |
| Effect of exchange rate changes | (42) | - | (42) |
| Balance as of June 30, 2020 | <u><u>\$ 78,464</u></u> | <u><u>116,504</u></u> | <u><u>194,968</u></u> |
| Carrying amount: | | | |
| Balance as of June 30, 2021 | <u><u>\$ 50,348</u></u> | <u><u>175,494</u></u> | <u><u>225,842</u></u> |
| Balance as of December 31, 2020 | <u><u>\$ 77,791</u></u> | <u><u>203,753</u></u> | <u><u>281,544</u></u> |
| Balance as of June 30, 2020 | <u><u>\$ 103,749</u></u> | <u><u>267,834</u></u> | <u><u>371,583</u></u> |

(h) Current borrowings

Details of current borrowings of the Group were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------|--------------------------|------------------------------|--------------------------|
| Unsecured bank loans | <u><u>\$ -</u></u> | <u><u>293,630</u></u> | <u><u>-</u></u> |
| Range of interest rates | <u><u>-</u></u> | <u><u>0.851%~0.860%</u></u> | <u><u>-</u></u> |

(i) Non-current portion of non-current borrowings

The non-current portion of non-current borrowings consisted of the following:

| | June 30, 2021 | | | |
|--------------------------------|----------------------|----------------------------|-------------------|----------------------------|
| | Currency | Interest rate range | Expiration | Amount |
| Unsecured long-term bank loans | USD | 0.9323%~1.2084% | 2023 | \$ 883,476 |
| Less: current portion | | | | 441,738 |
| Total | | | | <u><u>\$ 441,738</u></u> |
| Unused quota | | | | <u><u>\$ 2,567,875</u></u> |

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| | December 31, 2020 | | | |
|--------------------------------|-------------------|---------------------|------------|--------------|
| | Currency | Interest rate range | Expiration | Amount |
| Unsecured long-term bank loans | USD | 1.0005%~1.2455% | 2023 | 625,745 |
| Less: current portion | | | | 156,436 |
| Total | | | | \$ 469,309 |
| Unused quota | | | | \$ 2,869,516 |

(j) Lease liabilities

The carrying amount of the lease liabilities was as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------|------------------|----------------------|------------------|
| Current | \$ 161,330 | 171,201 | 181,957 |
| Non-current | \$ 36,207 | 80,090 | 159,992 |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|--------|--------------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest on lease liabilities | \$ 752 | 1,315 | 1,588 | 2,788 |
| 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 | \$ 14,354 | 12,308 | 28,630 | 24,566 |

The amounts recognized in the statement of cash flows for the Group were as follows:

| | For the six months ended June 30, | |
|-------------------------------|--------------------------------------|---------|
| | 2021 | 2020 |
| Total cash outflow for leases | \$ 122,481 | 117,345 |

(i) Real estate leases

As of June 30, 2021, the Group leases land and buildings to be used for its office space and plants, which typically run for a period of 3 years.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Other leases

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

(k) Employee benefits

(i) Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

The pension expenses recorded were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------------------------|--|---------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating costs | \$ 9,121 | 9,038 | 18,233 | 18,082 |
| Selling expenses | 284 | 272 | 563 | 562 |
| Administrative expenses | 1,177 | 1,141 | 2,368 | 2,257 |
| | <u>\$ 10,582</u> | <u>10,451</u> | <u>21,164</u> | <u>20,901</u> |

(ii) Defined contribution plan

The pension costs contributed to the related authority were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------------------------|--|---------------|--------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating costs | \$ 110,191 | 70,871 | 220,903 | 156,412 |
| Selling expenses | 1,583 | 1,128 | 2,802 | 2,626 |
| Administrative expenses | 11,504 | 5,015 | 18,810 | 10,931 |
| | <u>\$ 123,278</u> | <u>77,014</u> | <u>242,515</u> | <u>169,969</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(l) Income tax

(i) Income tax expense

The details of income tax expense were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-----------------------------|--|----------------|--------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Current income tax expense | \$ 608,269 | 321 | 608,269 | 321 |
| Deferred income tax expense | (44,263) | 101,151 | 213,733 | 196,740 |
| Total income tax expense | <u>\$ 564,006</u> | <u>101,472</u> | <u>822,002</u> | <u>197,061</u> |

The details of income tax benefit under other comprehensive income were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|---------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Components of other comprehensive income that will be reclassified to profit or loss: | | | | |
| Exchange differences on translation of foreign financial statements | <u>\$ 15,939</u> | <u>42,172</u> | <u>30,592</u> | <u>65,143</u> |

- (ii) The Company's tax returns for the year through 2019 were assessed by the ROC tax authorities.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(m) Capital and other equity interest

Except for those described below, there were no material changes in equity for the six months ended June 30, 2021 and 2020. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2020 for other relevant disclosures.

(i) Capital surplus

The components of capital surplus were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|-----------------------------|------------------------------|--------------------------|
| Paid-in capital in excess of par value | \$ 17,874,841 | 17,874,841 | 17,874,841 |
| Employee stock options | 250,434 | 250,434 | 250,434 |
| Others | <u>280</u> | <u>280</u> | <u>253</u> |
| | <u>\$ 18,125,555</u> | <u>18,125,555</u> | <u>18,125,528</u> |

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

(ii) 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.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1) Earnings distribution

The appropriation of earning in 2020 has reached the statutory resolution threshold through electronic voting on May 25, 2021 and was approved during the shareholders' meeting held on August 3, 2021.

In addition, the appropriation of earnings from the paid-in capital, in excess of the par value, in 2019 was approved during the shareholders' meeting held on June 17, 2020. The amounts of dividends distributed to owners were as follows:

| | 2020 | | 2019 | |
|---|---------------------------|------------------|---------------------------|----------------|
| | Dividends per share (NTD) | Amount | Dividends per share (NTD) | Amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ 3.40 | <u>2,196,962</u> | 0.70 | <u>452,316</u> |

(iii) 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, 2021 | \$ (804,611) | (25) | (804,636) |
| Exchange differences on translation of foreign operations | (122,371) | - | (122,371) |
| Unrealized gains (losses) from financial assets measured at fair value through associates accounted for using the equity method | - | 1,474 | 1,474 |
| Balances as of June 30, 2021 | <u>\$ (926,982)</u> | <u>1,449</u> | <u>(925,533)</u> |
| Balances as of January 1, 2020 | \$ (920,381) | 1,354 | (919,027) |
| Exchange differences on translation of foreign operations | (260,574) | - | (260,574) |
| Unrealized gains (losses) from financial assets measured at fair value through associates accounted for using the equity method | - | (12,821) | (12,821) |
| Balances as of June 30, 2020 | <u>\$ (1,180,955)</u> | <u>(11,467)</u> | <u>(1,192,422)</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(n) Earnings per share

Calculation of earnings per share for the six months ended June 30, 2021 and 2020 was as follows:

(i) Basic earnings per share

1) Net profit attributable to equity shareholders of the Company

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net profit attributable to equity shareholders of the Company | \$ <u>2,328,795</u> | <u>832,934</u> | <u>3,913,632</u> | <u>1,299,634</u> |

2) Weighted average number of ordinary shares outstanding

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average number of ordinary shares outstanding (in thousands of shares) | <u>646,166</u> | <u>646,166</u> | <u>646,166</u> | <u>646,166</u> |

(ii) Diluted earnings per share

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net profit attributable to equity shareholders of the Company (diluted) | \$ <u>2,328,795</u> | <u>832,934</u> | <u>3,913,632</u> | <u>1,299,634</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average number of ordinary shares outstanding (basic) (in thousands of shares) | 646,166 | 646,166 | 646,166 | 646,166 |
| Effects of dilutive potential ordinary shares | | | | |
| Effects of employee stock compensation (in thousands of shares) | 24 | 38 | 32 | 44 |
| Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares) | <u>646,190</u> | <u>646,204</u> | <u>646,198</u> | <u>646,210</u> |

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------------------------------|--|------------------|--------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Primary geographical markets: | | | | |
| Taiwan | \$ 4,841,304 | 4,620,513 | 8,717,878 | 8,573,650 |
| Mainland China | 5,005,192 | 2,948,047 | 9,544,979 | 5,529,372 |
| Korea | 778,690 | 626,436 | 1,380,605 | 1,064,573 |
| Other countries | 1,859,761 | 909,081 | 3,697,304 | 1,853,247 |
| | <u>\$ 12,484,947</u> | <u>9,104,077</u> | <u>23,340,766</u> | <u>17,020,842</u> |
| Major products: | | | | |
| Printed circuit board | \$ 12,228,407 | 8,912,511 | 22,867,990 | 16,698,427 |
| Others | 256,540 | 191,566 | 472,776 | 322,415 |
| | <u>\$ 12,484,947</u> | <u>9,104,077</u> | <u>23,340,766</u> | <u>17,020,842</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Contract balances

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|----------------------------|------------------------------|--------------------------|
| Notes receivable from operating activities | \$ 7,550 | - | 4,190 |
| Accounts receivable—non-related parties | 9,982,477 | 9,161,226 | 8,163,306 |
| Accounts receivable—related parties | 47,479 | 46,891 | 76,935 |
| Less: Loss allowance | <u>(48,428)</u> | <u>(48,434)</u> | <u>(48,414)</u> |
| | <u>\$ 9,989,078</u> | <u>9,159,683</u> | <u>8,196,017</u> |
| Contract liabilities—advance receipt | <u>\$ 711,975</u> | <u>-</u> | <u>-</u> |

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the six months ended June 30, 2021 and 2020.

(p) 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 reserve in advance with covering the accumulated deficit. The remunerations to employees amounted to \$5,534, \$1,872, \$9,227 and \$2,999 for the three months and six months ended June 30, 2021 and 2020, 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.

For the years ended December 31, 2020 and 2019, the remunerations to employees amount to \$7,641 and \$630, respectively, which were paid in cash. There was no difference from the actual distribution. Related information can be accessed from the Market Observation Post System website.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | For the three months ended June 30 | | For the six months ended June 30, | |
|------------------------------------|---------------------------------------|---------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income from bank deposits | \$ 4,897 | 9,579 | 10,253 | 21,731 |
| Other interest income | 7,994 | 12,905 | 18,016 | 29,266 |
| | <u>\$ 12,891</u> | <u>22,484</u> | <u>28,269</u> | <u>50,997</u> |

(ii) Other income

The details of other income were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------------------|--|---------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Lease revenue | \$ 21,055 | 10,135 | 46,825 | 20,354 |
| Government grants | 130,559 | (196) | 136,496 | 17,233 |
| Others | 31,518 | 32,249 | 54,433 | 51,772 |
| | <u>\$ 183,132</u> | <u>42,188</u> | <u>237,754</u> | <u>89,359</u> |

(iii) Other gains and losses

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|------------------|--------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net foreign exchange loss | \$ (189,986) | (101,157) | (171,461) | (4,504) |
| Loss on disposal of property, plant and equipment | (10,148) | (3,432) | (15,912) | (16,444) |
| Gain on disposal of recycled materials | 27,414 | 25,019 | 50,654 | 43,913 |
| Gain on recovery of impairment loss (impairment loss) | 656 | (36,220) | 663 | (36,211) |
| Others | (10,041) | (3,549) | (16,157) | (7,328) |
| | <u>\$ (182,105)</u> | <u>(119,339)</u> | <u>(152,213)</u> | <u>(20,574)</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iv) Finance costs

The details of finance costs were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|----------------------------|--|-----------------|--------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest expense | \$ (15,147) | (11,823) | (29,394) | (27,849) |
| Less: Interest capitalized | 8,602 | - | 20,398 | - |
| | <u>\$ (6,545)</u> | <u>(11,823)</u> | <u>(8,996)</u> | <u>(27,849)</u> |

(r) Financial instruments

Except for the contention mentioned below, there was no significant change with regard to the fair value and exposure risks of credit risk, liquidity risk and market risk on financial instruments. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2020 for the related information.

(i) 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 |
|--|----------------------|-----------------------|------------------|------------------|----------------|----------------|--------------|
| June 30, 2021 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Unsecured long-term bank loans (including current portion) | \$ 883,476 | 893,302 | 221,568 | 222,736 | 448,998 | - | - |
| Accounts payable (including related parties) | 3,361,731 | 3,361,731 | 3,361,731 | - | - | - | - |
| Other payables (including related parties) | 6,217,286 | 6,250,345 | 5,362,576 | 887,769 | - | - | - |
| Lease liabilities (including current portion) | 197,537 | 199,505 | 87,377 | 75,583 | 25,279 | 11,266 | - |
| | <u>\$ 10,660,030</u> | <u>10,704,883</u> | <u>9,033,252</u> | <u>1,186,088</u> | <u>474,277</u> | <u>11,266</u> | <u>-</u> |
| December 31, 2020 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Unsecured short-term bank loans | \$ 293,630 | 294,126 | 294,126 | - | - | - | - |
| Unsecured long-term bank loans (including current portion) | 625,745 | 636,112 | - | 157,768 | 318,056 | 160,288 | - |
| Accounts payable (including related parties) | 3,721,226 | 3,721,226 | 3,721,226 | - | - | - | - |
| Other payables (including related parties) | 3,633,336 | 3,663,861 | 2,768,476 | 895,385 | - | - | - |
| Lease liabilities (including current portion) | 251,291 | 254,087 | 92,807 | 80,776 | 80,504 | - | - |
| | <u>\$ 8,525,228</u> | <u>8,569,412</u> | <u>6,876,635</u> | <u>1,133,929</u> | <u>398,560</u> | <u>160,288</u> | <u>-</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| | Carrying amount | Contractual cash flow | Within 6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
|---|---------------------|--------------------------|--------------------|----------------|----------------|---------------|-----------------|
| June 30, 2020 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts payable (including related parties) | \$ 2,608,811 | 2,608,811 | 2,608,811 | - | - | - | - |
| Other payables (including related parties) | 3,714,818 | 3,745,878 | 2,969,681 | 776,197 | - | - | - |
| Lease liabilities (including current portion) | 341,949 | 346,895 | 92,808 | 92,808 | 149,520 | 11,759 | - |
| | <u>\$ 6,665,578</u> | <u>6,701,584</u> | <u>5,671,300</u> | <u>869,005</u> | <u>149,520</u> | <u>11,759</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.

(ii) **Currency risk**

1) **Exposure to foreign currency risk**

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

| | June 30, 2021 | | | |
|------------------------------|---------------------|------------------|-----------------------|------------|
| | Foreign currency | Exchange rate | New Taiwan Dollars | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ | 395,009 | 27.8700 | 11,008,902 |
| EUR | | 467 | 33.2287 | 15,519 |
| JPY | | 57,398 | 0.2527 | 14,504 |
| CNY | | 39 | 4.3141 | 167 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | | 66,929 | 27.8700 | 1,865,322 |
| JPY | | 1,016,673 | 0.2527 | 256,913 |
| EUR | | 70 | 33.2287 | 2,326 |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| December 31, 2020 | | | |
|------------------------------|-----------------------------|--------------------------|-------------------------------|
| | Foreign currency | Exchange rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ | 329,969 | 28.5080 |
| EUR | | 1,005 | 34.5600 |
| JPY | | 7,047 | 0.2724 |
| CNY | | 181 | 4.3691 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | | 81,305 | 28.5080 |
| JPY | | 844,042 | 0.2724 |

| June 30, 2020 | | | |
|------------------------------|-----------------------------|--------------------------|-------------------------------|
| | Foreign currency | Exchange rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ | 296,507 | 29.6600 |
| EUR | | 137 | 33.0996 |
| JPY | | 32,865 | 0.2737 |
| CNY | | 41 | 4.1897 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | | 19,854 | 29.6600 |
| JPY | | 724,698 | 0.2737 |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable and other receivables, loans, accounts payable and other payables which are denominated in foreign currencies. A 1% depreciation or appreciation of the NTD against the USD as of June 30, 2021 and 2020 would have increased or decreased the net income before tax by \$91,436 and \$82,055 for the six months ended June 30, 2021 and 2020, respectively. The analysis is performed on the same basis for both periods.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3) Foreign exchange gain and loss on monetary items

Due to the variety of functional currencies, the Group disclosed its aggregated foreign exchange gains (losses); the Group's foreign exchange losses, including realized and unrealized, for the six months ended June 30, 2021 and 2020 were the net exchange loss of \$171,461 and \$4,504, respectively.

(iii) Fair value of information

1) Fair value of financial instruments

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

| | | June 30, 2021 | | | |
|--|----------------------|---------------|----------|----------|----------|
| | Carrying Amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured by amortized cost | | | | | |
| Cash and cash equivalents | \$ 10,973,113 | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 9,989,078 | - | - | - | - |
| Other receivables (including related parties) | 77,565 | - | - | - | - |
| Total | <u>\$ 21,039,756</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities measured by amortized cost | | | | | |
| Accounts payable (including related parties) | \$ 3,361,731 | - | - | - | - |
| Other payables (including related parties) | 6,217,286 | - | - | - | - |
| Lease liabilities (including current portion) | 197,537 | - | - | - | - |
| Long-term loans (including current portion) | 883,476 | - | - | - | - |
| Total | <u>\$ 10,660,030</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| | | December 31, 2020 | | | | |
|---|----------------------|--------------------|------------|----------|----------|----------|
| | | Carrying Amount | Fair Value | | | |
| | | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured by amortized cost | | | | | | |
| Cash and cash equivalents | \$ 5,573,154 | - | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 9,159,683 | - | - | - | - | - |
| Other receivables (including related parties) | 3,181,429 | - | - | - | - | - |
| Total | <u>\$ 17,914,266</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities measured by amortized cost | | | | | | |
| Short-term loans | \$ 293,630 | - | - | - | - | - |
| Accounts payable (including related parties) | 3,721,226 | - | - | - | - | - |
| Other payables (including related parties) | 3,633,336 | - | - | - | - | - |
| Lease liabilities (including current portion) | 251,291 | - | - | - | - | - |
| Long-term loans (including current portion) | 625,745 | - | - | - | - | - |
| Total | <u>\$ 8,525,228</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | June 30, 2020 | | | | |
| | | Carrying Amount | Fair Value | | | |
| | | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured by amortized cost | | | | | | |
| Cash and cash equivalents | \$ 4,178,721 | - | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 8,196,017 | - | - | - | - | - |
| Other receivables (including related parties) | 4,232,453 | - | - | - | - | - |
| Total | <u>\$ 16,607,191</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities measured by amortized cost | | | | | | |
| Accounts payable (including related parties) | 2,608,811 | - | - | - | - | - |
| Other payables (including related parties) | 3,714,818 | - | - | - | - | - |
| Lease liabilities (including current portion) | 341,949 | - | - | - | - | - |
| Total | <u>\$ 6,665,578</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 liabilities are evaluated based on the discounted cash flow of the financial 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.

(s) Financial risk management

There were no material changes in the Group's financial risk management objective and policy since December 31, 2020. Please refer to the detailed disclosure on financial risk management in note 6(s) of the consolidated financial statements for the year ended December 31, 2020.

(t) Capital management

There were no material changes in the Group's capital management target, policy and procedure and in quantitative information adopted for capital management since December 31, 2020. Please refer to note 6(t) of the consolidated financial statements as of and for the year ended December 31, 2020 for the detailed disclosure on capital management.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(u) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the six months ended June 30, 2021 and 2020 were as follows:

(i) For right-of-use assets, please refer to note 6(g).

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

| | January 1, 2021 | Cash flows | Non-cash changes | | June 30, 2021 |
|---|----------------------------|-------------------|--|--------------------|----------------------|
| | | | Foreign exchange movement | Acquisition | |
| Short-term loans | \$ 293,630 | (289,720) | (3,910) | - | - |
| Long-term loans (including current portion) | 625,745 | 273,732 | (16,001) | - | 883,476 |
| Lease liabilities(including current portion) | 251,291 | (92,263) | - | 38,509 | 197,537 |
| Other payables to related parties (borrowings from related parties) | 1,511,697 | 232,506 | (18,539) | - | 1,725,664 |
| Total liabilities from financing activities | <u>\$ 2,682,363</u> | <u>124,255</u> | <u>(38,450)</u> | <u>38,509</u> | <u>2,806,677</u> |

| | January 1, 2020 | Cash flows | Non-cash changes | | June 30, 2020 |
|---|----------------------------|-------------------|--|--------------------|----------------------|
| | | | Foreign exchange movement | Acquisition | |
| Lease liabilities(including current portion) | \$ 362,180 | (89,991) | - | 69,760 | 341,949 |
| Other payables to related parties (borrowings from related parties) | 1,639,902 | (3,371) | (44,443) | - | 1,592,088 |
| Total liabilities from financing activities | <u>\$ 2,002,082</u> | <u>(93,362)</u> | <u>(44,443)</u> | <u>69,760</u> | <u>1,934,037</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|---|--|
| Nan Ya Plastics Corporation | The parent company |
| Formosa Advanced Technologies Co., Ltd. | The Group's associates |
| Nan Ya Electronic Materials (Kunshan) Co., Ltd. | The Group's parent company is the ultimate controlling parent of the company |
| Nan Ya Electric (Nantong) Co., Ltd. | The Group's parent company is the ultimate controlling parent of the company |
| Formosa Plastics Corporation | The Group's parent company is the company's board of director |
| Formosa Biomedical Technology Corporation | The Group's parent company is a board of director of the company |
| Wellink Technology Co., Ltd. | The same chairman |

(b) Significant related-party transactions

(i) Operating revenues

Significant sales to related parties were as follows:

| | <u>For the three months ended</u> <u>June 30,</u> | | <u>For the six months ended</u> <u>June 30,</u> | |
|--------------------------------|--|----------------|--|----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Associates — FATC | \$ 74,224 | 116,077 | 207,201 | 180,977 |
| Other related parties — others | 268 | 654 | 536 | 1,368 |
| | <u>\$ 74,492</u> | <u>116,731</u> | <u>207,737</u> | <u>182,345</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Receivables from related parties

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

| <u>Account</u> | <u>Relationship</u> | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|------------------------------|--------------------------|------------------------------|--------------------------|
| Accounts receivable due from related parties | Associates—FATC | \$ 47,385 | 46,704 | 76,717 |
| Accounts receivable due from related parties | Other related parties-others | 94 | 187 | 218 |
| | | <u>\$ 47,479</u> | <u>46,891</u> | <u>76,935</u> |

Sales price is cost plus profit as quoted price. The normal credit term with the companies 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.

(iii) Purchases from related parties

Significant purchases from related parties were as follows:

| | <u>For the three months ended June 30,</u> | | <u>For the six months ended June 30,</u> | |
|--------------------------------|--|----------------|--|------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| The parent company | \$ 290,489 | 268,173 | 551,255 | 498,169 |
| Other related parties — NEMK | 407,514 | 277,337 | 771,600 | 565,689 |
| Other related parties — others | 56,053 | 60,513 | 112,108 | 114,294 |
| | <u>\$ 754,056</u> | <u>606,023</u> | <u>1,434,963</u> | <u>1,178,152</u> |

(iv) Payables to related parties

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

| <u>Account</u> | <u>Relationship</u> | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|-------------------------------------|--------------------------------|--------------------------|------------------------------|--------------------------|
| Accounts payable to related parties | The parent company | \$ 116,772 | 86,328 | 100,609 |
| Accounts payable to related parties | Other related parties — NEMK | 149,908 | 147,626 | 94,789 |
| Accounts payable to related parties | Other related parties — WTC | 26,551 | 27,519 | 24,639 |
| Accounts payable to related parties | Other related parties — others | 6,986 | 5,107 | 5,435 |
| | | <u>\$ 300,217</u> | <u>266,580</u> | <u>225,472</u> |

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
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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.

(v) Property transactions

- 1) The Group purchased fixed assets from the parent company with the acquisition price of \$1,005 and \$11,976, respectively, for the six months ended June 30, 2021 and 2020. There was no unpaid balance as of June 30, 2021, December 31 and June 30, 2020.
- 2) The Group purchased fixed assets from Nan Ya Electric (Nantong) Co., Ltd. with the acquisition price of \$0 and \$7,844 (untaxed) for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, December 31 and June 30, 2020, the Group still had an unpaid payable of \$0, \$1,098 and \$8,693, accounted for as other payables to related parties, respectively.

(vi) Loan to related parties

The loans to related parties were as follows:

| | Other receivables due from related parties | | |
|-------------------------|---|------------------------------|--------------------------|
| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
| The parent company | \$ - | 3,000,000 | 4,000,000 |
| Range of interest rates | - | 1.23%~1.418% | 1.23%~1.418% |

- 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) Borrowings from related parties

The borrowings from related parties (accounted for as other payables to related parties) were as follows:

| | Other payables to related parties | | |
|----------------------------|--|------------------------------|--------------------------|
| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
| Other related parties—NEMK | \$ 1,725,664 | 1,511,697 | 1,592,088 |
| Range of interest rate | 3.08% | 3.08% | 3.08%~3.36% |

The borrowings provided from related parties are unsecured.

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Notes to Consolidated Financial Statements

(viii) Lease of property, plant and equipment

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

| | Lease revenue (accounted for as other income) | | | |
|--------------------|--|-------------|---------------------------------|-------------|
| | For the three months ended | | For the six months ended | |
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| The parent company | \$ <u>10,768</u> | <u>-</u> | <u>25,624</u> | <u>-</u> |

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 June 30, 2021, December 31 and June 30, 2020, the Group still had an unreceived receivable of \$908, \$0 and \$0 accounted for as other receivables due from related parties, respectively.

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

The Group 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 three months and six months ended June 30, 2021 and 2020, the above rentals amounting to \$6,307, \$5,630, \$12,635 and \$11,294, respectively, were recognized as expenses. For the three months and six months ended June 30, 2021 and 2020, the amount of \$752, \$1,315, \$1,588 and \$2,788, respectively, was recognized as interest expense because of the lease liabilities. As of June 30, 2021, December 31 and June 30, 2020, the balance of lease liabilities amounting to \$197,537, \$251,291 and \$341,949, respectively, included the current liabilities amounting to \$161,330, \$171,201 and \$181,957, respectively, and non-current portion amounting to \$36,207, \$80,090 and \$159,992, respectively. For the six months ended June 30, 2021 and 2020, the Group recognized the additional amount of \$37,930 and \$69,042 of right-of-use assets, respectively.

(ix) Others

The Group bought utilities from Nan Ya Electronic Materials (Kunshan) Co., Ltd. amounting to \$95,494, \$106,117, \$202,771 and \$231,144, for the three months and six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, December 31 and June 30, 2020 the Group still had unpaid payables accounted for as other payables to related parties amounting to \$38,322, \$53,165 and \$39,706, respectively.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Key management personnel compensation

Key management personnel compensation comprised

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---------------------------------|--|--------------|--------------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Short-term employee benefits \$ | <u>8,218</u> | <u>4,908</u> | <u>14,476</u> | <u>9,206</u> |

(8) Pledged assets: None

(9) Commitments and contingencies

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|-------------------|----------------------|------------------|
| Outstanding letters of credit for the importation of raw materials | <u>\$ 455,163</u> | <u>230,565</u> | <u>83,383</u> |

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---------------------------|------------------|----------------------|------------------|
| The guarantee for customs | <u>\$ 35,000</u> | <u>35,000</u> | <u>29,000</u> |

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------------|------------------|----------------------|------------------|
| The guarantee for letters of credit | <u>\$ 32,000</u> | <u>32,000</u> | <u>24,000</u> |

(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

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Other

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

| | For the three months ended June 30, 2021 | | | For the three months ended June 30, 2020 | | |
|----------------------------|--|--------------------|-----------|--|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 2,055,708 | 281,761 | 2,337,469 | 1,723,836 | 167,571 | 1,891,407 |
| Labor and health insurance | 152,187 | 16,839 | 169,026 | 118,242 | 13,533 | 131,775 |
| Pension expenses | 119,312 | 14,548 | 133,860 | 79,909 | 7,556 | 87,465 |
| Remuneration of directors | - | 1,500 | 1,500 | - | 1,620 | 1,620 |
| Other personnel expenses | 52,613 | 7,700 | 60,313 | 51,658 | 4,412 | 56,070 |
| Depreciation expenses | 862,682 | 3,808 | 866,490 | 713,586 | 3,703 | 717,289 |

| | For the six months ended June 30, 2021 | | | For the six months ended June 30, 2020 | | |
|----------------------------|--|--------------------|-----------|--|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 4,104,436 | 498,778 | 4,603,214 | 3,376,388 | 327,362 | 3,703,750 |
| Labor and health insurance | 304,785 | 31,057 | 335,842 | 245,290 | 25,469 | 270,759 |
| Pension expenses | 239,136 | 24,543 | 263,679 | 174,494 | 16,376 | 190,870 |
| Remuneration of directors | - | 3,000 | 3,000 | - | 3,120 | 3,120 |
| Other personnel expenses | 106,281 | 12,871 | 119,152 | 103,892 | 8,889 | 112,781 |
| Depreciation expenses | 1,655,640 | 7,622 | 1,663,262 | 1,407,194 | 7,233 | 1,414,427 |

- (b) The seasonality of operation

The operation of the Group is not influenced by seasonality and periodicity.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Notes to Consolidated 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 Group:

(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 | 50,000 | 50,000 | - | - | 2 | - | Operating capital | - | None | - | 8,489,616 (Note 2) | 16,979,231 (Note 3) |
| 0 | The Company | NYPK | Other receivables due from related parties | Yes | 3,000,000 | - | - | 1.23% | 2 | - | Operating capital | - | None | - | 8,489,616 (Note 2) | 16,979,231 (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 June 30, 2021 (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: None

(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

(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 | 525,564 | 5.56 % | O/A 30 days | - | - | (100,548) | (4.54)% | - |
| The Company | NPKC | Subsidiary of the Company | Purchase | 4,713,291 | 49.85 % | O/A 30 days | - | - | (841,870) | (38.02)% | Note |
| NPKC | The Company | Parent company | (sale) | (4,713,291) | (55.99)% | O/A 30 days | - | - | 841,870 | 31.95% | Note |
| NPKC | NEMK | Same chairman | Purchase | 771,600 | 16.21 % | O/A 60 days | - | - | (149,908) | (7.52)% | - |
| NPKC | FATC | Associates | (sale) | (117,812) | (1.40)% | O/A 70 days | - | - | 28,187 | 1.07% | - |

Note: The transactions listed in the left have been written off during the preparation of the consolidated financial statements.

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 | | |
| NPKC | The Company (Note) | Parent company | Accounts receivable due from related parties 841,870 | 11.00 | - | | 841,870 | - |

Note : The transactions listed in the left have been written off during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(in thousands of New Taiwan Dollars)

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|-----------------|-----------------------|------------------------|--|-----------|---------------|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 1 | NPKC | The Company | 2 | Sales | 4,713,291 | O/A 30 days | 20.19% |
| 1 | NPKC | The Company | 2 | Accounts receivable due from related parties | 841,870 | O/A 30 days | 1.69% |

Note 1: Numbers are filled in as follows

1. 0 represents the parent company
2. Subsidiaries are numbered from 1

Note 2: Classifications of relation with counterparty are listed as follows:

1. Parent to subsidiary
2. Subsidiary to parent
3. Between subsidiaries

Only data related to sales and accounts receivable of all the intercompany transactions and business contact are disclosed. The related purchase and accounts payable are not stated.

Note 3: The transaction amount divided by the consolidated net operating revenue or consolidated total assets.

(b) Information on investees

The following is the information on investees for the six months ended June 30, 2021 (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 June 30, 2021 | | | Net income (losses) of investee | Share of profits/(losses) of investee | Note |
|------------------|------------------|----------|---|----------------------------|-------------------|-----------------------------|-------------------------|-----------------|---------------------------------|---------------------------------------|------|
| | | | | June 30, 2021 | December 31, 2020 | Shares | Percentage of ownership | Carrying amount | | | |
| The Company | NPHK | HK | Business of electronic products | 6,477,460 | 6,477,460 | 1,598,220,000 | 100.00 % | 12,097,677 | 719,568 | 719,568 | Note |
| The Company | NPUC | USA | Customer sales promotion | 3,479 | 3,479 | 1,000,000 | 100.00 % | 14,205 | (50) | (50) | Note |
| The Company | FATC | TW | Assembling testing and producing modules for IC | 472,968 | 472,968 | 13,267,000 | 3.00 % | 479,759 | 719,751 | 21,647 | |

Note: The transactions listed in the left have been written off during the preparation of the consolidated financial statements.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China

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

(in thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2021 | 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 2) | 6,474,281 | - | - | 6,474,281 | 719,573 | 100.00% | 719,573 (Note 1) | 12,084,904 | - |

Note 1: Investment income or loss is recognized according to the financial statements reviewed by the CPA of the Taiwanese parent company.

Note 2: NPKC in Mainland China is invested through a company established in a third region.

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars)

| Accumulated Investment in Mainland China as of June 30, 2021 | 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 (written off during the preparation of the consolidated financial statements), between the Company and its investees in Mainland China for the six months ended June 30, 2021.

(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.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Segment information:

The information and reconciliation of operating segments of the Group are as follows:

| For the three months ended June 30, 2021 | | | | |
|---|----------------------|-----------------|------------------|------------------------------------|
| | Domestic | American | Asian | Adjustments and elimination |
| | | | | Total |
| Revenue: | | | | |
| From external clients | \$ 10,283,188 | - | 2,201,759 | - |
| Intersegments | 10,967 | 5,571 | 2,344,667 | (2,361,205) |
| Total revenue | <u>\$ 10,294,155</u> | <u>5,571</u> | <u>4,546,426</u> | <u>(2,361,205)</u> |
| Income/Loss of reportable segments | <u>\$ 2,761,440</u> | <u>118</u> | <u>731,579</u> | <u>(600,336)</u> |
| For the three months ended June 30, 2020 | | | | |
| | Domestic | American | Asian | Adjustments and elimination |
| | | | | Total |
| Revenue: | | | | |
| From external clients | \$ 7,808,367 | - | 1,295,710 | - |
| Intersegments | 4,600 | 5,831 | 2,003,772 | (2,014,203) |
| Total revenue | <u>\$ 7,812,967</u> | <u>5,831</u> | <u>3,299,482</u> | <u>(2,014,203)</u> |
| Income/Loss of reportable segments | <u>\$ 934,085</u> | <u>491</u> | <u>165,507</u> | <u>(165,677)</u> |
| For the six months ended June 30, 2021 | | | | |
| | Domestic | American | Asian | Adjustments and elimination |
| | | | | Total |
| Revenue: | | | | |
| From external clients | \$ 19,635,740 | - | 3,705,026 | - |
| Intersegments | 51,975 | 11,574 | 4,713,291 | (4,776,840) |
| Total revenue | <u>\$ 19,687,715</u> | <u>11,574</u> | <u>8,418,317</u> | <u>(4,776,840)</u> |
| Income/Loss of reportable segments | <u>\$ 4,604,273</u> | <u>445</u> | <u>850,434</u> | <u>(719,518)</u> |
| For the six months ended June 30, 2020 | | | | |
| | Domestic | American | Asian | Adjustments and elimination |
| | | | | Total |
| Revenue: | | | | |
| From external clients | \$ 14,694,470 | - | 2,326,372 | - |
| Intersegments | 9,179 | 11,767 | 4,021,411 | (4,042,357) |
| Total revenue | <u>\$ 14,703,649</u> | <u>11,767</u> | <u>6,347,783</u> | <u>(4,042,357)</u> |
| Income/Loss of reportable segments | <u>\$ 1,496,374</u> | <u>937</u> | <u>178,591</u> | <u>(179,207)</u> |

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| | <u>Domestic</u> | <u>American</u> | <u>Asian</u> | <u>Adjustments and elimination</u> | <u>Total</u> |
|---|----------------------|-----------------|-------------------|--|-------------------|
| Assets of reportable segments | | | | | |
| June 30, 2021 | <u>\$ 45,189,704</u> | <u>14,205</u> | <u>17,565,270</u> | <u>(13,026,416)</u> | <u>49,742,763</u> |
| December 31, 2020 | <u>\$ 40,757,734</u> | <u>14,580</u> | <u>16,285,696</u> | <u>(12,501,773)</u> | <u>44,556,237</u> |
| June 30, 2020 | <u>\$ 37,415,321</u> | <u>14,144</u> | <u>14,379,510</u> | <u>(11,990,193)</u> | <u>39,818,782</u> |
| Liabilities of reportable segments | | | | | |
| June 30, 2021 | <u>\$ 11,231,242</u> | <u>-</u> | <u>5,398,008</u> | <u>(844,949)</u> | <u>15,784,301</u> |
| December 31, 2020 | <u>\$ 8,395,045</u> | <u>-</u> | <u>4,685,366</u> | <u>(886,863)</u> | <u>12,193,548</u> |
| June 30, 2020 | <u>\$ 7,616,717</u> | <u>-</u> | <u>3,397,222</u> | <u>(993,761)</u> | <u>10,020,178</u> |