Stock Code: 2408

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

Address: No.669, Fusing 3rd Rd., Gueishan Dist., Taoyuan City 333, Taiwan (R.O.C.)
Telephone: (03)328-1688

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of Nanya Technology Corporation as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanya Technology Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Nanya Technology Corporation
Chairman: JIA-Zhao Wu
Date: March 9, 2017

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the consolidated financial statements of Nanya Technology Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Revenue recognition is a key audit matter as the Group provides a number of different sales terms to customers, that there is a risk that rights of the ownership of the products may not have been transferred to customers at the appropriate timing. In the consideration of the proper cut-off of revenue recognition, it has been identified as a key audit matter in consolidated financial statements. Please refer to Note 4(o) to the consolidated financial statements for the details of the accounting policy of revenue recognition.

The principal audit procedures performed to address the aforementioned key audit matter included testing the related manual controls in the sales and payment collection cycle, checking and reconciliating the information from the sales system to the general ledger, and vouching to original documents during a selected period of time before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate period.

2. Valuation of inventories

   The Group recognizes a loss from the devaluation of inventories based on the lower of cost or net realizable value method on a monthly basis. In consideration of the evaluation of inventory, it has been identified as a key audit matter in consolidated financial statements. Please refer to Notes 4(h), 5(a) and 6(e) to the consolidated financial statements for the details of the accounting policy, judgments, and major sources of estimation uncertainty and disclosure information about inventory valuation, respectively.

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

Other Matter

Nanya Technology Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Lan Chen and Tzu-hui Lee.

KPMG

Taipei, Taiwan (Republic of China)
March 9, 2017

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, financial performance and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditor's 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 auditor's report and financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
1100	Cash and cash equivalents (Note 6(a))	$ 9,101,632	7	3,103,705	3
1125	Current available-for-sale financial assets (Note 6(b))	2,000,360	2	-	-
1170	Accounts receivable, net (Note 6(d))	5,768,718	4	5,442,511	5
1200	Other receivables (Note 6(d))	1,973,908	1	1,486,388	1
1210	Other receivables due from related parties (Notes 6(d)(k) and 7)	-	-	263,588	-
1310	Inventories (Note 6(e))	4,849,492	4	5,949,340	6
1470	Other current assets	1,517,576	1	1,577,089	2
	Total current assets	25,211,686	19	17,822,621	17
	Non-current assets:				
1523	Non-current available-for-sale financial assets (Note 6(b))	40,950,942	30	92,930	-
1543	Non-current financial assets at cost (Note 6(c))	-	-	9,340	-
1546	Non-current investments in debt instrument without active market (Note 6(c))	-	-	181,280	-
1551	Investments accounted for using equity method (Note 6(f) and 7)	-	-	32,833,967	32
1600	Property, plant and equipment (Notes 6(g), 7 and 8))	67,917,337	50	49,763,526	48
1780	Intangible assets	272,185	-	406,193	-
1840	Deferred tax assets (Note 6(p))	876,312	-	876,064	1
1935	Long-term lease payments receivable (Note 6(k) and 7)	1,353,253	1	1,632,343	2
1990	Other non-current assets (Notes 6(a) and 8)	395,427	-	387,773	-
	Total non-current	111,765,456	81	86,183,416	83
	Total assets	$ 136,977,142	100	104,006,037	100

	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note 6(i))	$ -	-	3,306,000	3
2170	Notes and accounts payable	5,443,555	4	1,384,780	2
2180	Accounts payable to related parties (Note 7)	165,183	-	175,430	-
2200	Other payables(Note 6(n))	3,991,544	3	2,498,237	2
2220	Other payables to related parties (Notes 6(k) and 7)	13,993,373	10	26,646,915	26
2230	Current tax liabilities	2,138,229	2	524,244	1
2322	Long-term borrowings, current portion (Notes 6(j) and 8)	7,786,000	6	500,000	-
2399	Other current liabilities	192,023	-	193,993	-
	Total current liabilities	33,709,907	25	35,229,599	34
	Non-Current liabilities:				
2540	Long-term borrowings (Notes 6(j) and 8)	15,174,000	11	12,685,000	12
2570	Deferred tax liabilities (Note 6(p))	1,631,924	1	7,558	-
2613	Non-current lease obligations payable (Note 6(k) and 7)	265,093	-	273,923	-
2640	Net defined benefit liability, non-current (Note 6(l))	453,513	-	755,860	1
2670	Other non-current liabilities	97,558	-	199,722	-
	Total non-current liabilities	17,622,088	12	13,922,063	13
	Total liabilities	51,331,995	37	49,151,662	47
	Equity (Notes 6(m)(n)):				
3110	Ordinary share	27,485,658	20	24,285,658	23
3200	Capital surplus	11,523,007	8	7,812,701	8
3310	Legal reserve	2,791,929	2	1,077,812	1
3320	Special reserve	4,570	-	-	-
3350	Retained earnings	36,296,086	27	21,913,621	21
3400	Other equity interest	7,789,101	6	(4,570)	-
3500	Treasury shares	(347,533)	-	(347,533)	-
	Total equity attributable to owners of parent:	85,542,818	63	54,737,689	53
36xx	Non-controlling interests	102,329	-	116,686	-
	Total equity	85,645,147	63	54,854,375	53
	Total liabilities and equity	$ 136,977,142	100	104,006,037	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	Operating revenue (Note 7)	$ 41,632,505	100	43,875,905	100
5000	Operating costs (Notes 6(e)(l)(o)(g) and 7)	28,781,412	69	26,567,909	61
	Gross profit from operations	12,851,093	31	17,307,996	39
	Operating expenses (Notes 6(e)(o)(g) and 7):				
6100	Selling expenses	753,417	2	660,729	2
6200	Administrative expenses	1,067,372	3	1,206,219	3
6300	Research and development expenses	2,478,069	6	1,953,662	4
	Total operating expenses	4,298,858	11	3,820,610	9
	Net operating income	8,552,235	20	13,487,386	30
	Non-operating income and expenses (Notes 6(c)(f)(g)(r)):				
7010	Other income	252,405	1	229,651	1
7020	Other gains and losses, net	17,786,474	43	415,895	1
7050	Finance costs	(705,321)	(2)	(860,427)	(2)
7060	Share of profit (loss) of associates accounted for using equity method, net	(160,063)	-	4,404,923	10
	Total non-operating income and expenses	17,173,495	42	4,190,042	10
7900	**Profit before tax**	25,725,730	62	17,677,428	40
7950	Tax expense (Note 6(m))	1,997,145	5	506,028	1
	Profit	23,728,585	57	17,171,400	39
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified to profit or loss:**				
8311	Remeasurements of the net defined benefit	130,091	-	(132,255)	-
8320	Share of other comprehensive income of associates liability accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(29,776)	-	(2,835)	-
8349	Income tax related to items that may not be reclassified to profit or loss (Note 6(m))	(22,115)	-	22,484	-
	Total amount of items that may not be reclassified subsequently to profit or loss	78,200	-	(112,606)	-
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(5,258)	-	11,928	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	9,401,275	23	(22,437)	-
8399	Income tax related to items that may be reclassified to profit or loss (Note 6(m))	(1,602,346)	(4)	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	7,793,671	19	(10,509)	-
8300	**Other comprehensive income (loss), net**	7,871,871	19	(123,115)	-
8500	**Total comprehensive income**	$ 31,600,456	76	17,048,285	39
	Profit, attributable to:				
8610	Profit (loss), attributable to owners of parent	$ 23,721,277	57	17,141,167	39
8620	Profit (loss), attributable to non-controlling interests	7,308	-	30,233	
		$ 23,728,585	57	17,171,400	39
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 31,593,148	76	17,018,052	39
8720	Comprehensive income, attributable to non-controlling interests	7,308	-	30,233	-
		$ 31,600,456	76	17,048,285	39
	Earnings per share (Note 6(p))				
9750	Basic earnings per share	$	8.67		7.07
9850	Diluted earnings per share	$	8.64		7.02

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital			Retained earnings			Total other equity interest					
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2015	$ 24,095,278	653,565	6,377,936	-	-	10,816,268	(23,516)	29,455	(347,533)	41,601,453	75,605	41,677,058
Profit	-	-	-	-	-	17,141,167	-	-	-	17,141,167	30,233	17,171,400
Other comprehensive income (loss)	-	-	-	-	-	(112,606)	11,928	(22,437)	-	(123,115)	-	(123,115)
Total comprehensive income	-	-	-	-	-	17,028,561	11,928	(22,437)	-	17,018,052	30,233	17,048,285
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	1,077,812	-	(1,077,812)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,853,396)	-	-	-	(4,853,396)	-	(4,853,396)
Other changes in capital surplus:												
Changes in equity of subsidiaries and associates accounted for using equity method	-	-	86,316	-	-	-	-	-	-	86,316	-	86,316
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	1,374	-	-	-	-	-	-	1,374	-	1,374
Changes in ownership interests in subsidiaries	-	-	(3,159)	-	-	-	-	-	-	(3,159)	3,159	-
Capital received in advance-exercise of employee stock options	-	-	489,599	-	-	-	-	-	-	489,599	-	489,599
Recognized compensation costs on employee stock options by the Company	-	-	2,924	-	-	-	-	-	-	2,924	-	2,924
Recognized compensation costs on employee stock options by subsidiaries	-	-	893	-	-	-	-	-	-	893	389	1,282
Changes to equity accounts arising from employee stock options issued	190,380	(653,565)	856,818	-	-	-	-	-	-	393,633	-	393,633
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,300	7,300
Balance at December 31, 2015	24,285,658	-	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(347,533)	54,737,689	116,686	54,854,375
Profit	-	-	-	-	-	23,721,277	-	-	-	23,721,277	7,308	23,728,585
Other comprehensive income (loss)	-	-	-	-	-	78,200	(5,258)	7,798,929	-	7,871,871	-	7,871,871
Total comprehensive income	-	-	-	-	-	23,799,477	(5,258)	7,798,929	-	31,593,148	7,308	31,600,456
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	1,714,117	-	(1,714,117)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	4,570	(4,570)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(7,695,984)	-	-	-	(7,695,984)	-	(7,695,984)
Issue of shares	3,200,000	-	8,475,000	-	-	-	-	-	-	11,675,000	-	11,675,000
Other changes in capital surplus:												
Changes in ownership interests in subsidiaries	-	-	(865)	-	-	-	-	-	-	(865)	865	-
Changes in equity of subsidiaries associates accounted for using equity method	-	-	(5,060,764)	-	-	(2,341)	-	-	-	(5,063,105)	-	(5,063,105)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	1,926	-	-	-	-	-	-	1,926	-	1,926
Recognized compensation costs on employee stock options by Subsidiaries	-	-	24	-	-	-	-	-	-	24	20	44
Recognized compensation costs on employee stock options by the Company	-	-	294,985	-	-	-	-	-	-	294,985	-	294,985
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(22,550)	(22,550)
Balance at December 31, 2016	$ 27,485,658	-	11,523,007	2,791,929	4,570	36,296,086	(16,846)	7,805,947	(347,533)	85,542,818	102,329	85,645,147

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from operating activities:			
Profit before tax	$	25,725,730	17,677,428
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		5,900,734	5,669,957
Amortization expense		134,008	129,408
Provision for bad debt expense		16,012	-
Interest expense		705,321	860,427
Interest income		(246,635)	(226,050)
Dividend income		(2,770)	(3,601)
Share-based payments		295,029	493,805
Share of loss (profit) of associates accounted for using equity method		160,063	(4,404,923)
Loss on disposal of property, plant and equipment		7,809	1,745
Gain on disposal of investments accounted for using equity method		(20,069,979)	-
Impairment loss on financial assets		190,620	-
Impairment loss on non-financial assets		1,158,201	4,204
Unrealized foreign exchange gain		(170,079)	(40,223)
Discount amortization of financial liabilities		6,000	5,000
Total adjustments to reconcile (loss) profit		(11,915,666)	2,489,749
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable		(310,623)	682,725
(Increase) decrease in other receivable		(348,002)	12,548
Decrease (increase) in inventories		1,096,227	(800,933)
Decrease (increase) in other current assets		78,882	(707,583)
Increase (decrease) in notes and accounts payable		838,437	(90,925)
Increase (decrease) in other current liabilities		1,822,056	(29,897)
(Decrease) increase in net defined benefit liability		(194,278)	(10,958)
Decrease in other liabilities		(2,860)	(15,773)
Total changes in operating assets and liabilities		2,979,839	(960,796)
Cash inflow generated from operations		16,789,903	19,206,381
Interest received		242,952	227,576
Dividends received		2,770	3,601
Interest paid		(699,628)	(882,399)
Income taxes paid		(389,988)	(32,918)
Net cash flows from operating activities		15,946,009	18,522,241
Cash flows used in investing activities:			
Acquisition of available-for-sale financial assets		(41,562,001)	-
Proceeds from disposal of available-for-sale financial assets		8,114,519	-
Acquisition of investments in debt instrument without active market		-	(181,280)
Acquisition of financial assets at cost		-	(9,340)
Proceeds from disposal of investments accounted for using equity method		47,751,373	-
Acquisition of property, plant and equipment		(22,335,748)	(3,841,842)
Proceeds from disposal of property, plant and equipment		653	2,928
Increase in refundable deposits		(733)	-
Acquisition of intangible assets		-	(111,196)
Decrease in long-term lease and installment receivables		429,330	429,330
Increase in other non-current assets		(7,280)	(1,563)
Net cash flows used in investing activities		(7,609,887)	(3,712,963)
Cash flows used in financing activities:			
Increase in short-term loans		24,148,900	3,606,000
Decrease in short-term loans		(27,454,900)	(300,000)
Proceeds from long-term debt		11,000,000	500,000
Repayments of long-term debt		(1,261,000)	(3,700,000)
Decrease in other payables to related parties		(12,785,669)	(14,487,626)
Decrease in lease payable		(8,327)	(7,853)
Proceeds from issuing shares		11,675,000	-
Exercise of employee share options		-	393,633
Change in non-controlling interests		(22,550)	7,300
Cash dividends paid		(7,695,984)	(4,852,022)
Net cash flows used in financing activities		(2,404,530)	(18,840,568)
Effect of exchange rate changes on cash and cash equivalents		66,335	(132,860)
Net increase (decrease) in cash and cash equivalents		5,997,927	(4,164,150)
Cash and cash equivalents at beginning of period		3,103,705	7,267,855
Cash and cash equivalents at end of period	$	9,101,632	3,103,705

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

(1) Company history

Nanya Technology Corporation (the "Company") was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at 669, Fuhsing 3rd Road, Hwa Ya Technology Park, Kueishan District, Taoyuan City, Taiwan. The main operating activities of the Company and its subsidiary (the "Group") are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

(Continued)

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission , ROC . (hereinafter referred to IFRS as endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position.

1) Available-for-sale financial assets measured at fair value.

2) The net defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

(Continued)

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total profit or loss of subsidiary applicable to the non-controlling interests is allocated to the non-controlling interests even if it results in the non-controlling interests to having a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

			Shareholdings		
Investor	**The name of subsidiaries**	**Business activity**	**December 31, 2016**	**December 31, 2015**	**Note**
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00 %	100.00 %	
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00 %	100.00 %	
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00 %	100.00 %	
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00 %	100.00 %	
The Company	PEI JEN Co., Ltd.	Investment in enterprise	100.00 %	100.00 %	
The Company	PIECEMAKERS TECHNOLOGY CORP.	PIECEMAKERS TECHNOLOGY CORP.	53.57 %	55.26 %	
The Company	SUMPRO ELECTRONICS CORP.	SUMPRO ELECTRONICS CORP.	- %	100.00 %	Note
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Germany	NANYA TECHNOLOGY CORP., Germany	100.00 %	100.00 %	
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzen	NANYA TECHNOLOGY CORP. Shenzen	100.00 %	100.00 %	

Note: SUMPRO ELECTRONICS CORP. was no longer a subsidiary of the Group when it was liquidated on November 8, 2016.

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

(Continued)

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary assets and liabilities is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and such assets and liabilities reported in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency-denominated non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency-denominated non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(ii) Foreign operations

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

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

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

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

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

(i) The asset is expected to be realized, or sold or consumed, during the Group's normal operating cycle;

(ii) The asset is held primarily for the purpose of trading;

(iii) The asset is expected to be realized within twelve months after the balance sheet date; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

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

(i) The liability is expected to be settled during the Group's normal operating cycle;

(ii) The liability is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the balance sheet date; or

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

(f) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits with maturities that go beyond 3 months and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets are categorized into Available-for-sale financial assets, loans and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair

(Continued)

value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost after minus impairment loss, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is recognized in other comprehensive income.

2) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, which comprise accounts receivable and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables other than are measured at amortized cost using the effective interest method, less any impairment losses other than except for short-term receivables for which the effect of discounting is immaterial. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Interest income from receivables is recognized in other income.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, a financial asset is assessed for impairment at the reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') that occurred subsequent to the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes delinquency or default (such as unpaid or delayed payment of interest or principal) by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Objective evidence that receivables are impaired includes historical trends of collection and increasing level of overdue receivables which are collected beyond the credit term.

An impairment loss in respect of a financial asset measured at amortized cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is written off directly against its carrying amount, except for accounts receivable, in which an impairment loss is credited to an allowance account against the receivables. When a receivable is determined to be uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is charged to the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the gains or losses accumulated in the fair value reserve in other comprehensive income (loss) to profit or loss.

If, in a subsequent period, the amount of the impairment loss on a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized being in profit or loss.

Impairment losses and recoveries resulting from accounts receivable are recognized under general administrative and expenses in profit or loss. Impairment losses and recoveries resulting from financial assets other than accounts receivable are recognized in profit or loss, under other gain or loss of results from non-operating activities.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash inflow from the asset are terminated or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(ii) Financial liabilities and equity instrument

1) Classification of liabilities or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized based on the proceeds received, net of direct issue costs.

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise short-term and long-term loans, and accounts and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss as finance costs.

3) Derecognition of financial liabilities

A financial liability is derecognized when the contractual obligation thereon has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is charged to profit or loss.

(Continued)

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in an associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of a self-constructed asset comprises material, direct labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. In additions, cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure can be reasonably assessed, and will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the straight-line method. The depreciation charge for each period is recognized in profit or loss.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 25 years.

2) Machinery and equipment: 5 to 16 years.

3) Miscellaneous equipment: 3 to 15years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(k) Leases

(i) Lesser

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

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

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

(ii) Lessee

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

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

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

Contingent rent is recognized as expense in the period in which it is incurred.

(l) Intangible assets

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Other development expenditure is recognized as an expense when incurred.

The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are made available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are reviewed at least at each fiscal year-end. Changes therein are accounted for as changes in accounting estimates.

(Continued)

(m) Impairment of non-derivative financial assets

At each balance sheet date, an assessment is made whether there is any indication that an asset (including inventories, deferred tax assets, and other non-financial assets) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increase in the carrying amount shall not exceed the carrying amount (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

(n) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gain on disposal of treasury shares is recognized under "Capital Reserve – Treasury Share Transactions"; Loss on disposal of treasury shares is offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such loss is accounted for under retained earnings. The carrying amount of treasury shares is calculated using the weighted average of different types of repurchase.

If treasury shares are cancelled, "Capital Reserve – Share Premiums" and "Share Capital" are debited proportionately. Gain on cancellation of treasury shares is recognized under existing capital reserves arising from similar types of treasury shares; Loss on cancellation of treasury shares is offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such loss is accounted for under retained earnings.

(o) Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer usually occurs upon loading the goods onto the relevant carrier at the port. Generally for such products, the customer has no right of return. For domestic sales, transfer occurs upon receipt by the customer.

(p) Employee benefits

(i) Defined contribution plan

Obligations for contributions to a defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of a defined benefit pension plan is calculated by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods. Any unrecognized past service costs and the fair value of any plan assets are deducted from the aforementioned net obligation. The discount rate is the yield on the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the same currency in which the benefits are expected to be paid.

An actuarial calculation of pension costs and related liabilities is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, an asset is recognized, but the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement of the net defined benefit liabilities (assets), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), is recognized immediately in other comprehensive income. The amounts recognized in other comprehensive income can be reclassified to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earrings in a subsequent period.

Gains or losses on the curtailment or settlement of a defined benefit plan are also recognized as pension expenses when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that were not previously recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(q) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period when employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for the differences between expected and actual outcomes.

(r) Income taxes

Tax expense comprises current tax expense and deferred tax expense. Current and deferred taxes are included in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction or event which is recognized directly in equity or other comprehensive income.

Current tax comprises the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date, and any adjustments for current tax of prior periods.

Deferred tax is recognized for the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognized for all temporary differences, except to the extent that the deferred tax arises from:

(i) The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (loss).

(ii) The investments in subsidiaries, branches and associates, and interests in joint ventures where it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates, based on tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are offset against deferred tax liabilities only if:

(i) the Group has a legal enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:

1) The same taxable entity; or

2) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously; in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the benefit of part or the deferred tax asset will be utilized.

(s) Earnings per share

The basic earnings per share are calculated as the profit attributable to the ordinary shareholder of the Group divided by weighted-average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

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

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

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

(Continued)

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

(a) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand—pretty cash	$ 150	171
Cash in bank—demand deposit account	2,327,842	2,952,040
Cash equivalents:		
Time deposits	5,829,667	-
Commercial paper	694,473	-
Repurchase agreements collateralized by corporate bonds	249,500	151,494
	$ 9,101,632	3,103,705

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

The Group's certificate of time deposit and restricted bank deposit amounting to $376,630 and $376,883 which were pledged for the Group's importation of cargo materials, research and development's plan being undertaken with the Ministry of Economic Affairs and loans payable, were reclassified to non-current assets as of December 31, 2016 and 2015, respectively.

(b) Available-for-sale financial assets

(i)The details are as follows:

	December 31, 2016	December 31, 2015
Domestic money Market Fund	$ 2,000,360	-
Foreign private equity	40,882,664	-
Domestic listed stock	68,278	92,930
	$ 42,951,302	92,930
Current	$ 2,000,360	-
Non-Current	$ 40,950,942	92,930

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Sensitivity analysis—equity price risk

The impact to other comprehensive income of hypothetical changes in prices of the equity securities on the reporting date were as follows:

	For the years ended December 31,	
	2016	2015
Security price on reporting date	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Increase1%	$ 340,009	929
Decrease1%	$ (340,009)	(929)

(c) Investment in debt securities with no active market / Financial assets carried at cost—non-current

The Group purchased a two-year interest-free convertible bond of USD6,000 thousand issued by Memoright in August 2015. The conversion rights embedded in the corporate bond are accounted for separately as the economic characteristics and risks are not specifically associated. On December 31, 2016, an impairment loss of $190,620 was recognized because the management evaluated that it was not possible to collect the future cash flows of the convertible bond, with objective indications. The conversion rights of the corporate bond, which are linked to unlisted preference shares of $0 and $9,340 and the corporate bonds of $0 and $181,280, were accounted for as financial assets carried at cost—non-current and investment in debt securities with no active market—non-current, respectively, as of December 31, 2016 and 2015.

(d) Accounts receivable and other receivables

	December 31, 2016	December 31, 2015
Accounts receivable	$ 5,778,002	5,451,688
Other receivables (including related parties)	1,973,908	1,749,976
Less : allowance for doubtful receivables	(9,284)	(9,177)
	$ 7,742,626	7,192,487

The aging analysis of accounts receivable and other receivables was as follows:

	Neither past due nor impaired	Past due but not impaired			
		Within 30 days	31 60 days	over 61 days	total
December 31, 2016	$ 7,722,187	12,843	334	7,262	7,742,626
December 31, 2015	7,154,949	37,538	-	-	7,192,487

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The movements of the allowance for accounts receivables was as follows:

	Collectively assessed impairment loss
Balance as of January 1, 2016	$ 9,177
Foreign exchange loss	107
Balance as of December 31, 2016	$ 9,284
Balance as of January 1, 2015	$ 8,889
Foreign exchange loss	288
Balance as of December 31, 2015	$ 9,177

(e) Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 217,708	214,271
Work in progress	2,712,196	2,723,567
In-transit inventory	1,893,102	2,998,347
Merchandise	26,486	13,155
Total	$ 4,849,492	5,949,340

Inventory cost charged to cost of goods sold amounted to $28,288,402 and $26,564,595 for the years ended December 31, 2016 and 2015, respectively. The loss from measuring inventories at net realizable value of $908 and $3,314 were charged to cost of goods sold because the carrying value exceeded the net realizable value of inventories.

(f) Investments accounted for using equity method

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

	December 31, 2016	December 31, 2015
Associates	$ -	32,833,967

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) Associates

The information of the investments in a significant associate accounted for using equity method was as follows：

Associates	Relationship	Registration Country	percentage of ownership December 31, 2016	percentage of ownership December 31, 2015
Inotera Memories, Inc.	The main supplier for raw material of the Company. Its primary operating activity is producing and selling of semiconductor products.	Taiwan	- %	24.34 %

In December, 2016, Micron Semiconductor Co. (MST) completed its share-swap with Inotera Memories, Inc. (Inotera). The Group disposed 1,596,502 thousand shares of Inotera on December 6, 2016(the date upon which the share-swap was recorded), with a selling price of $30 per share, in which the proceeds amounted to $47,751,373, which was deducted from the transaction cost. The Group recognized a gain on disposal of investments accounted for using equity method of $20,069,979 and a deduction of capital surplus of $ 5,063,746.

The fair value and book value of investments in publicly traded stocks of the major associate was as follows:

	December 31, 2016	December 31, 2015
Book value	$ -	32,833,967
Fair Value	$ -	44,622,229

Summary of shares of profit or loss of associates attributable to the Group were as follows:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Share of (loss) profit of associate	$ (160,063)	4,404,923

(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Group as of and for the years ended December 31, 2016 and 2015 were as follows:

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2016	$ 1,013,924	4,197,540	124,544,160	1,428,002	1,275,203	132,458,829
Additions	-	-	537,393	42,923	24,642,370	25,222,686
Disposals	-	-	(214,985)	(29,674)	-	(244,659)
Reclassification	-	-	352,775	(9,477)	(343,298)	-
Effect of exchange rate change	-	22	(4,057)	(270)	-	(4,305)
Balance as of December 31, 2016	$ 1,013,924	4,197,562	125,215,286	1,431,504	25,574,275	157,432,551

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Balance as of January 1, 2015	$ 1,013,924	4,197,965	117,669,279	1,548,558	4,079,353	128,509,079
Additions	-	83	3,977,383	17,063	271,280	4,265,809
Disposals	-	(572)	(195,366)	(121,651)	-	(317,589)
Reclassification	-	-	3,090,899	(15,469)	(3,075,430)	-
Effect of exchange rate change	-	64	1,965	(499)	-	1,530
Balance as of December 31, 2015	$ 1,013,924	4,197,540	124,544,160	1,428,002	1,275,203	132,458,829
Accumulated depreciation / impairment:						
Balance as of January 1, 2016	$ -	1,290,719	80,274,330	1,130,254	-	82,695,303
Depreciation for the period	-	160,161	5,689,668	50,905	-	5,900,734
Impairment loss	-	-	1,157,024	1,177	-	1,158,201
Disposals	-	-	(205,982)	(30,173)	-	(236,155)
Reclassification	-	-	10,117	(10,117)	-	-
Effect of exchange rate change	-	(6)	(3,542)	679	-	(2,869)
Balance as of December 31, 2016	$ -	1,450,874	86,921,615	1,142,725	-	89,515,214
Balance as of January 1, 2015	$ -	1,131,077	75,006,135	1,195,940	-	77,333,152
Depreciation for the period	-	160,182	5,447,674	62,101	-	5,669,957
Impairment loss	-	-	-	4,204	-	4,204
Disposals	-	(572)	(194,076)	(117,998)	-	(312,646)
Reclassification	-	-	14,843	(14,843)	-	-
Effect of exchange rate change	-	32	(246)	850	-	636
Balance as of December 31, 2015	$ -	1,290,719	80,274,330	1,130,254	-	82,695,303
Carrying amounts:						
Balance as of December 31, 2016	$ 1,013,924	2,746,688	38,293,671	288,779	25,574,275	67,917,337
Balance as of December 31, 2015	$ 1,013,924	2,906,821	44,269,830	297,748	1,275,203	49,763,526

(i) Impairment loss

The impairment loss amounting to $1,158,201 and $4,204 were recognized for the years ended December 31, 2016 and 2015, respectively, because the Group expected the future recoverable amounts of equipment, which have been identified to be no longer used in its future operation, would be lower than the book value.

(ii) Leased assets

Please refer to Note 6(k) for the further description of finance lease liabilities.

(iii) Property, plant and equipment under construction

	For the years ended December 31,	
	2016	2015
Capitalized interest amounts	$ 39,109	33,587
Capitalized interest rates	1.92%~2.09%	2.10%~2.32%

(iv) Secured

For details of the long-term borrowings and the amount of the guarantee as at December 31, 2016 and 2015, please refer to Note 8.

(Continued)

(h) Lease receivables

(i) On June 18, 2009, the Group signed an amended long term lease agreement with Inotera Memories, Inc. and MeiYa Technology Corp. on the lease of building, facilities and land located on 348, 348 1 and 348 3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However Inotera Memories, Inc. is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. In addition, Inotera Memories, Inc. has an exclusive option to purchase the leased assets for a total purchase price of US$50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were US$13,010 thousand and US$1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be US$8,010 thousand and US$1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be US$10 thousand and US$1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

(ii) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the years ended December 31, 2016 and 2015, the Group recognized the interest revenue of $177,867 and $202,759, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2016,			December 31, 2015,		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 429,330	150,240	279,090	429,330	177,867	251,463
Between one and five years	1,222,320	352,504	869,816	1,387,320	444,864	942,456
More than five years	528,660	45,223	483,437	792,990	103,103	689,887
Sub-total	$ 2,180,310	547,967	1,632,343	2,609,640	725,834	1,883,806
Current			$ 279,090			251,463
Non-current			1,353,253			1,632,343
			$ 1,632,343			1,883,806

(i) Short-term loans

	December 31, 2015,
Unsecured bank loans	3,306,000
Interest rate	1.15%~1.6%
Maturity date	105.2.5~105.2.12

(j) Long-term loans

	December 31, 2016,			
	Currency	Interest rate range	Expiration	Amount
Secured bank loans	NTD	1.7895%~2.1668%	108~110	$ 22,960,000
Less: Current portion of long-term loans				(7,786,000)
Total				$ 15,174,000
Unused long term of credit				$ 1,300,000

	December 31, 2015,			
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	NTD	1.271%~2.014%	105~106	$ 1,200,000
Secured bank loans	NTD	2.327%	108	11,985,000
Less: Current portion of long-term loans				(500,000)
Total				$ 12,685,000
Unused long term of credit				$ 100,000

(i) Issuance and redemption of loans

1) Issuance and redemption of loans

a) The Company signed a syndicated loan agreement with Taiwan Cooperative Bank, the managing bank, and 15 other banks (hereinafter referred to as ‘‘the syndicate banks") for a syndicated loan with a credit line of $12,000,000 on February 18, 2016, and applied for appropriation of loans of $8,000,000 on March 30, 2016. The interest rates would be adjusted depending on the profit-after-tax ratio and also takes into consideration the three-month or six-month TAIBOR rate 2 bank trading days before each of the accounts' drawdown dates or coupon reset dates released on the ROC Bankers Association website. Additionally, the first repayment of the principal is due on the 36 month after the first appropriation date, with the balance payable in 5 semi-annual installments.

Also, the Company is required to maintain certain financial ratios which should be based on the semi-annual and annual consolidated financial statements of the Company and calculated by the managing bank every 6 months starting from the end of year 2016 or when the managing bank deems necessary. If the borrower fails to comply with the above-mentioned financial covenants by the inspection date, it should be given a six-month grace period, commencing from the inspection date, to correct the situation by raising additional capital or other means necessary. Should the borrower successfully adhered to the stated financial covenants before the end of the grace period, it should be deemed as a non-violation of the written agreement. The required financial ratios are as follows:

i) Liability Ratio (total liabilities to total net equity and tangibles assets, plus, financing payables to related parties): not more than 200%.

ii) Tangible net equity, plus, other financing payables to related parties: not less than $50,000,000 for each year.

The Group was in compliance with all of the aforementioned covenants as of and for the year ended December 31, 2016.

b) Liability Ratio (total liabilities to total net equity and tangibles assets, plus, financing payables to related parties): not more than 200%.

c) Tangible net equity, plus, other financing payables to related parties: not less than $45,000,000 in the semi-annual and annual financial statements of 2013, and $50,000,000 for each year beginning 2014.

The Group was in compliance with all of the aforementioned covenants as of and for the year ended December 31, 2016.

2) The Group signed a syndicated loan agreement with Bank of Taiwan, the managing bank, and 14 other banks (hereinafter referred to as ''the syndicate banks") for a syndicated loan with a credit line of $12,000,000 on January 2, 2014, and applied for appropriation of loans of $6,400,000 on January 28, 2014, $3,650,000 on July 28, 2014, and $1,950,000 on October 27, 2014. This loan bears interest of 90 day commercial paper rate, plus, an annual interest rate of 1.1% in monthly payments. Additionally, the first installment payment of the principal is payable on due date, with the rest payable in 5 semiannual installments. According to the agreement, the borrower should maintain a balance of no less than 3% of the original credit limit in the specified bank account two months from the first credit approval date.

Also, the Group is required to maintain certain financial ratios which should be based on its semi-annual and annual consolidated financial statements and calculated by the managing bank every 6 months starting from the end of year 2013 or when the managing bank deems necessary. In the event that any of the financial covenants below is breached, the Group is required to submit a formal letter to the managing bank at least three months after submitting the semi-annual and annual consolidated financial statements to syndicated banks, so that the managing bank can convene a meeting of the Banks to discuss the aforesaid breach and to resolve whether a waiver of the breach will be granted. The required financial ratios are as follows:

a) Financing payables to related parties: not less than $35,000,000. In July 2015, the Company signed a supplementary contract with a group of banks, agreeing to delete this financial covenant.

b) Liability Ratio (total liabilities to total net equity and tangibles assets, plus, financing payables to related parties): not more than 200%.

c) Tangible net equity, plus, other financing payables to related parties: not less than $45,000,000 in the semi-annual and annual financial statements of 2013, and $50,000,000 for each year beginning 2014.

The Group was in compliance with all of the aforementioned covenants above for the years ended December 31, 2016 and 2015.

(ii) Collaterals for bank loans

Please refer to Note 8 for information on assets pledged as loan collateral by the Group.

(k) Finance lease liabilities

(i) The Group signed a long-term lease agreement with Inotera Memories, Inc. to lease out a portion of the building and land (including supplemental equipment) located at No. 667, Fuhsing 3rd Road, Hwa-Ya Technology Park, Kueishan Dist., Taoyuan City. The lease term covers a total lease period of 354 months commencing from July 1, 2005, and will expire on December 31, 2034 (including the period when the lease is automatically extended). The monthly rentals for the lease of building and land (including supplemental equipment) were $2,058 and $310, respectively. The lease of the building is treated as a finance lease. However, the lease of the land is treated as an operating lease.

(ii) The lease of the building is treated as a finance lease with implicit interest rate of 5.88%. The net carrying value of leased assets and the initial total amount of lease payable for the finance lease of the building was $345,637.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) The rental expenses from the lease of land which was treated as an operating lease amounted to \$3,719 and \$3,719 for the years ended December 31, 2016 and 2015, respectively. These expenses were fully paid as of December 31, 2016 and 2015.

	December 31, 2016,			December 31, 2015,		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 24,698	15,868	8,830	24,698	16,371	8,327
Between one and five years	98,792	57,807	40,985	98,792	60,142	38,650
More than five years	321,071	96,963	224,108	345,770	110,497	235,273
Subtotal	$ 444,561	170,638	273,923	469,260	187,010	282,250
Current			$ 8,830			8,327
Non-current			265,093			273,923
			$ 273,923			282,250

(l) Employee benefits

(i) Defined benefit plan

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 898,602	1,189,853
Fair value of plan assets	(445,089)	(433,993)
Net defined benefit liabilities	$ 453,513	755,860

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

1) Composition of plan assets

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

As of December 31, 2016, the Group's pension fund with Bank of Taiwan amounted to $445,089. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31, 2016	2015
Defined benefit obligation at January 1,	$ 1,189,853	1,052,002
Current service and interest costs	23,623	26,559
Remeasurement of net defined benefit liabilities		
—actuarial losses arising from change in financial assumptions	(133,559)	134,821
Benefits paid	(181,315)	(23,529)
Defined benefit obligation at December 31,	$ 898,602	1,189,853

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31, 2016	2015
Fair value of plan assets at January 1,	$ 433,993	417,439
Interest income	6,565	8,417
Remeasurement of net defined liabilities		
—return on plan assets (excluding interest income)	(3,468)	2,566
Contributions from employer	13,882	13,565
Benefits already paid by the plan	(5,883)	(7,994)
Fair value of plan assets at December 31,	$ 445,089	433,993

4) Expenses recognized in profit or loss

	For the years ended December 31, 2016	2015
Current service costs	$ 5,822	5,587
Net interest income of net defined benefit liabilities	17,801	20,972
Expected rate of return for the plan asset	(6,565)	(8,417)
	$ 17,058	18,142
Cost of goods sold	$ 11,685	12,672
Operating expenses	5,373	5,470
	$ 17,058	18,142

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

	For the years ended December 31, 2016	2015
Balance of January 1,	$ 50,363	(59,408)
Recognized during the period	(107,976)	109,771
Balance of December 31,	$ (57,613)	50,363

6) Actuarial assumptions

	December 31, 2016	December 31, 2015
Discount rate	1.25 %	1.50 %
Future salary increases	2.50 %	2.50 %

Based on the actuarial report, the Group is expected to make contributions of $15,498 to the defined benefit plans in 2017.

The weighted average duration of the defined benefit plan is 22 years.

7) Sensitivity analysis

As of December 31, 2016 and 2015, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase Amount	Decrease Amount
December 31, 2016		
Discount rate (change 0.25%)	41,329	(39,181)
Future salaries (change1%)	177,222	(146,032)
December 31, 2015		
Discount rate (change 0.25%)	58,570	(55,386)
Future salaries (change1%)	250,793	(204,793)

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

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Defined contribution plan

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

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

The Group's pension costs under the contribution pension plan amounted to $119,442 and $112,567 for the years ended 2016 and 2015, respectively.

(m) Income tax

(i) The Group's income tax expense recognized for the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31,	
	2016	**2015**
Current tax expense	$ 1,997,640	505,678
Deferred tax (income) expense	(495)	350
Tax expense	$ 1,997,145	506,028

The Group's tax (expense) income recognized in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31,	
	2016	**2015**
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ (22,115)	22,484
Subsequent items that may be reclassified to profit and loss:		
Unrealized gains on available-for-sale financial assets	$ 1,602,346	-

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

	For the years ended December 31,	
	2016	2015
Income tax calculated based on local tax rate	$ 4,391,313	3,021,954
Effect of foreign tax rate change	14,482	3,428
Tax effect of five -year tax holiday	-	(685,630)
Decrease of investment tax credit	(120,308)	-
Tax effect of permanent differences	5,838	(764,006)
Tax effect of unrecognized changes of temporary difference	-	(2,333)
Tax effect of unrecognized current-year loss carryforward	(4,395,000)	(1,563,741)
Income basic tax	1,335,947	-
Overstatement in prior year's income tax	915	14,248
10% surtax on undistributed earnings	765,266	484,766
Other	(1,308)	(2,658)
Total	$ 1,997,145	506,028

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

The components of unrecognized deferred tax assets of the Group were as follows:

	For the years ended December 31,	
	2016	2015
Deductible temporary differences	$ 944	500
Net operating loss carry forwards	13,061,158	17,885,328
	$ 13,062,102	17,885,828

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2016, under ROC Income Tax, the unused loss carry forward benefits available to the Group were as follows:

Year	Unused loss carry forward	Expiry year
2009	$ 608,443	2019
2010	12,439,512	2020
2011	30,344,487	2021
2012	29,717,148	2022
2013	3,712,699	2023
2014	8,055	2024
Total	$ 76,830,344	2026

2) Recognized deferred tax liabilities and assets

The changes in recognized deferred tax assets and liabilities in 2016 and 2015 were as follows:

Deferred tax assets：

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2016	$ 777,903	98,161	876,064
Recognized in profit or loss	68,255	(45,782)	22,473
Recognized in other comprehensive income	-	(22,115)	(22,115)
Exchange differences on translation of foreign financial statements	-	(110)	(110)
Balance as of December 31, 2016	$ 846,158	30,154	876,312
Balance as of January 1, 2015	$ 846,762	(114)	846,648
Recognized in profit or loss	(68,859)	75,791	6,932
Recognized in other comprehensive income	-	22,484	22,484
Balance as of December 31, 2015	$ 777,903	98,161	876,064

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Deferred tax liabilities：

		Unrealized gains on available-for-sale financial assets	Unrealized foreign exchange gain	Others	Total
Balance as of January 1, 2016	$	-	6,897	661	7,558
Recognized in profit or loss		-	22,017	(39)	21,978
Recognized in other comprehensive income		1,602,346	-	-	1,602,346
Exchange differences on translation of foreign financial statements		-	-	42	42
Balance as of December 31, 2016	$	1,602,346	28,914	664	1,631,924
Balance as of January 1, 2015	$	-	59	217	276
Recognized in profit or loss		-	6,838	444	7,282
Balance as of December 31, 2015	$	-	6,897	661	7,558

3) The Group's income tax returns have been examined by the ROC tax authority through 2014.

4) Information related to the integrated income tax were as follows:

		December 31, 2016	December 31, 2015
Unappropriated retained earnings in 1997 and prior year	$	-	-
Unappropriated retained earnings in 1998 and thereafter		36,296,086	21,913,621
	$	36,296,086	21,913,621
Imputation credit account balance	$	240,380	39,847

	2016(estimated)	2015(actual)
Tax deduction ratio for earnings distribution to ROC residents	6.41 %	1.83 %

Under the integrated income tax system, the above imputation credit account and creditable ratio were calculated according to the formal interpretation No.10204562810 issued by Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

(n) Capital and other equity

As of December 31, 2016 and 2015, the Group's government registered total authorized capital both amounted to $300,000,000 with $10 par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up common stock amounted to $27,485,658, and $24,285,658, respectively. All issued shares were paid up upon issuance.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) Common stock

On January 14, 2016 the Company increase common shares through the issuance of 320,000 thousand common shares of stock, the price of $36.5 per share, respectively, with the total values amounting to $11,675,000 respectively. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

In 2015, the Company increase common shares arising from the exercise of stock options under the Employee Stock Option Plan (ESOP). Accordingly, the Company issued 4 thousand and 19,034 thousand common shares of stock, at an issuance premium price of $81.9 and $55 per share, respectively, with total value of $328 and $1,046,870, respectively. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

On March 22, 2012 and October 24, 2012, the Company's board of directors approved to increase the Company's capital though carrying out a private placement of common shares with the issuance of 3,800,000 thousand common shares and 5,294,118 thousand common shares after reducing the Company's capital to 380,319 thousand common shares and 529,856 thousand common shares, respectively, at a discounted issuance price of $1.7 per share. This capital increase was approved by the Securities and Futures Bureau (SFB). Also, the process for the registration thereof was completed. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden, except when the transferees conform to Article 43-8 of the Securities and Exchange Act.

The movements of shares outstanding for the years ended December 31, 2016 and 2015 were as follows:

	Common Shares	
	2016	**2015**
Balance as of January 1,	2,428,566	2,409,528
Exercise of employees stock options	-	19,038
Issue of shares	320,000	-
Balance as of December 31,	2,748,566	2,428,566

(ii) Capital surplus

	December 31, 2016	December 31, 2015
Change in recognized shares of subsidiaries and associates accounted for using equity method	$ -	5,061,605
Employee stock option plans	1,667,461	1,372,476
Premium from exercise of employee stock options	9,852,246	1,377,246
Other	3,300	1,374
	$ 11,523,007	7,812,701

(Continued)

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

(iii) Retain earning

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

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

1) Legal reserve

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

2) Capital surplus

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

3) Earrings distribution

Earnings distribution for 2015 and 2014 was approved in the stockholders' meeting of shareholders on June 22, 2016 and June 10, 2015, respectively. The relevant dividend distributions to shareholders were as follows:

	For the year ended December 31, 2015	
	Dividends per share	**Amount**
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 2.80	7,695,984

	For the year ended December 31, 2014	
	Dividends per share	**Amount**
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 2.00	4,853,396

(iv) Treasury shares

The Group's shares of stock held by subsidiaries were as follows:

	December 31, 2016	**December 31, 2015**
Numbers of shares at January 1 and December 31,	687	687
Amount of dollars at December 31,	$ 347,533	347,533
Book value per share	$ 505.46	505.46
Price per share (dollars)	$ 48.30	45.70

As of December 31, 2016 and 2015, none of the Group's common shares of stock held by its subsidiary, Pei Jen Co., Ltd. has been sold.

According to the Securities and Exchange Act, treasury shares of stock cannot be pledged and, do not hold any shareholder rights before their transfer.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains on available-for-sale financial assets
Balance at January 1, 2016	$ (11,588)	7,018
Exchange differences on translation of foreign financial statements, net of tax		
The Company	(5,258)	-
Unrealized gains on available-for-sale financial assets:		
The Company	-	7,798,929
Balance at December 31, 2016	$ (16,846)	7,805,947
Balance at January 1, 2015	$ (23,516)	29,455
Exchange differences on translation of foreign financial statements, net of tax:		
The Company	11,928	-
Unrealized gains Company on available for sale financial assets:		
The subsidiaries	-	(22,437)
Balance at December 31, 2015	$ (11,588)	7,018

(o) Share-based payment

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

	The 7nd batch of Employee Stock Option Plan	The 8nd batch of Employee Stock Option Plan	The 9nd batch of Employee Stock Option Plan	The Subsidiaries' Employee Stock Option Plan of 2012	Cash-settled share-based payment plan (reserved for employees to subscribe
Grant date	2011.03.21	2016.5.10	2016.8.11	2012.4.5	2015.12.22
Grant unit	70,000	97,500	2,500	600	32,000
Deal period	8 years	8years	8years	8 years	
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Immediately vested

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

	The 7nd batch of Employee Stock Option Plan	The 8nd batch of Employee Stock Option Plan	The 9nd batch of Employee Stock Option Plan	The Subsidiaries' Employee Stock Option Plan of 2012	Capital increase hold Employee Stock Option Plan
Expected volatility	53.79 %	55.47 %	45.80 %	62.10 %	64 %
Risk-free rate	0.9307 %	0.57 %	0.53 %	1.03 %	0.74 %
Fair value of unit stock option (dollar)	5.91	18.77	15.30	5.375	15.30

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

(ii) Relevant information of employee stock option plans

The details of these employee stock option plans were as follows:

The Company:

	For the years ended December 31,			
	2016		2015	
	Weighted-average exercise (price NTD)	Number of options (Units)	Weighted-average exercise (price NTD)	Number of options (Units)
Outstanding at January 1,	42.79	71,846	46.98	83,965
Options granted	35.33	100,000	-	-
Options exercised	-	-	53.12	(7,155)
Options forfeited	46.02	(1,865)	73.44	(1,081)
Options expired	46.02	(7,951)	73.44	(3,883)
Outstanding at December 31,	36.37	162,030	42.79	71,846
Options exercisable at December 31,	38.00	62,887	42.79	71,846

The Subsidiaries:

	For the years ended December 31,			
	2016		2015	
	Weighted-average exercise (price NTD)	Number of options (Units)	Weighted-average exercise (price NTD)	Number of options (Units)
Outstanding at January 1,	10.00	170	10.00	600
Options exercised	10.00	(155)	10.00	(430)
Options forfeited	10.00	(5)	-	-
Outstanding at December 31,	10.00	10	10.00	170
Options exercisable at December 31,	10.00	10	10.00	20

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

	December 31, 2016	December 31, 2015
Range of exercise price (dollar)	10.00~38.00	10.5~81.9
Weighted average of remaining option plan period (year)	2.22~7.61	1.46~4.25

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Compensation cost

Expenses were incurred from share options granted to employees for the years ended December 31, 2016 and 2015 as follows:

	For the years ended December 31,	
	2016	2015
Compensation cost arising from share options granted to employees	$ 295,029	4,206
Compensation cost arising from capital increase reserved for employees	-	489,599
	$ 295,029	493,805

(p) Earnings per share

	For the years ended December 31,	
	2016	2015
Basic earnings per share：		
Net income attributable to the Company	$ 23,721,277	17,141,167
Weighted-average number of ordinary shares outstanding (basic)	2,736,512	2,423,879
Basic earnings per share (dollars)	8.67	7.07
Diluted earnings per share:		
Net income attributable to the Company	$ 23,721,277	17,141,167
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	2,736,512	2,423,879
Effect of employee stock option	8,064	16,251
Weighted-average number of ordinary shares (diluted)	2,744,576	2,440,130
Diluted earnings per share (dollars)	$ 8.64	7.02

(q) Employee compensation

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The estimated employee compensation which was charged to profit or loss under operating costs or expense amounted to $418,481and $634,408 for the years ended December 31, 2016 and 2015, respectively. This employee compensation was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association, the related information would be available at the Market Observation Post System website.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company's board of directors approved to increase its employee remuneration. The differences between the estimated amounts in the financial statements for the year ended December 31, 2016 and 2015 and the actual amounts of $41,866 and $36,620 were charged to profit or loss in 2017 and 2016, respectively.

(r) Non-operating income and expenses

(i) Other gains and losses

	For the years ended December 31, 2016	2015
Foreign exchange (losses) gains	$ (372,899)	228,514
Gains on disposals of investments accounted for using equity method	20,069,979	-
Impairment loss on non-financial assets	(1,158,201)	(4,204)
Impairment loss on financial assets	(190,620)	-
Losses on disposals of property, plant and equipment	(7,893)	(1,745)
Others	(553,892)	193,330
	$ 17,786,474	415,895

(ii) Finance costs

	For the years ended December 31, 2016	2015
Bank loans	$ 407,958	357,608
Less: Capitalized of interest	(39,109)	(33,587)
Financing from entities with significant influence over the Group	118,444	168,093
Financing interest from other related parties	201,227	350,955
Lease payments	16,371	16,845
Others	430	513
	$ 705,321	860,427

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

As of December 31, 2016 and 2015, the Group's largest customers consisted of six and four customers which accounted for 53.60% and 39.37%, respectively, of notes and accounts receivable so that management believes the concentration of credit risk.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6 12months	1 2years	2 5years	Over 5 years
December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$ 22,960,000	24,154,581	5,656,595	2,613,300	10,965,450	4,919,136	-
Entities with significant influence over the Group	8,000,000	8,116,112	-	8,116,112	-	-	-
Financing from other related parties	4,742,272	4,811,269	-	4,811,269	-	-	-
Finance lease liabilities	273,923	444,561	12,349	12,349	24,698	74,093	321,072
Notes and accounts payable (including related parties)	5,608,738	5,608,738	5,608,738	-	-	-	-
	$ 41,584,933	43,135,261	11,277,682	15,553,030	10,990,148	4,993,229	321,072
December 31, 2015							
Non-derivative financial liabilities							
Secured bank loans	$ 11,985,000	12,572,251	137,707	137,707	5,001,359	7,295,478	-
Unsecured bank loans	4,506,000	4,559,195	3,829,486	9,178	712,156	8,375	-
Entities with significant influence over the Group	8,800,000	8,939,150	-	8,939,150	-	-	-
Financing from other related parties	16,727,941	16,992,737	-	16,992,737	-	-	-
Finance lease liabilities	282,250	469,260	12,349	12,349	24,698	74,094	345,770
Notes and accounts payable (including related parties)	1,560,210	1,560,210	1,560,210	-	-	-	-
	$ 43,861,401	45,092,803	5,539,752	26,091,121	5,738,213	7,377,947	345,770

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

(iii) Currency risk

1) Exposure to currency risk

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

		December 31, 2016,			December 31, 2015,		
		Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars
Financial assets:							
Monetary items							
USD	$	410,185	32.279	13,240,362	214,956	33.066	7,107,735
JPY		2,000,329	0.2768	553,691	2,575,126	0.2736	704,554
EUR		85	33.8460	2,877	451	36.038	16,253
Financial liabilities:							
Monetary items							
USD		126,394	32.279	4,079,872	92,178	33.066	3,047,958
JPY		4,127,546	0.2768	1,142,505	156,072	0.2736	42,701
EUR		3,884	33.8460	131,458	1,098	36.0384	39,570

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, accounts payable and other payable which are denominated in different foreign currencies. A 1% depreciation of the NTD against the USD, EUR, and JPY as of December 31, 2016 and 2015 would have increased the net income before tax by $84,431 and $46,983 for the years ended December 31, 2016 and 2015, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

(iv) Interest risk

The Group's exposure to interest rate risk arising from financial assets and liabilities is discussed further in the management of liquidity risk.

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $357,023 and $420,189 for the years ended December 31, 2016 and 2015, respectively.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The book value and fair value of the Group's financial assets and liabilities were as follows:

	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:					
Domestic money market fund	$ 2,000,360	-	2,000,360	-	2,000,360
Foreign private equity	40,882,664	40,882,664	-	-	40,882,664
Domestic listed stock	68,278	68,278	-	-	68,278
Total	$ 42,951,302	40,950,942	2,000,360	-	42,951,302
Loans and receivables：					
Cash and cash equivalents	$ 9,101,654	-	-	-	-
Account receivables , net	5,768,718	-	-	-	-
Other receivables	1,694,818	-	-	-	-
Lease payments receivable (including current portion)	1,632,343	-	-	-	-
Subtotal	$ 18,197,533	-	-	-	-
Total	$ 61,148,835	40,950,942	2,000,360	-	42,951,302
Financial liabilities measured at amortized cost：					
Notes and accounts payable (including related parties)	5,608,738	-	-	-	-
Other payables (including related parties)	17,976,087	-	-	-	-
Long-term borrowings (including current portion)	22,960,000	-	-	-	-
Lease obligations payable (including current portion)	273,923	-	-	-	-
Total	$ 46,818,748	-	-	-	-

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:					
Domestic listed stock	$ 92,930	92,930	-	-	92,930
Financial assets at cost	9,340	-	-	12,320	12,320
Total	$ 102,270	92,930	-	12,320	105,250
Loans and receivables :					
Cash and cash equivalents	$ 3,103,705	-	-	-	-
Account receivables , net	5,442,511	-	-	-	-
Other receivables(including related parties)	1,498,513	-	-	-	-
Investment in debt instruments without active markets	181,280	-	-	190,123	190,123
Lease payments receivable (including current portion)	1,883,806	-	-	-	-
Total	$ 12,109,815	-	-	190,123	190,123
Financial liabilities measured at amortized cost:					
Short-term borrowings	$ 3,306,000	-	-	-	-
Notes and accounts payables (including related parties)	1,560,210	-	-	-	-
Other account payable (including related parties)	29,136,825	-	-	-	-
Long-term loans (including current portion)	13,185,000	-	-	-	-
Lease obligations payable (including current portion)	282,250	-	-	-	-
Total	$ 47,470,285	-	-	-	-

2) Valuation techniques not used in fair value determination of financial instruments

Investment in debt securities with no active market and financial liabilities measured at amortized cost:

The fair value of financial liabilities traded in active markets or market maker is based on quoted market prices. When quoted prices are unavailable, the fair value is determined by discounted cash flows, using estimation and assumptions under existing market conditions which are obtainable by the Group.

3) Valuation techniques used in fair value determination of financial instruments

If the quoted price is available on an active market, the market price is used as the fair value.

(Continued)

Fair value of the Group's financial instruments with no active market is determined as follows:

The fair value of investment in debt securities with no active market and financial assets carried at cost was estimated by Cox-Ross-Rubinstein of convertible bond and Binomial model of European call option. The key assumption for stock volatility was estimated by evaluating the stock volatility of same industry.

4) There were no transfers from financial assets for the years ended December 31, 2016 and 2015.

(t) Financial risk management

(i) Nature and extent

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Framework of risk management

The Group's board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board has established the Risk Management Committee, which is responsible for developing and monitoring Group's risk management policies.

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

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

(iii) Credit risk

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

1) Accounts receivable

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

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

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

2) Investment

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

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, the Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused bank facilities for $16,182,000.

(v) Market risk

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

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

1) Currency risk

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

The interest is denominated in the currency used in the borrowings. Generally, borrowings are primarily the NTD. Also, the Group may apply for loans in other currency for operating purpose.

2) Interest rate risk

The Group adopts a policy of entering into financial instrument transaction that fixes interest rate, such as interest rate swaps, in order to manage its interest rate exposure risks arising from the Group's long-term loans bearing floating interest rates. However, as the range of fluctuation of the interest rates during the term of agreements is acceptable, the Group believes that their interest rate risk need not be hedged.

3) Other market value risk

The Group is only expecting to meet the consumption and sales demand so that the Group did not sign commodity contracts without net settled.

(u) Capital management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings and non-controlling interests.

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

	December 31, 2016	December 31, 2015
Total Liabilities	$ 51,331,995	49,151,662
Deduct: cash and cash equivalents	(9,101,654)	(3,103,705)
Net liabilities	$ 42,230,341	46,047,957
Total equity	$ 85,645,147	54,854,375
Debt-to-capital ratio	49.31 %	83.95 %

The Group has not changed its capital management strategy as of December 31, 2016.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Key management personnel compensation

	For the years ended December 31, 2016	2015
Short-term employee benefits	$ 53,550	55,603
share-based payment	7,769	234
	$ 61,319	55,837

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Significant with transactions related-party

(i) Sales to related parties

	Sales		Accounts receivable	
	For the years ended December 31,			
	2016	2015	December 31, 2016	December 31, 2015
Associates	$ 1,269	3,476	-	-
Other related parties	-	(3,120)	-	-
Total	$ 1,269	356	-	-

Note: The sales and sales discount of $57 and $3,177, respectively, to other related parties were recognized for the year ended December 31, 2015.

The selling prices and collection terms for the sales to related parties and other related parties are not significantly different from those third party customers, and the normal credit term with the related parties above is the account is due for collection on the 15th day of the month following the month of delivery of goods sold.

(ii) Purchase from related parties

	Purchases		Accounts payable－related parties	
	For the years ended December 31,			
	2016	2015	December 31, 2016	December 31, 2015
Associates	$ -	(1,504)	-	-
Entities with significant influence over the Group	322,084	103,560	17,626	9,314
Other related parties	965,636	946,623	147,557	166,116
Total	$ 1,287,720	1,048,679	165,183	175,430

Note: The purchase discounts and allowances were recognized as a result of the change in the transfer price of the Group's purchases for the year ended December 31, 2015.

The purchase price and payment terms for the purchase from related parties are not significantly different from those with third party vendors, and the average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors. Purchase price with associates is calculated using the transfer pricing formula in accordance with the agreement.

(iii) Consigned out for processing and other payable

	Amount		Other payables－related parties	
	For the years ended December 31,			
	2016	2015	December 31, 2016	December 31, 2015
Associates	$ -	200	-	21
Other related parties	5,654,012	6,149,891	931,862	1,012,250
Total	$ 5,654,012	6,150,091	931,862	1,012,271

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

(iv)The Group's other receivables from related parties arising from transactions such as providing power, equipment and receivables from payment on behalf of related parties were as follows:

	Other payables	
	December 31, 2016	December 31, 2015
Associates	$ -	12,125

(v) Financing to related parties

	Other payables	
	December 31, 2016	December 31, 2015
Entities with significant influence over the Group	$ 8,000,000	8,800,000
Other related parties	4,742,272	16,727,941
	$ 12,742,272	25,527,941

Interest payables under other payables—related parties as of December 31, 2016 and 2015 amounted to $25,239, and $34,347, respectively. Please refer to Note 6(r) for details on related interest expenses.

(vi) Property transactions

1) The Group sold land and machinery equipment to its affiliates. The downstream unrealized sales profit is realized based on the depreciation of machinery equipment over its useful life. The realized profit on disposal of assets amounted to $270 as of the year ended December 31, 2015; and the unrealized profit on disposal of assets, which is a deduction of investment under equity method, amounted to $101,138 as of December 31, 2015.

2) The Group purchased machinery equipment from other related parties of $1,009,498 and $85,473 for the years ended December 31, 2016 and 2015, and the unpaid payables of $295,485 and $64,029 were accounted for under other payables—related parties as of December 31, 2016 and 2015, respectively.

3) The Group sold its equipment to its affiliates for $695 and the profit on disposal thereof amounted to $695 for the year ended December 31, 2015. All amounts were received as of December 31, 2015.

(vii) Lease contracts

1) Please refer to Note 6(h) and 6(k) for the details of the Group's long-term lease contracts with associates.

2) The Group's rental expenses paid to related parties were as follows:

	For the years ended December 31,	
	2016	2015
Entities with significant influence over the Group	$ 200,951	164,114
Other related parties	-	79,348
	$ 200,951	243,462

(viii) Contracts with related parties

1) The Company signed a Service Agreement with IMI. Under this agreement, the Company provides including the management of facility, human resources, finance, purchasing, engineering, and so on. The service fee is calculated based on the actual time spent and the hourly rates. This Service Agreement took effect on July 15, 2003, and will remain effective until it has been mutually agreed to be terminated by both parties.

2) On November 6, 2014, Nanya Technology Corporation, U.S.A., the Company's subsidiary, signed a Consulting Agreement with Inotera Memories, Inc., U.S.A., a subsidiary of IMI. Under this Agreement, Nanya Technology Corporation, U.S.A. provides human resource and bookkeeping services to Inotera Memories, Inc., USA. This Consulting Agreement took effect on November 6, 2014, and will remain effective until a party has notified the other party to terminate the Consulting Agreement in accordance with the conditions stipulated in the aforementioned Agreement. Nanya Technology Corporation, U.S.A., a subsidiary of the Company, signed a contract for the Termination of its consulting Agreement with Inotera Memories, Inc., U.S.A. on February 7, 2017; the contract has been terminated by both parties on December 31, 2016.

3) On July 1, 2005, the Company signed a Lease Agreement with IMI for the use of its headquarters office. The Lease covers a period up to December 31, 2034. On August 22, 2016, the Company decided to sign an agreement with IMI for the termination of the said Lease effective December 31, 2016. However, the Company could notify IMI to extend its lease agreement before the termination date, the termination date shall not be extended beyond September 30, 2017.

(8) Pledged assets:

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

Pledged assets	Object	December 31, 2016	December 31, 2015
Property, plant and equipment	Guarantee for bank loans	$ 34,402,371	17,092,977
Other non-current assets	Guarantee for bank loans, importation of materials and research and development's plan	$ 376,630	376,883

(9) Commitments and contingencies:

(a) Significant commitments

(i) The Group has provided guarantees of $624,700 and 585,000 both as of December 31, 2016 and 2015 for importation of goods.

(ii) As of December 31, 2016 and 2015, the Group's unused letters of credit amounted to $2,031,545 and $22,829, respectively.

(b) Contingent liabilities

(i) In 2002, Nanya Technology Corporation and its subsidiary, Nanya Technology Corporation, U.S.A. (collectively "Nanya"), and other major Dynamic Random Access Memory ("DRAM") manufacturers, were alleged to collusively manipulate DRAM's market prices in the U.S.A. which violates the Antitrust Law. Currently, the aforementioned antitrust litigation is still pending in the U.S.A. Federal Court and State Court, and Nanya has engaged counsels to properly handle it to ensure the Group's rights.

(ii) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The Company has engaged counsels to properly handle it to ensure Group's rights.

(iii) In November 2015, North Star Innovations Inc. accused Nanya Technology Corporation and its subsidiary in U.S District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure Group's rights.

(iv) In February 2016, PLL Technologies Inc. accused Nanya Technology Corporation and its 2 subsidiaries (Nanya Technology Corporation, U.S.A and Nanya Technology Corporation, Delaware), in U.S District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure the Group's rights.

(v) In October 2016, Lone Star Silicon Innovations LLC. accused Nanya Technology Corporation and its 2 subsidiaries (Nanya Technology Corporation, U.S.A and Nanya Technology Corporation, Delaware), in U.S District Court of East Texas for patent infringement. The Company has engaged counsels to properly handle it to ensure the Group's rights.

(vi) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Inotera Memories, Inc. (IMI). Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to USD5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of $850,000 (USD27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time.

2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	2,419,354	1,544,579	3,963,933	2,497,646	1,543,897	4,041,543
Labor and health insurance	139,346	105,337	244,683	136,765	95,252	232,017
Pension expenses	82,268	54,232	136,500	80,186	50,523	130,709
Other personnel expenses	57,480	20,537	78,017	46,693	16,034	62,727
Depreciation expenses	5,845,612	55,122	5,900,734	5,597,498	72,459	5,669,957
Amortization expenses	134,008	-	134,008	129,408	-	129,408

NANYA TECHNOLOGY 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: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
Pei Jen Co., Ltd	Nanya Printed Circuit Board Co.	Other related parties	Non-current available-for-sale financial assets	2,770	68,278	0.43 %	68,278	- %	-
The Company	Yuan Tai Wan Tai money market fund	-	Current available-for-sale financial assets	133,262	2,000,360	- %	2,000,360	- %	-
The Company	Micron Technology, Inc.	-	Non-current available-for-sale financial assets	57,780	40,882,664	5.02 %	40,882,664	- %	-
The Company	Memoright (Cayman) Co., LTD	-	Investment in debt securities with no active market and Financial assets carried at cost	-	-	-	-	-	-

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Mega Diamond Money Market	Current available-for-sale financial assets	-	-	-	-	145,397	1,802,937	145,397	1,806,528	1,802,937	3,591	-	
The Company	Taishin 1699 Money Market	Current available-for-sale financial assets	-	-	-	-	134,723	1,801,027	134,723	1,803,405	1,801,027	2,378	-	
The Company	Yuanta Wan Tai Money Market	Current available-for-sale financial assets	-	-	-	-	133,611	2,000,000	133,611	2,001,762	2,000,000	1,762	-	
The Company	Yuanta Wan Tai Money Market	Current available-for-sale financial assets	-	-	-	-	133,262	2,000,000	-	-	-	-	133,262	2,000,360
The Company	Paradigm Pion Money Market	Current available-for-sale financial assets	-	-	-	-	87,562	1,000,000	87,562	1,000,359	1,000,000	359	-	
The Company	Jih Sun Money Market	Current available-for-sale financial assets	-	-	-	-	34,160	500,413	34,160	501,004	500,413	591	-	
The Company	Capital Money Market	Current available-for-sale financial assets	-	-	-	-	62,699	1,000,527	62,699	1,001,461	1,000,527	934	-	
The Company	Micro Technology. Inc.	Non-current available-for-sale financial assets	-	-	-	-	57,780	31,457,097	-	-	-	-	57,780	40,882,664
The Company	Inotera Memories, Inc.	Investments accounted for using equity method	Micron Semiconductor Co.	-	1,587,484	31,519,339	-	-	1,587,484	-	27,681,537	19,942,974	-	
Pei Jen Co., Ltd	Inotera Memories, Inc.	Investments accounted for using equity method	Micron Semiconductor Co.	-	9,018	186,023	-	-	9,018	270,547	143,542	127,005	-	

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$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	Nanya Technology Corp., U.S.A.	Parent company	(Sale)	(1,539,141)	(3.75)%	O/A,60~90Days	-		391,932	6.53%	(Note)
The Company	Nanya Technology Corp., H.K.	Parent company	(Sale)	(193,905)	- %	O/A,60~90Days	-		65,547	1.09%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	(2,729,284)	(6.65)%	O/A,180ays	-		450,181	7.50%	(Note)
The Company	Nanya Technology Corp., Germany	Parent company	(Sale)	(1,756,311)	(4.28)%	O/A,60~90Days	-		401,181	6.69%	(Note)
The Company	Piece Makers Technology, Inc.	Parent company	(Sale)	(739,470)	(1.80)%	O/A,60~100Days	-		139,696	2.33%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	942,790	11.55 %	O/A60Days	-		(147,136)	2.64%	-
The Company	Nanya Plastic Corp.	Entities with significant influence over the Group	Purchase	322,084	3.95 %	On the 15th of the following mouth	-		(17,626)	0.32%	

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

(viii) Receivables from related parties with amounts exceeding the lower of NT$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	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Parent company	Account receivable 391,932	5.82	-	-	458,130	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 450,181	4.79	-	-	178,496	-
The Company	Nanya Technology Corp., Germany	Parent company	Account receivable 401,181	4.86	-	-	173,491	-
The Company	Piece Makers Technology, Inc.	Parent company	Account receivable 139,696	5.76	-	-	113,985	-

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

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Nanya Technology Corp	Nanya Technology Corp., U.S.A	1	Sales	1,539,141	On the basis of general conditions	3.70%
0	〃	Nanya Technology Corp., Germany	1	Sales	1,756,311	On the basis of general conditions	4.22%
0	〃	Nanya Technology Corp., Japan	1	Sales	2,729,284	On the basis of general conditions	6.56%
0	〃	Piece Makers Technology, Inc. Ltd.	1	Sales	739,470	On the basis of general conditions	1.78%
0	〃	Nanya Technology Corp., Germany	1	Accounts receivable	401,181	On the basis of general conditions	0.29%

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Nanya Technology Corp	Nanya Technology Corp., Japan	1	Accounts receivable	450,181	On the basis of general conditions	0.33%

Note 1: Assigned numbers represent the following:

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

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

1. Represents the parent company having transaction with a subsidiary.
2. Represents a subsidiary having transaction with the parent company.
3. Represents a subsidiary having transaction with a subsidiary.

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2016 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00 %	118,065	100.00	1,620	1,620	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	131,142	100.00	10,494	10,494	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	175,348	175,348	480	100.00 %	-	100.00	114,627	114,627	(Note)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	38,914	100.00	8,441	8,441	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	144,674	100.00	(40,402)	(40,402)	(Note)
The Company	Inotera Memories, Inc.	Taoyuan	Business of electronic products	-	24,631,379	-	- %	-	24.30	(656,497)	(159,166)	(Note1)
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	7,918	53.57 %	73,415	55.26	16,188	8,192	(Note)
The Company	Sumpro Electronics Corporation	Taoyuan	Business of electronic products	-	2,591,000	-	- %	-	100.00	(65)	(65)	(Note2)
Nanya Technology Corp., HK	Nanya Technology Corp., Germany	Germany	Import/export business	30,056	30,056	-	100.00 %	58,050	100.00	4,637	4,637	(Note)
Pei Jen Co., Ltd.	Inotera Memories, Inc.	Taoyuan	Business of electronic products	-	143,966	-	- %	-	0.14	(656,497)	(897)	(Note 1)

Note: The transactions were written off in the consolidated financial statement.
Note 1: Inotera Memories, Inc. completed the share-swap with Micron Semiconductor Co. (MST) in December 2016.
Note 2: The liquidation and registration process was finished in November 2016.

(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, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	31,795 (USD 985)	(1)	31,795 (USD 985)	-	-	31,795 (USD 985)	2,203	100.00%	100.00	2,203	21,992	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
31,795 (USD985)	31,795 (USD985)	51,325,691

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

Note 2 : The exchange rate of New Taiwan dollars to US dollars on December 31, 2016 was USD1 : TWD 32.279.

Note 3 : 60% of net equity.

(iii) Significant transactions:

Please refer to the related disclosures above captioned as "Related information on material transaction items" and "Intercompany relationships and significant intercompany transactions" for direct or indirect significant transactions between the Group and its investees in Mainland China for the year ended December 31, 2016. (The transactions were eliminated in the consolidated financial statements.)

(14) Segment information:

(a) General information:

The Group's main operating activities are manufacturing and selling semiconductor products. The operating decision maker uses the geographic area information as the management framework to manage the segments. It is divided into two reporting segments: manufacturing department and Japan department. The manufacturing department manufactures semiconductor products and sells them to domestic and foreign system operators, distributors, agents and Japan department. Japan department sell the semiconductor products.

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

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

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

The accounting policies of the operating segments are the same as those described in Note 4. The operating segment's profit of the Group uses the operating income before tax as the measurement and basis of performance evaluation. The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

Operating segments are combined and reconciled as follows:

	For the year ended December 31, 2016				
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	$ 2,848,001	34,060,735	4,723,769	-	41,632,505
From sales among intersegments	2,373	6,962,387	389,045	(7,353,805)	-
Total revenue	$ 2,850,374	41,023,122	5,112,814	(7,353,805)	41,632,505
Interest expense	$ -	697,639	7,682	-	705,321
Depreciation and amortization	2,438	6,023,243	9,061	-	6,034,742
Share of profit (loss) of associates accounted for using equity method, net	-	(159,166)	(897)	-	(160,063)
Other non-cash significant item：					
Impairment loss on financial assets	-	(1,158,201)	-	-	(1,158,201)
Impairment loss on non-financial assets	-	(190,620)	-	-	(190,620)
Reportable segment profit or loss	$ (40,350)	25,694,809	176,789	(105,518)	25,725,730
Assets:					
Capital expenditure of non-current assets	4,256	67,886,857	26,520	(296)	67,917,337
Reportable segments assets	$ 599,033	136,709,336	1,758,911	(2,090,138)	136,977,142
Reportable segments liabilities	$ 453,227	51,166,518	1,378,046	(1,665,796)	51,331,995

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the year ended December 31, 2015				
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	$ 3,166,034	35,439,802	5,270,069	-	43,875,905
From sales among intersegments	-	7,682,075	370,443	(8,052,518)	-
Total revenue	$ 3,166,034	43,121,877	5,640,512	(8,052,518)	43,875,905
Interest expense	$ -	851,732	8,695	-	860,427
Depreciation and amortization	1,454	5,789,618	8,293	-	5,799,365
Share of profit (loss) of associates accounted for using equity method, net	-	4,475,243	24,873	(95,193)	4,404,923
Other non-cash significant item:					
Impairment loss	-	(4,204)	-	-	(4,204)
Reportable segment profit or loss	$ 26,157	17,619,097	130,948	(98,774)	17,677,428
Assets:					
Investments accounted for using equity method	$ -	33,219,278	186,023	(571,334)	32,833,967
Capital expenditure of non-current assets	6,050	49,722,671	34,805	-	49,763,526
Reportable segments assets	$ 882,900	103,550,296	1,620,261	(2,047,420)	104,006,037
Reportable segments liabilities	$ 701,548	48,776,856	1,261,340	(1,588,082)	49,151,662

(c) Types of products and service:

Products and service	December 31, 2016	December 31, 2015
DRAM	$ 41,479,436	43,727,648
Others	153,069	148,257
Total	$ 41,632,505	43,875,905

(d) Geographic area information

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

District	December 31, 2016	December 31, 2015
From external clients:		
Taiwan	$ 19,441,066	18,834,167
USA	380,212	644,466
Japan	1,455,913	1,183,890
Mainland China	16,964,115	18,777,614
Other countries	3,391,199	4,435,768
Total	$ 41,632,505	43,875,905

District	December 31, 2016	December 31, 2015
Non-current assets:		
Taiwan	$ 68,166,671	50,139,084
Other countries	22,851	30,635
Total	$ 68,189,522	50,169,719

Non-current assets included property, plant and equipment and intangible asset, excluding financial instruments and defer tax assets, retirement benefit assets and equity non-current assets generated from insurance contracts.

(e) Major clients

	December 31, 2016	December 31, 2015
KINGSTONE TECHNOLOGY CO, LTD	$ 4,740,333	7,745,598