NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015
(With Independent Accountants' Review Report Thereon)

KPMG

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, 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 Accountants' Review Report

The Board of Directors
Nanya Technology Corporation

We have reviewed the accompanying consolidated statements of financial position of Nanya Technology Corporation (the "Company") and its subsidiaries as of June 30, 2016 and 2015 (restated), and the related consolidated statements of comprehensive income for the three month and six-month periods ended June 30, 2016 and 2015, changes in equity and cash flows for the six-month periods ended June 30, 2016 and 2015 (restated). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as described in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 36 “Review of Financial Statements” of the Republic of China (ROC). A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is to express an opinion regarding the financial statement taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 4(2), the financial statements of certain subsidiaries under the equity method as of and for the six-month periods ended June 30, 2016 and 2015 were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT$2,374,889 thousand and NT$2,441,161 thousand, representing 2.01 % and 2.27 % of the related consolidated total assets as of June 30, 2016 and 2015, respectively; and the total liabilities amounted to NT$632,208 thousand and NT$639,953 thousand, representing 1.09 % and 1.07 % of the related consolidated total liabilities as of June 30, 2016 and 2015, respectively; and their comprehensive income amounted to a net loss of NT$60,576 thousand and a net income of NT$25,372 thousand; as well as a net loss of NT$132,150 thousand and a net income of NT$61,022 thousand, representing (15.09)% and 0.60%, as well as (5.87) % and 0.58 % of the consolidated total comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

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Based on our reviews, except for the adjustments to the consolidated financial statements that we might have become aware of had the financial statements of certain subsidiaries under the equity method described above been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by Financial Supervisory Commission, ROC.

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Taipei, Taiwan (the Republic of China)

August 11, 2016

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 "Interim Financial Reporting" as endorsed by Financial Supervisory Commission, ROC and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent accountants' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and original Chinese version or any difference in the interpretation of the two versions, the independent accountants' review report and consolidated financial statements in Chinese shall prevail.

Consolidated financial statements as of June 30, 2016 and 2015 are reviewed only, not audited in accordance with the generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(Expressed in thousands of New Taiwan Dollars)

		June 30, 2016		December 31, 2015		June 30, 2015	
	Assets						
	Current assets:						
1100	Cash and cash equivalents (Note 6(1))	$ 15,961,401	13	3,103,705	3	7,188,552	7
1125	Available-for-sale financial assets－current (Note 6(2))	4,306,069	5	-	-	-	-
1170	Notes and accounts receivable, net (Note 6(4))	3,941,162	3	5,442,511	5	5,913,910	6
1200	Other receivables (Note 6(4))	1,354,590	1	1,486,388	1	1,520,958	1
1210	Other receivable－related parties (Notes 6(4)(8) and 7)	271,101	-	263,588	-	247,407	-
130x	Inventories (Note 6(5))	6,182,713	5	5,949,340	6	5,463,715	5
1470	Other current assets	1,782,528	2	1,577,089	2	1,432,925	1
	Total current assets	33,799,564	29	17,822,621	17	21,767,467	20
	Non-current assets:						
1523	Available-for-sale financial assets－non-current (Note 6(2))	80,604	-	92,930	-	112,596	-
1543	Financial assets carried at cost－non-current (Note 6(3))	9,340	-	9,340	-	-	-
1546	Debt investments without active market –non-current (Note 6(3))	181,280	-	181,280	-	-	-
1550	Investments accounted for using equity method, net (Note 6(6))	31,485,073	27	32,833,967	32	31,212,185	29
1600	Property, plant and equipment (Notes 6(7), 7 and 8)	49,718,878	42	49,763,526	48	51,033,685	48
1780	Intangible assets	339,705	-	406,193	-	473,369	-
1840	Deferred income tax assets	869,067	1	876,064	1	846,513	1
1935	Lease receivable－long-term (Notes 6(8) and 7)	1,496,433	1	1,632,343	2	1,761,350	2
1990	Other non-current assets (Notes 6(1) and 8)	406,308	-	387,773	-	411,956	-
	Total non-current assets	84,586,688	71	86,183,416	83	85,851,654	80
	Total assets	$ 118,386,252	100	104,006,037	100	107,619,121	100

		June 30, 2016		December 31, 2015 (Restated)		June 30, 2015 (Restated)	
	Liabilities and Equity						
	Current liabilities：						
2100	Short-term loans (Note 6(9))	$ -	-	3,306,000	3	3,602,000	3
2170	Notes and accounts payable	1,583,144	1	1,384,780	2	1,969,492	2
2180	Accounts payable－related parties (Note 7)	324,740	-	175,430	-	159,568	-
2200	Other payables	8,501,999	7	518,651	-	5,375,933	5
2220	Other payables－related parties (Notes 6(11) and 7)	23,172,703	20	26,646,915	26	32,686,029	30
2322	Current portion of long-term loans (Note 6(10))	2,597,500	2	500,000	-	550,000	1
2399	Other current liabilities	2,821,876	3	2,697,823	3	2,176,723	2
	Total current liabilities	39,001,962	33	35,229,599	34	46,519,745	43
	Non-current liabilities:						
2540	Long-term loans (Note 6(10))	17,555,600	15	12,685,000	12	12,182,500	12
2570	Deferred income tax liabilities	703	-	7,558	-	271	-
2613	Lease payables－long-term (Notes 6(11) and 7)	269,573	-	273,923	-	278,147	-
2640	Accrued pension liabilities－non current	752,474	1	755,860	1	632,907	1
2670	Other non-current liabilities	159,230	-	199,722	-	264,614	-
	Total non-current liabilities	18,737,580	16	13,922,063	13	13,358,439	13
	Total liabilities	57,739,542	49	49,151,662	47	59,878,184	56
	Equity (Notes 6(6)(13)(14)):						
3110	Common stock	27,485,658	24	24,285,658	23	24,284,008	22
3140	Advance receipts for ordinary share	-	-	-	-	9,075	-
3200	Additional paid-in capital	15,848,122	13	7,812,701	8	7,206,751	7
3310	Legal reserve	2,791,929	2	1,077,812	1	1,077,812	1
3320	Special reserve	4,570	-	-	-	-	-
3350	Accumulated profit	14,744,512	12	21,913,621	21	15,429,801	14
3400	Other equity	(1,445)	-	(4,570)	-	(14,063)	-
3500	Treasury stock	(347,533)	-	(347,533)	-	(347,533)	-
	Equity attributable to owners of the Company	60,525,813	51	54,737,689	53	47,645,851	44
36xx	Non-controlling interest	120,897	-	116,686	-	95,086	-
	Total equity	60,646,710	51	54,854,375	53	47,740,937	44
	Total Liabilities and Equity	$ 118,386,252	100	104,006,037	100	107,619,121	100

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

		For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2016		2015		2016		2015	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenues (Note 7)**	$ 8,933,094	100	11,155,776	100	19,330,649	100	23,183,719	100
5000	**Cost of goods sold (Notes 6(5)(12)(15)(17) and 7)**	6,396,376	72	6,467,849	58	13,395,105	69	12,822,568	55
	Gross profit	2,536,718	28	4,687,927	42	5,935,544	31	10,361,151	45
	Operating expenses (Notes 6(11)(12)(15)(17) and 7):								
6100	Selling and distribution expenses	169,201	2	167,116	2	325,369	2	329,027	2
6200	Administrative and general expenses	225,936	3	258,363	3	457,652	2	573,416	3
6300	Research and development expenses	490,924	5	354,474	3	869,051	4	783,234	3
	Total operating expenses	886,061	10	779,953	8	1,652,072	8	1,685,677	8
	Operating income	1,650,657	18	3,907,974	34	4,283,472	23	8,675,474	37
	Non-operating income and expenses:								
7010	Other income (Notes 6(8)(18))	67,291	1	61,949	-	121,052	1	121,472	1
7020	Other gains and losses (Notes 6(18) and 7)	(23,046)	-	(127,068)	(1)	(311,413)	(2)	(179,749)	(1)
7050	Finance expenses (Note 6(18))	(185,838)	(2)	(205,935)	(2)	(359,770)	(2)	(448,901)	(2)
7060	Share of profit of associates accounted for using equity method (Notes 6(6) and 7)	(457,342)	(5)	1,117,954	10	(836,602)	(4)	2,890,498	12
	Total non-operating income and expenses	(598,935)	(6)	846,900	8	(1,386,733)	(7)	2,383,320	10
	Profit before income tax	1,051,722	12	4,754,874	42	2,896,739	16	11,058,794	47
7950	**Income tax expense (Note 6(13))**	646,750	7	490,001	4	646,969	3	494,678	2
	Net income	404,972	5	4,264,873	38	2,249,770	13	10,564,116	45
8300	**Other comprehensive income (loss):**								
8360	**Items that could be reclassified subsequently to profit or loss**								
8361	Foreign currency translation differences－foreign operations	7,138	-	(5,894)	-	9,738	-	(17,232)	-
8362	Other comprehensive income (loss), before tax, available-for-sale financial assets	(10,688)	-	(29,499)	-	(6,613)	-	(2,770)	-
8399	Income tax expense related to items that could be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that could be reclassified subsequently to profit or loss	(3,550)	-	(35,393)	-	3,125	-	(20,002)	-
8500	**Total comprehensive income**	$ 401,422	5	4,229,480	38	2,252,895	13	10,544,114	45
	Profit attributable to:								
8610	Income attributable to owners of the Company	$ 396,620	-	4,254,402	57	2,245,562	18	10,544,741	52
8620	Income attributable to non-controlling interests	8,352	-	10,471	-	4,208	-	19,375	-
	Total net income	$ 404,972	-	4,264,873	57	2,249,770	18	10,564,116	52
	Total comprehensive (loss) income attributable to:								
8710	Total comprehensive income attributable to owners of the Company	$ 393,070	4	4,219,009	38	2,248,687	12	10,524,739	45
8720	Total comprehensive income attributable to non-controlling interests	8,352	-	10,471	-	4,208	-	19,375	-
	Total comprehensive income	$ 401,422	4	4,229,480	38	2,252,895	12	10,544,114	45
	Basic earnings per share (Note 6(16))								
9750	**Basic earnings per share (Unit: TWD)**	$ 0.14		1.75		0.82		4.36	
9850	**Diluted earnings per share (Unit: TWD)**			1.74				4.31	

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)

	Attributable to owners of the Company											
				Retained earnings			Total other equity interest					
	Common stock	Advance receipts for share capital	Additional capital surplus	Legal reserve	Special reserve	Accumulated profit (deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses)on available -for-sale financial assets	Treasury stock	Total equity attributable to owners of parent	Non-controlling interest	Total equity
Balance as of 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
Net profit for the six-month period ended June 30, 2015	-	-	-	-	-	10,544,741	-	-	-	10,544,741	19,375	10,564,116
Other comprehensive income (loss)	-	-	-	-	-	-	(17,232)	(2,770)	-	(20,002)	-	(20,002)
Total comprehensive income (loss)	-	-	-	-	-	10,544,741	(17,232)	(2,770)	-	10,524,739	19,375	10,544,114
Change in other capital surplus:												
Legal capital reserve	-	-	-	1,077,812	-	(1,077,812)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	(4,853,396)	-	-	-	(4,853,396)	-	(4,853,396)
Change in equity of associates accounted for using equity method	-	-	(23,649)	-	-	-	-	-	-	(23,649)	-	(23,649)
Recognized compensation costs on employee stock options	-	-	3,071	-	-	-	-	-	-	3,071	106	3,177
Advance receipts for share capital- employee stock options	-	393,633	-	-	-	-	-	-	-	393,633	-	393,633
Due to recognition of equity component of employee stock options issued	188,730	(1,038,123)	849,393	-	-	-	-	-	-	-	-	-
Balance as of June 30, 2015	$ 24,284,008	9,075	7,206,751	1,077,812	-	15,429,801	(40,748)	26,685	(347,533)	47,645,851	95,086	47,740,937
Balance as of January 1, 2016	$ 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
Net profit for the six-month period ended June 30, 2016	-	-	-	-	-	2,245,562	-	-	-	2,245,562	4,208	2,249,770
Other comprehensive income (loss)	-	-	-	-	-	-	9,738	(6,613)	-	3,125	-	3,125
Total comprehensive income (loss)	-	-	-	-	-	2,245,562	9,738	(6,613)	-	2,248,687	4,208	2,252,895
Appropriation and distribution of retained earnings:												
Legal capital reserve	-	-	-	1,714,117	-	(1,714,117)	-	-	-	-	-	-
Cash dividends declared on common stock	-	-	-	-	-	(7,695,984)	-	-	-	(7,695,984)	-	(7,695,984)
Special capital reserve	-	-	-	-	4,570	(4,570)	-	-	-	-	-	-
Capital increase by cash	3,200,000	-	8,475,000	-	-	-	-	-	-	11,675,000	-	11,675,000
Change in other capital surplus:												
Change in equity of associates accounted for using equity method	-	-	(512,387)	-	-	-	-	-	-	(512,387)	-	(512,387)
Recognized compensation costs on employee stock options	-	-	72,808	-	-	-	-	-	-	72,808	3	72,811
Balance as of June 30, 2016	$ 27,485,658	-	15,848,122	2,791,929	4,570	14,744,512	(1,850)	405	(347,533)	60,525,813	120,897	60,646,710

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars)

	For the six-month periods ended June 30, 2016	2015 (Restated)
Cash flows from operating activities:		
Profit before tax	$ 2,896,739	11,058,794
Adjustments for:		
Income and expenses not affecting cash flow		
Depreciation expense	2,946,314	2,780,380
Amortization expense	73,342	72,162
Interest expenses	359,770	448,901
Interest income	(121,052)	(121,472)
Compensation costs arising from share-based payments	72,811	3,177
Share of profit of associate accounted for using equity method	836,602	(2,890,498)
Loss (gain) on disposal of property, plant and equipment	(819)	(668)
Impairment loss on non-financial assets	-	1,758
Unrealized foreign currency exchange gain, net	56,510	(45,901)
Income and expenses not affecting cash flow	4,223,478	247,839
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable and notes receivable	1,505,593	184,756
Decrease in other receivables	51,117	97,360
Decrease in inventories	(233,373)	(315,308)
Decrease in other current assets	(205,297)	(541,155)
Decrease (increase) in accounts payable and notes payable	(2,686)	24,902
Decrease in other accounts payable	(2,146)	(613,735)
Increase (decrease) in other current liabilities	181,741	(35,697)
Decrease in accrued pension liabilities	(3,386)	(1,656)
Increase in other non-current liabilities	9,276	13,152
Total changes in operating assets and liabilities	1,300,839	(1,187,381)
Cash generated from operations	8,421,056	10,119,252
Interest received	115,465	122,318
Interest paid	(370,499)	(463,078)
Income tax paid	(373,559)	(49,745)
Net cash used in provided by operating activities	7,792,463	9,728,747
Cash flows from investing activities:		
Purchase of available for sale financial assets	(8,100,000)	-
Proceeds from disposal of available for sale financial assets	3,799,644	-
Purchase of property, plant and equipment	(2,554,932)	(1,746,753)
Proceeds from disposal of property, plant and equipment	684	1,328
Purchase of intangible asset	(54,102)	(84,874)
Decrease in lease receivables	214,665	214,665
Increase in other non-current assets	(19,555)	(27,185)
Net cash used in investing activities	(6,713,596)	(1,642,819)
Cash flows from financing activities:		
Increase in short-term loans	6,000	3,602,000
Repayments of short-term loans	(3,312,000)	-
Increase in long-term debt	7,964,000	-
Repayments of long-term debt	(1,000,000)	(3,650,000)
Decrease in other payables－related parties	(3,501,867)	(8,486,863)
Decrease in lease payable	(4,102)	(3,870)
Capital increase by cash	11,675,000	-
Advance receipts for share capital- employee stock options	-	393,633
Net cash used in financing activities	11,827,031	(8,145,100)
Effect of foreign currency exchange translation	(48,202)	(20,131)
Increase (decrease) in cash and cash equivalents	12,857,696	(79,303)
Cash and cash equivalents at beginning of period	3,103,705	7,267,855
Cash and cash equivalents at end of period	$ 15,961,401	7,188,552

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements as of June 30, 2016 and 2015 are reviewed only, not audited in accordance with the generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015
(All amounts are expressed in thousands of New Taiwan Dollars, except for per share information or unless otherwise specified)

1. Organization and business scope

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 business with its machinery, equipment and raw materials.

2. Approval date and procedures of the financial statements

The consolidated financial statements were reported and issued by the Board of Directors on August 11, 2016.

3. New standards and interpretations not yet adopted

(1) 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 (excluding IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", and others which have yet to be approved by the FSC in order for them to take effect) 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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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
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.

(2) 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 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

(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.

(Continued)

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

(1) Statement of compliance

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

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as those adopted in the consolidated financial statements for the year ended December 31, 2015. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2015 for related information.

(2) Basis of consolidation

The consolidated financial statements for principles used in preparing the consolidated financial statements are the same as those used for the consolidated financial statements for the year ended December 31, 2015. Please refer to Note 4(3) of the consolidated financial statements for the year ended December 31, 2015 for complete disclosures of significant accounting policies.

(Continued)

1) List of subsidiaries included in the consolidated financial statements:

			Shareholdings		
Investor	**The name of subsidiaries**	**Business activity**	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00%	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00%	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00%	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00%	100.00%	100.00%
The Company	PEI JEN Co., Ltd.	Investment in enterprise	100.00%	100.00%	100.00%
The Company	PIECEMAKERS TECHNOLOGY CORP.	Product design and sells	55.26%	55.26%	58.34%
The Company	SUMPRO ELECTRONICS CORP.	Manufacture and sale of electronic components	100.00%	100.00%	100.00%
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Germany	Sales of semiconductor products	100.00%	100.00%	100.00%
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzen	Sales of semiconductor products	100.00%	100.00%	100.00%

Note: All of the subsidiaries' financial statements were not reviewed as of and for the six-month periods ended June 30, 2016 and 2015.

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

(3) Income taxes

The Group evaluates and discloses the interim period income tax expense in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized as current tax expense and deferred taxes in proportion with the estimated annual current tax expense and deferred tax expense.

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

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(4) Employee benefits

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

5. Critical accounting judgments and key sources of estimation uncertainly

The consolidated financial statements are prepared in conformity with IAS 34 “Interim Financial Reporting” as endorsed by the FSC, under which, the management makes 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.

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by the management in the application of critical accounting policies are expected to be consistent with those in Note 5 of the financial statements for the year ended December 31, 2015.

6. Significant accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those in the consolidated financial statements for the year ended December 31, 2015. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2015 for more details.

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand－pretty cash	$ 239	171	248
Cash in bank－demand deposit account	2,188,172	2,952,040	2,909,021
Cash equivalents:			
Cash in bank－time deposits	13,020,145	-	4,096,566
Repurchase agreements collateralized by corporate bonds	752,845	151,494	182,717
	$ 15,961,401	**3,103,705**	**7,188,552**

The Group provided certificate of deposit and restricted bank deposit amounting to $391,737, $376,883 and $389,900 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 June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

(Continued)

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(2) Non-current assets held for sale

The non-current assets held for sale were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Available-for-sale financial assets– current			
Domestic funds	$ 4,306,069	-	-
Available-for-sale financial assets – non current			
Listed shares of stock	$ 80,604	92,930	112,596

(3) 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. The conversion rights of the corporate bond which are linked to unlisted preference shares of $9,340 and the corporate bonds of $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 June 30, 2016 and December 31, 2015.

(4) Notes receivable, accounts receivable and other receivables

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable (including related parties)	$ 3,951,681	5,451,688	5,922,359
Other receivables (including related parties)	1,625,691	1,749,976	1,768,365
Less : allowance for doubtful receivables	(10,519)	(9,177)	(8,449)
	$ 5,566,853	7,192,487	7,682,275

Aging analysis of notes receivable, accounts receivable and other receivables:

	Neither past due nor impaired	Past due but not impaired			total
		Within 30 days	31-60 days	over 61 days	
June 30, 2016	$ 5,543,243	23,610	-	-	5,566,853
December 31, 2015	7,154,949	37,538	-	-	7,192,487
June 30, 2015	7,622,346	59,890	39	-	7,682,275

(Continued)

Movements of the allowance for doubtful receivables were as follows:

	Collectively assessed impairment
Balance as of January 1, 2016	$ 9,177
Gain on foreign exchange	1,342
Balance as of June 30, 2016	**$ 10,519**
Balance as of January 1, 2015	$ 8,889
Loss on foreign exchange	(440)
Balance as of June 30, 2015	**$ 8,449**

(5) Inventories

	June 30, 2016	December 31, 2015	June 30, 2015
Raw materials	$ 279,149	214,271	220,526
Work in process	2,707,779	2,723,567	2,991,874
Finished goods	3,107,944	2,998,347	2,147,386
Supplies	87,841	13,155	103,929
	$ 6,182,713	**5,949,340**	**5,463,715**

The Group did not recognize any loss from devaluation of inventories or gain from recovery in the value of inventories for the six-month periods ended June 30, 2016.

The Group recognized a loss from devaluation of inventories of $2 for the six-month period ended June 30, 2015, which were debited to cost of goods sold. As the net realizable value of inventories has increased due to the circumstance that caused the inventory devaluation in prior period to improve, the Group recognized a gain from recovery in the value of inventories of $3 for the three-month period ended June 30, 2015, which were credited to cost of goods sold.

(6) Investments accounted for using equity method

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

	June 30, 2016	December 31, 2015	June 30, 2015
Associate	**$ 31,485,073**	**32,833,967**	**31,212,185**

The Group's capital surplus—equity of associates accounted for using equity method increased by $14,940 due to the recognition of the costs of employee stock options of Inotera Memories, Inc. for the three-month period ended June 30, 2016.

(Continued)

On February 23 and May 10, 2016, the Group’s capital surplus—equity of associates accounted for using equity method decreased by $77,861 due to the increase in capital injection of 25,574 thousand shares of Inotera Memories, Inc., without purchasing in proportion to the original shareholding percentage.

On June 30, 2016, the Group's capital surplus—equity of associates accounted for using equity method decreased by $449,466 due to the repurchasing of treasury shares of Inotera Memories, Inc. in accordance with the Business Mergers and Acquisitions Act.

The Group's capital surplus—equity of associates accounted for using equity method increased by $22,229 due to the recognition of the costs of employee stock options of Inotera Memories, Inc. for the six-month period ended June 30, 2015.

On February 10 and May 12, 2015, the Group's capital surplus—equity of associates accounted for using equity method decreased by $45,878 due to the increase in capital injection of 20,883 thousand shares of Inotera Memories, Inc., without purchasing in proportion to the original shareholding percentage.

The information of the major associate of the investments accounted for using equity method was as follows:

			Percentage of ownership		
Associates	**Relationship**	**Registration Country**	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Inotera Memories, Inc.	Its primary operating activity is producing and selling of semiconductor products.	Taiwan	24.24%	24.34%	24.34%

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

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Inotera Memories, Inc.	$ 40,072,199	44,622,229	39,273,948

The following is the aggregated financial information

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The financial information in aggregate of Inotera Memories Inc.

	June 30, 2016	December 31, 2015	June 30, 2015
Current assets	$ 32,659,626	41,012,811	54,276,604
Non-current assets	124,046,584	116,871,496	86,755,618
Current liabilities	(17,451,326)	(12,325,004)	(10,598,733)
Non-current liabilities	(8,969,347)	(10,237,028)	(1,806,172)
Net asset	$ 130,285,537	135,322,275	128,627,317

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	2015	2016	2015
Revenue	$ 11,583,648	16,244,584	22,396,715	34,698,397
Net income from continuing operations	$ (1,887,132)	4,588,350	(3,447,860)	11,857,279
Other comprehensive income	2,012	(67)	1,844	(131)
Total comprehensive income	$ (1,885,120)	4,588,283	(3,446,016)	11,857,148
Total comprehensive income distributed to the Group	$ (457,342)	1,117,954	(836,602)	2,890,498

	For the six-month periods ended June 30,	
	2016	2015
Share of the equity of the associate as of January 1,	$ 32,833,967	28,345,213
Total comprehensive income allocated to the Group of investment in associate for the six-month period ended June 30,	(836,602)	2,890,498
Share of the equity of the associate as of June 30,	31,997,365	31,235,711
Add:		
Disposal of realized profit from fixed assets	135	135
Recognition of the costs of employee stock options	14,940	22,229
Less:		
Capital surplus due to acquisition of shares not proportionate to original holding ratio	(527,326)	(45,878)
Others	(41)	(12)
Carrying amount of equity of the major associate	$ 31,485,073	31,212,185

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

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(7) Property, plant and equipment

The following is the cost and accumulated depreciation of property, plant and equipment of the Group:

	Land	Building	Machinery and equipment	Other facilities	Construction in progress	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	-	-	154,205	12,569	2,735,224	2,901,998
Disposals	-	-	(11,898)	(21,079)	-	(32,977)
Reclassification	-	673	104,567	4,483	(109,723)	-
Effect of exchange rate change	-	302	13	(18)	-	297
Balance as of June 30, 2016	**$ 1,013,924**	**4,198,515**	**124,791,047**	**1,423,957**	**3,900,704**	**135,328,147**
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	-	82	2,628,482	8,377	4,324	2,641,265
Disposals	-	-	(48,218)	(23,270)	-	(71,488)
Reclassification	-	673	2,948,802	(3,036)	(2,946,439)	-
Effect of exchange rate change	-	(101)	(443)	(1,016)	-	(1,560)
Balance as of June 30, 2015	**$ 1,013,924**	**4,198,619**	**123,197,902**	**1,529,613**	**1,137,238**	**131,077,296**
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	-	80,079	2,840,864	25,371	-	2,946,314
Disposals	-	-	(11,898)	(21,079)	-	(32,977)
Reclassification	-	673	364	(1,037)	-	-
Effect of exchange rate change	-	156	(243)	716	-	629
Balance as of June 30, 2016	**$ -**	**1,371,627**	**83,103,417**	**1,134,225**	**-**	**85,609,269**
Balance as of January 1, 2015	$ -	1,131,077	75,006,135	1,195,940	-	77,333,152
Depreciation for the period	-	80,087	2,662,170	38,123	-	2,780,380
Disposals	-	-	(48,218)	(22,475)	-	(70,693)
Impairment loss	-	-	-	1,758	-	1,758
Reclassification	-	673	5,274	(5,947)	-	-
Effect of exchange rate change	-	(44)	(383)	(559)	-	(986)
Balance as of June 30, 2015	**$ -**	**1,211,793**	**77,624,978**	**1,206,840**	**-**	**80,043,611**
Carrying amounts:						
Balance as of June 30, 2016	**$ 1,013,924**	**2,826,888**	**41,687,630**	**289,732**	**3,900,704**	**49,718,878**
Balance as of December 31, 2015	**$ 1,013,924**	**2,906,821**	**44,269,830**	**297,748**	**1,275,203**	**49,763,526**
Balance as of June 30, 2015	**$ 1,013,924**	**2,986,826**	**45,572,924**	**322,773**	**1,137,238**	**51,033,685**

1) Collaterals

Please refer to Note 8 for conditions of the Group's property, plant and equipment pledged or collateralized as security for long-term loans or lines of credit.

2) Leased Assets

Please refer to Note 6(11) for the further description of finance lease liabilities.

(Continued)

(8) Lease receivables

1) On June 18, 2009, the Company 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.

2) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the three-month periods and six-month periods ended June 30, 2016 and 2015, the Company recognized the interest revenue of $45,307, $51,447, $92,209, $104,331, respectively.

The details of lease receivables were as follows:

	June 30, 2016			December 31, 2015			June 30, 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	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 429,330	164,413	264,917	429,330	177,867	251,463	429,330	190,637	238,693
Between one and five years	1,304,820	397,737	907,083	1,387,320	444,864	942,456	1,469,820	493,786	976,034
More than five years	660,825	71,475	589,350	792,990	103,103	689,887	925,155	139,839	785,316
Subtotal	$ 2,394,975	633,625	1,761,350	2,609,640	725,834	1,883,806	2,824,305	824,262	2,000,043
Current			$ 264,917			251,463			238,693
Non-current			1,496,433			1,632,343			1,761,350
Lease receivables－related parties			$ 1,761,350			1,883,806			2,000,043

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(9) Short-term borrowings

1) Short-term borrowings consisted of the following:

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured short-term borrowings	$ -	3,306,000	3,602,000
Interest rate	-	1.15%~1.6%	1.15%~1.6%

2) Issuance and redemption of loans

	For the six-month periods ended June 30,	
	2016	2015
Balance as of January 1	$ 3,306,000	-
New issuance during the period	6,000	3,602,000
Repayments during the period	(3,312,000)	-
Balance as of June 31	$ 6,000	3,602,000
Interest rate	-	1.15%~1.6%
Due date	-	August 20,2015

(10) Long-term loans

The details of long-term loans payable were as follows:

	June 30, 2016			
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	TWD	1.818%	2017	$ 200,000
Secured bank loans	TWD	1.7895%~2.1924%	2019~2021	19,953,100
Less: current portion				(2,597,500)
Total				$ 17,555,600
Unused long-term of credit				$ 15,253,000

	December 31, 2015			
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	TWD	1.271%~2.014%	2016~2017	$ 1,200,000
Secured bank loans	TWD	2.327%	2019	11,985,000
Less: current portion				(500,000)
Total				$ 12,685,000
Unused long-term of credit				$ 8,106,000

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	June 30, 2015			
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	TWD	1.987%~2.081%	2015~2017	$ 750,000
Secured bank loans	TWD	2.3978%	2015~2019	11,982,500
Less: current portion				(550,000)
Total				$ 12,182,500
Unused long-term of credit				$ 7,311,000

1) Issuance and redemption of loans

a. The Company signed a syndicated loan agreement with Taiwan Cooperative Bank, the managing bank, and 15 (here in after referred to as ‘‘the group of banks”) other 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 company adjusts its interest rates depending on the company's 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 Bankers association of the R.O.C website. Additionally, the first repayment of the principal is due on 36 month after the first appropriation date, with the rest payable in 5 semiannual 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 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:

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

(b) 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 first six months ended 2016.

(Continued)

b. The Group signed a syndicated loan agreement with Bank of Taiwan, the managing bank, and 14 other banks (here in after referred to as ‘‘the Company of 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, respectively. 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:

   I. 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.

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

   III. 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 first 6 months of 2016 and for the years ended December 31, 2015.

2) Collaterals for bank loans

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

(11) Finance lease liabilities

	June 30, 2016			December 31, 2015			June 30, 2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	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	16,123	8,575	24,698	16,371	8,327	24,698	16,612	8,086
Between one and five years	98,792	58,992	39,800	98,792	60,142	38,650	98,792	61,258	37,534
More than five years	333,421	103,648	229,773	345,770	110,497	235,273	358,119	117,506	240,613
	$ 456,911	178,763	278,148	469,260	187,010	282,250	481,609	195,376	286,233
Current			$ 8,575			8,327			8,086
Non-current			269,573			273,923			278,147
Lease payables－related parties			$ 278,148			282,250			286,233

1) The rental of land is an operating lease. The rental expenses of $929 ,$929 ,$1,859 and $1,859 recognized for the three-month and six month periods ended June 30, 2016 and 2015 were fully paid.

2) The Group did not issue, repurchase, or repay any lease liabilities during the three-month periods ended June 30, 2016 and 2015. Please refer to Note 6(18) for the details of related interest expenses. For other relevant information, please refer to Note 6(13) of the consolidated financial statements for the year ended December 31, 2015.

(12) Employee benefits

1) Defined benefit plan

Subsequent to December 31, 2015, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, the pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report for the years ended December 31, 2015 and 2014.

The Company's pension costs recognized in profit or loss were as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	2015	2016	2015
Cost of goods sold	$ 2,950	3,200	5,858	6,391
Operating expenses	1,313	1,336	2,669	2,679
Total	$ 4,263	4,536	8,527	9,070

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Defined contribution plan

The Group's pension costs that were contributed to the Bureau of Labor Insurance were as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	**2015**	**2016**	**2015**
Cost of goods sold	$ 17,659	16,965	34,539	33,768
Operating expenses	8,333	10,349	21,769	23,541
Total	$ 25,992	27,314	56,308	57,309

(13) Income tax

1) The details of income tax expense were as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	**2015**	**2016**	**2015**
Current income tax expense	$ (112,721)	5,243	(112,995)	9,856
Income tax using the Company's domestic tax rate 10% surtax on undistributed earnings	759,822	484,691	759,822	484,691
Deferred income tax expense	(351)	67	142	131
Income tax expense	$ 646,750	490,001	646,969	494,678

2) The Company's income tax returns have been examined by the ROC tax authority through 2013.

3) Information related to the undistributed earnings and imputation credit account (ICA) and creditable ratio were as follows:

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Undistributed earnings (accumulated deficit) after 1998	$ 14,744,512	21,913,621	15,429,801
Imputation credit account	$ 401,954	37,556	73,483

	2015(estimated)	**2014(actual)**
Tax deduction ratio for earnings distribution to ROC residents	1.83 %	0.68 %

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

(14) Capital and other equity

Except as described below, there was no material change in equity for the six-month periods ended June 30, 2016 and 2015. Please refer to Note 6(16) of the consolidated financial statements as of and for the year ended December 31, 2015 for the related detail disclosures on equity.

1) Common stock

On January 14, 2016 the board of directors approved to carry out a private placement of 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 thousand respectively. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

For the six-month period ended June 30, 2015, the board of directors approved to increase the Company’s common shares arising from the exercise of stock options under the Employee Stock Option Plan (ESOP). Accordingly, the Company issued 4 thousand and 18,869 thousand common shares of stock, at an issuance premium price of $81.9 and $55 per share, respectively, with the total values amounting to $328 and $1,037,795, respectively. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

On June 12, 2012 and December 24, 2012, the board of directors approved to carry out a private placement of common shares through 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. 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 six-month periods ended June 30, 2015 and 2016 were as follows:

	Common Shares	
	For the six-month periods ended June 30,	
	2016	2015
Balance as of January 1,	$ 2,428,566	2,409,528
Exercise of employees stock options	-	18,873
Capital increase	320,000	-
Balance as of June 30,	**$ 2,748,566**	**2,428,401**

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Capital surplus

The components of capital surplus were as follows:

		June 30, 2016	December 31, 2015	June 30, 2015
Premium from exercise of employee stock options	$	9,852,246	1,377,246	1,396,043
The equity method of accounting for long-term Investments		4,549,259	5,061,605	4,954,053
Employee stock option plans		1,445,243	1,372,476	856,655
Other		1,374	1,374	-
	$	15,848,122	7,812,701	7,206,751

3) Retained 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.

The appropriations of earnings of 2015 were approved in the stockholders' meeting on June 22, 2016 and the appropriations of earnings of 2014 were approved in the stockholders' meeting on June 10, 2015. The amounts of appropriation of dividends per share were as follows:

		2015		2014	
		Dividends per share	Amount	Dividends per share	Amount
Dividends attributable to ordinary shareholders:					
Cash dividends	$	2.80	7,695,984	2.00	4,853,396

(Continued)

4) Treasury stock

The Company's stocks held by subsidiaries were as follows:

Unit: thousand shares of common stock

		June 30, 2016	December 31, 2015	June 30, 2015
Ending number of shares as of December 31		687	687	687
Ending balance as of December 31	$	347,533	347,533	347,533
Carrying amount per share	$	505.46	505.46	505.46
Market price per share	$	39.4	45.7	51.7

As of June 30, 2016, none of the Company's common stock held by its subsidiary, Pei Jen Co., Ltd., has been sold.

According to the Securities and Exchange Act, the treasury stocks are not allowed to be pledged and the shareholders' right are limited until the treasury stocks are transferred.

5) Other Equity

		Exchange differences on translation of foreign operations	Unrealized gains on available-for-sale financial assets
Balance at January 1, 2016	$	(11,588)	7,018
Exchange differences on translation of foreign operations, net of tax:			
-the Group		9,738	-
Unrealized gains (losses) on available-for-sale financial assets:			
-the Group		-	(6,613)
Balance at June 30,2016	$	(1,850)	405
Balance at January 1, 2015	$	(23,516)	29,455
Exchange differences on translation of foreign operations, net of tax			
-the Group		(17,232)	-
Unrealized gains (losses) on available-for-sale financial assets:			
-the Group		-	(2,770)
Balance at June 30, 2015	$	(40,748)	26,685

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Share-based payment transactions

Except as described below, there was no material change on the share-based payment transactions for the six-month periods ended June 30, 2016 and 2015. Please refer to Note 6(17) of the consolidated financial statements as of and for the year ended December 31, 2015 for related detail disclosures on share-based payment transactions.

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

Unit: in thousands

		For the three-month periods ended June 30,			
		2016		2015	
		Weighted-average exercise price (TWD)	**Number of options (Units)**	**Weighted-average exercise price (TWD)**	**Number of options (Units)**
Outstanding as of January 1,	$	42.79	71,846	46.98	83,965
Options paid		38.00	97,500	-	-
Options exercised		-	-	55.02	(7,155)
Options forfeited		41.98	(258)	45.32	(4,667)
Outstanding as of June 30,		39.71	**169,088**	44.33	**72,143**
Options exercisable, end of period		42.04	**71,588**	44.33	**72,143**

For the three-month and six-month periods ended June 30, 2016 and 2015, expenses arising from share options granted to employees amounted to $72,767, $125, $72,811 and $3,177 respectively.

(16) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

		For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2016	**2015**	**2016**	**2015**
Basic earnings per share：					
Net income (loss) attributable to the Group	$	396,620	4,254,402	2,245,562	10,544,741
Weighted-average number of ordinary shares outstanding (basic)		2,747,878	2,426,965	2,725,021	2,419,850
Basic earnings per share (dollars)	**$**	**0.14**	**1.75**	**0.82**	**4.36**
Diluted earnings per share:					
Net income attributable to the Group			4,254,402		10,544,741
Effect of potentially diluted ordinary shares					
Weighted-average number of ordinary shares (basic)			2,426,965		2,419,850
Effect of employee stock option			4,509		28,224
Weighted-average number of ordinary shares (diluted)			2,431,474		2,448,074
Diluted earnings per share (dollars)		**$**	**1.74**		**4.31**

(Continued)

Because the average market price of the employee stock options during the six month periods ended June 30, 2016 is lower than the exercise price of the employee stock options issued by the Company, Therefore, the diluted earnings per share need not be disclosed.

(17) Compensation of employees, directors and supervisors

The Company’s articles of incorporation, which were authorized by the board of directors but has yet to be determined by the stockholders, require that earnings shall first be offset against any deficit, then, a range from 1% to 12% as employee compensation based on the Company’s net profit before tax before deducting any employee compensation. Employees who are entitled to receive the above mentioned employee compensation, in shares or cash, including 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 $25,959 and $91,821 for the three month period and the six month periods ended June 30, 2016. 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. If there is any difference between the actual amounts and the estimated amounts of employee compensation after the financial reports are issued, the differences will be treated as a changes in accounting estimates and recognized through profit or loss in the following year.

The estimated employee compensation which was charged to profit or loss under operating costs or expense amounted to $42,652 and $99,265 for the three month period and the six month periods ended June 30, 2015. 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. If there is any difference between the actual amounts and the estimated amounts of employee compensation after the financial reports are issued, the differences will be treated as a changes in accounting estimates and recognized through profit or loss in the following year.

For the year ended December 31, 2015, the estimated amounts of employee compensation amounted to $634,408, there is a difference of $36,620 from the actual amount distributed of $ 671,028. This is mainly due to a changes in accounting estimates the differences are recognized in loss in 2016, and the related information can be obtained from the Market Observation Post System website.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(18) Non-operating income and expenses

1) Other income

The Group's details of other income were as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	**2015**	**2016**	**2015**
Bank deposits and short-term notes	$ 21,984	10,502	28,843	17,141
Finance leases	45,307	51,447	92,209	104,331
	$ 67,291	**61,949**	**121,052**	**121,472**

2) Other gains and losses

The Group's details of other gains and losses were as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	**2015**	**2016**	**2015**
Foreign exchange losses, net	$ (69,600)	(164,733)	(404,711)	(253,858)
Provision for or reversal of allowance for impairment	-	(2,466)	-	(1,758)
Gain on disposal of property, plant and equipment	1,132	1,023	819	668
Others	45,422	39,108	92,479	75,199
	$ (23,046)	**(127,068)**	**(311,413)**	**(179,749)**

3) Finance expenses

The Group's details of finance expenses were as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	**2015**	**2016**	**2015**
Bank borrowings	$ 102,776	115,196	186,691	205,646
Less : capitalized interest payments	-	(25,862)	-	(25,862)
Financing interest of entities with significant influence over the Group	28,598	44,286	59,139	92,608
Financing interest from other related parties	50,200	93,653	105,499	193,910
Lease payments	4,109	4,226	8,247	8,480
Others	155	(25,564)	194	(25,881)
	$ 185,838	**205,935**	**359,770**	**448,901**

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

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(19) Financial instruments

Except as described below, there was no material change with regard to the fair value and exposure risks of credit risk, liquidity risk and market risk on financial instruments. Please refer to Note 6(22) of the consolidated financial statements as of and for the year ended December 31, 2015 for the related detail disclosures on financial instruments.

1) Liquidity risk

The following are the dates of contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
June 30, 2016							
Non-derivative financial liabilities							
Secured bank loans	$ 19,953,100	20,000,000	-	2,400,000	6,400,000	11,200,000	-
Unsecured bank loans	200,000	202,710	201,793	917	-	-	-
Other payables	8,501,999	8,501,999	8,501,999	-	-	-	-
Entities with significant influence over the Group	8,000,000	8,117,212	-	8,117,212	-	-	-
Financing from other related parties	14,026,074	14,231,816	-	14,231,816	-	-	-
Finance lease liabilities	278,148	456,912	12,349	12,349	24,698	74,095	333,421
Notes and accounts payable (including to related parties)	1,907,884	1,907,884	1,907,884	-	-	-	-
	$ 52,867,205	53,418,533	10,624,025	24,762,294	6,424,698	11,274,095	333,421
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	-
Other payables	518,651	518,651	518,651	-	-	-	-
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 to related parties)	1,560,210	1,560,210	1,560,210	-	-	-	-
	$ 44,380,052	45,611,454	6,058,403	26,091,121	5,738,213	7,377,947	345,770
June 30, 2015							
Non-derivative financial liabilities							
short-term loans	$ 3,602,000	3,612,896	3,612,896	-	-	-	-
Secured bank loans	11,982,500	12,722,559	141,897	141,897	2,659,830	9,778,935	-
Unsecured bank loans	750,000	786,839	57,251	56,738	310,957	311,733	50,160
Other payables	5,375,933	5,375,933	5,375,933	-	-	-	-
Entities with significant influence over the Group	10,000,000	10,162,675	-	10,162,675	-	-	-
Financing from other related parties	21,528,704	21,879,148	-	21,879,148	-	-	-
Finance lease liabilities	286,233	481,609	12,349	12,349	24,698	74,094	358,119
Notes and accounts payable (including to related parties)	2,129,060	2,129,060	2,129,060	-	-	-	-
	$ 55,654,430	57,150,719	11,329,386	32,252,807	2,995,485	10,164,762	408,279

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

2) Market risk

a. Exposure to currency

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

	June 30, 2016			December 31, 2015			June 30, 2015		
	Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars
Financial assets:									
Monetary items									
USD	$ 212,314	32.286	6,854,770	214,956	33.066	7,107,735	265,694	31.070	8,255,113
JPY	1,999,023	0.3136	626,894	2,575,126	0.2736	704,554	2,372,632	0.2519	597,666
EUR	177	35.8706	6,349	451	36.038	16,253	462	34.6836	16,024
Financial liabilities									
Monetary items									
USD	86,640	32.286	2,797,259	-	-	-	98,217	31.070	3,051,602
JPY	199,355	0.3136	62,518	-	-	-	172,526	0.2519	43,459
EUR	2,765	35.8706	99,182	-	-	-	5,305	34.6836	183,996

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, and accounts payable which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of the six-month periods ended June 30, 2016 and 2015 would have increased the net income after tax by $45,291 and $55,897 for the six-month periods ended June 30, 2016 and 2015, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The management believes that the analysis is performed on the same basis.

b. Interest rate risk

The Group’s exposure to interest rate risk arising from financial assets and liabilities is described in Note 6(19).

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 or decrease in interest rate is assessed by the management to be a reasonably possible change in the interest rate.

If the interest rates increase by 1% (with all the other factors remain constant) for the six-month periods ended June 30, 2016 and 2015, the Group’s profit would have decreased by $421,792 and $478,632, respectively, which were mainly caused by the floating rate loans.

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3) Fair value

(i) Types and fair value of financial instruments

The Group’s financial assets and liabilities are listed as follows: (including (1) the information on the levels in fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value with a carrying value approximating its fair value; and (2) those equity investments in which the fair value cannot be reliably measured and without any quoted price in the open market)

	June 30, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks	$ 80,604	80,604	-	-	80,604
Domestic funds	4,306,069	-	4,306,069	-	4,306,069
Financial assets carried at cost	9,340	-	-	9,340	9,340
Total	$ 4,396,013	80,604	4,306,069	9,340	4,396,013
Loans and receivables：					
Cash and cash equivalents	$ 15,961,401	-	-	-	-
Investment in debt securities with no active market	181,280	-	-	181,280	181,280
Net amount of account receivables (including related parties)	3,941,162	-	-	-	-
Other account receivables (including related parties)	1,360,774	-	-	-	-
Lease receivable	1,761,350	-	-	-	-
Total	$ 23,205,967	-	-	181,280	181,280
Financial liabilities measured at amortized cost					
Accounts payable (including current portion)	1,907,884	-	-	-	-
Other account payables (including current portion)	31,666,127	-	-	-	-
Long-term loans (including current portion)	20,153,100	-	-	-	-
Lease payables	278,148	-	-	-	-
Total	$ 54,005,259	-	-	-	-

	December 31, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks	$ 92,930	92,930	-	-	92,930
Financial assets carried 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	-	-	-	-
Investment in debt securities with no active market	181,280	-	-	190,123	190,123
Net amount of account receivables(including related parties)	5,442,511	-	-	-	-
Other account receivables (including related parties)	1,498,513	-	-	-	-
Lease receivable	1,883,806	-	-	-	-
Total	$ 12,109,815	-	-	190,123	190,123

(Continued)

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	December 31, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	$ 3,306,000	-	-	-	-
Accounts payable (including current portion)	1,560,210	-	-	-	-
Other account payables (including current portion)	27,157,239	-	-	-	-
Long-term loans (including current portion)	13,185,000	-	-	-	-
Lease payables	282,250	-	-	-	-
Total	$ 45,490,699	-	-	-	-

	June 30, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks	$ 112,596	112,596	-	-	112,596
Loans and receivables：					
Cash and cash equivalents	$ 7,188,552	-	-	-	-
Net amount of account receivables (including related parties)	5,913,910	-	-	-	-
Other account receivables (including related parties)	1,529,852	-	-	-	-
Lease receivable	2,000,043	-	-	-	-
Total	$ 16,632,357	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	$ 3,602,000	-	-	-	-
Accounts payable (including current portion)	2,129,060	-	-	-	-
Other account payables (including current portion)	38,053,876	-	-	-	-
Long-term loans (including current portion)	12,732,500	-	-	-	-
Lease payables	286,233	-	-	-	-
Total	$ 56,803,669	-	-	-	-

(ii) 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.

(iii) 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.

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.

(20) Financial risk management

The policies and the objectives of the financial risk management are consistent with those disclosed in Note 6(23) of the consolidated financial statements for the year ended December 31, 2015.

(21) Capital management

The objectives, policies, and procedures are the same as those stated in the consolidated financial statement for the year ended December 31, 2015. There was no material change on quantitative data of the capital management. There were no material changes in quantitative information adopted for capital management in the consolidated financial statement for the year ended December 31, 2015.

7. Related-party transactions

(1) Significant related-party transactions

1) Sales to related parties

The Group's significant sales to related parties and the balance of accounts receivable were as follows:

	Sales			
	For the three-month periods ended June 30,		**For the six-month periods ended June 30,**	
	2016	**2016**	**2015**	**2015**
Associate	$ 428	-	1,269	-
Other related parties	-	57	-	(3,120)
	$ 428	**57**	**1,269**	**(3,120)**

Note: The sales discount of $57, $3,177 to other related parties were recognized for the three-month and six-month periods ended June 30, 2015, respectively.

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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. There is no collateral obtained for related party accounts receivable. However, no bad debt provision thereon is necessary based on the result of management's evaluation.

2) Purchase from related parties

The Group's significant purchases from related parties and the balance of accounts payable were as follows:

	Purchases						
	For the three-month periods ended June 30,		For the six-month periods ended June 30,		Accounts receivable－related parties		
	2016	2015	2016	2015	June 30, 2016	December 31, 2015	June 30, 2015
Associate	$ -	(708)	-	(1,300)	-	-	-
Entities with significant influence over the Group	136,004	26,681	177,469	53,101	75,119	9,314	8,571
Other related parties	253,336	232,951	509,320	436,381	249,621	166,116	150,997
	$ 389,340	**258,924**	**686,789**	**488,182**	**324,740**	**175,430**	**159,568**

Note: The purchase discounts and allowances were recognized as a result of the transfer price change with purchase price of the Group.

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.

3) Consigned out for processing and accounts payable

	Amount						
	For the three-month periods ended June 30,		For the six-month periods ended June 30,		Other payables－related parties		
	2016	2015	2016	2015	June 30, 2016	December 31, 2015	June 30, 2015
Associate	$ -	161	7	161	-	21	125
Other related parties	1,389,987	1,558,839	2,879,204	3,083,024	931,145	1,012,250	1,075,412
Total	**$ 1,389,987**	**1,559,000**	**2,879,211**	**3,083,185**	**931,145**	**1,012,271**	**1,075,537**

The term of transactions with the related parties above is 60 days after the end of each month.

(Continued)

4) The Group's income received from related parties, such as utility income and receivables from payment on behalf of related parties were as follows:

	Other receivables－related parties		
	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Associate	$ 6,184	12,125	8,714

5) Financing from related parties

The Group's details of lending from related parties were as follows:

	Other payables－related parties		
	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Entities with significant influence over the group	$ 8,000,000	8,800,000	10,000,000
Other related parties	14,026,074	16,727,941	21,528,704
Total	$ 22,026,074	25,527,941	31,528,704

Interest payables on borrowings from related parties for June 30, 2016, December 31, 2015, and June 30, 2015 amounted to $26,125, $34,347 and $43,224, respectively. Please refer to Note 6(18) for details on related interest expenses.

6) Property transactions

a. The Group sold land and machinery equipment to its affiliates. The downstream unrealized sales profit is realized through the useful life of machinery equipment. The realized profit on disposal of assets amounted to$67, $68, $135 and $135 as of the three-month and six-month periods ended June 30, 2016 and 2015, respectively; and the unrealized profit on disposal of assets, which is a deduction of investment under equity method, amounted to $101,003 and $101,274 as of June 30, 2016 and June 30, 2015, respectively.

b. The Group purchased machinery equipment from other related parties of $292,751 for the six-month period ended June 30, 2016, and the unpaid payables of $180,784 were accounted for under other payables－related parties as of June 30, 2016.

c. The Group purchased machinery equipment from other related parties amounting to $10,164 for the six-month period ended June 30, 2015, and the unpaid payables of $4,029 were accounted for under payables－related parties as of June 30, 2015.

7) Lease contracts

a. The Group's long-term lease contract signed with associates, please refer to Note 6(8) and 6(11) for explanation.

b. The Group's rental expenses and the balance of lease payable from related parties were as follows:

	Amount				Other payables－related parties		
	For the three-month periods ended June 30,		For the six-month periods ended June 30,				
	2016	2015	2016	2015	June 30, 2016	December 31, 2014	June 30, 2015
Entities with significant influence over the Group	$ 50,318	26,584	100,148	51,972	-	-	-
Other related parties	-	39,674	-	79,348	-	-	26,449
Total	$ 50,318	66,258	100,148	131,320	-	-	26,449

8) Contracts with related parties

a. The Company signed a Service Agreement with IMI; its services include the management of facility, human resources, finance, purchasing, engineering, and so on. The service fee will be calculated based on the actual service provided. 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.

b. The Company signed a Probe Tester Consignment and Service Agreement with IMI on August 6, 2013. Under this Agreement, IMI provides the services of probe test and related maintenance of testing equipment. This Prober Tester Consignment and Service Agreement took effect from the signing date to December 31, 2014, or whenever a party has notified the other party to terminate this Prober Tester Consignment and Service Agreement in accordance with the conditions stipulated in the aforementioned Agreement.

c. 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., and the 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.

(Continued)

(3) Key Management Personnel Compensation

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2016	2015	2016	2015
Short-term employee benefits	$ 10,136	11,780	22,642	32,693
Share-based payments	3,881	-	3,881	29
	$ 14,017	11,780	26,523	32,722

8. Pledged Properties

The Group’s assets pledged to secure loan are as follows:

Pledged assets	Object	June 30, 2016	December 31, 2015	June 30, 2015
Property, plant and equipment	Guarantee for bank loans	$ 29,064,408	17,092,977	18,203,570
Other non-current assets	Guarantee for bank loans and import	$ 391,737	376,883	389,900

9. Significant commitments and contingencies

(1) Significant Commitments

1) The Group's foreign workers and shipping guarantees amounted to $585,000 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

2) As of June 30, 2016, December 31, 2015 and June 30 2015, the Group's unused established letter of credit amounted to $103,139, $22,829 and $148,868, respectively.

(2) Contingencies Liabilities

1) 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 Nanya’s rights.

2) 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 Nanya’s rights.

(Continued)

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

10. Significant disaster loss: None.

11. Subsequent events: None.

12. Others

(1) The nature of the Group's personnel, depreciation, and amortization expense, categorized by function, were as follows:

	For the three-month period ended June 30, 2016			For the three-month period ended June 30, 2015		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	563,171	344,645	907,816	555,951	308,605	864,556
Labor and health insurance	34,504	26,527	61,031	34,435	22,763	57,198
Pension expenses	20,609	9,646	30,255	20,165	11,685	31,850
Other personnel expenses	14,266	4,734	19,000	10,398	3,142	13,540
Depreciation expenses	1,462,972	14,075	1,477,047	1,397,297	21,309	1,418,606
Amortization expenses	37,011	-	37,011	35,966	-	35,966

	For the six-month period ended June 30, 2016			For the six-month period ended June 30, 2015		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	1,067,977	680,406	1,748,383	1,182,577	693,025	1,875,602
Labor and health insurance	67,450	52,532	119,982	69,085	44,603	113,688
Pension expenses	40,397	24,438	64,835	40,159	26,220	66,379
Other personnel expenses	27,955	9,472	37,427	20,882	6,322	27,204
Depreciation expenses	2,918,235	28,079	2,946,314	2,735,961	44,419	2,780,380
Amortization expenses	73,342	-	73,342	72,162	-	72,162

(2) Seasonality of operations

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

(Continued)

13. Other Disclosure Items

(1) Information on investees

The significant transactions required by the “Guidelines” for the Group were as follows:

1) Financing provided: None.

2) Guarantees and endorsements for other parties: None.

3) The securities held at balance sheet date (excluding subsidiaries, associates and joint ventures)：

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	June 30, 2016				Note
				Shares / Units (in thousands)	Carrying value	Percentage of ownership	Market value or net asset value	
The Company	Mega Diamond Money Market	-	Available-for-sale financial assets－current	145,397	1,802,937	-%	1,802,937	
The Company	Taishin 1699 Money Market	-	Available-for-sale financial assets－current	97,308	1,302,008	-%	1,302,008	
The Company	Jih Sun Money Market	-	Available-for-sale financial assets－current	34,160	500,413	-%	500,413	
The Company	Capital Money Market	-	Available-for-sale financial assets－current	43,901	700,711	-%	700,711	
Pei Jen Co., Ltd.	Nan Ya Printed Circuit Board Corp.	Other related party	Available-for-sale financial assets	2,770	80,604	0.43%	80,604	-
The Company	Memoright (Cayman) Co., LTD	-	Investment in debt securities with no active market and Financial assets carried at cost	-	190,620	-%	190,620	-

4) Information regarding purchase or sales of securities for the period exceeding $300 million or 20% of the Company’s paid-in capital :

Name of company	Category and name of security	Account name	Name of counter -party	Relationship with the Company	Beginning balance		Purchases		Sales			Ending balances		
					Shares /Units	Amount	Shares /Units	Amount	Shares /Units	Selling price	Cost	Disposal gain or loss	Shares/ Units	Amount
The Company	Mega Diamond Money Market	Available-for-sale financial assets－current	-	-	-	-	145,397	1,802,937	-	-	-	-	145,397	1,802,937
The Company	Taishin 1699 Money Market	Available-for-sale financial assets－current	-	-	-	-	134,723	1,801,027	37,415	500,011	499,019	183	97,308	1,302,008
The Company	Yuanta Wan Tai Money Market	Available-for-sale financial assets－current	-	-	-	-	133,611	2,000,000	133,611	2,001,762	2,000,000	1,762	-	-
The Company	Paradigm Pion Money Market	Available-for-sale financial assets－current	-	-	-	-	87,562	1,000,000	87,562	1,000,359	1,000,000	359	-	-
The Company	Jih Sun Money Market	Available-for-sale financial assets－current	-	-	-	-	34,160	500,413	-	-	-	-	34,160	500,413
The Company	Capital Money Market	Available-for-sale financial assets－current	-	-	-	-	62,699	1,000,527	18,798	300,004	299,186	188	43,901	700,711

5) Information on acquisition of real estate for which the purchase amount exceeded $300 million or 20% of the Company’s paid-in capital: None.

6) Information regarding receivables from disposal of real estate exceeding $300 million or 20% of the Company’s paid-in capital: None.

(Continued)

7) Information regarding related-party purchases and/or sales for which the amount exceeded $100 million or 20% of the Company's paid-in capital：

Purchasing (selling) company	Related party	Nature of relationship	Transaction details				Abnormal transaction		Accounts/notes receivable (payable)		Note
			Purchase (sale)	Amount	% to total	Payment terms	Amount	Payment terms	Ending balance	Notes/ accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Parent company	(Sale)	562,078	2.94%	O/A 60~90 days	-		150,115	3.42%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	1,396,845	7.31%	O/A 180 days	-		625,742	14.25%	(Note)
The Company	Nanya Technology Corp., Germany	Parent company	(Sale)	792,263	4.14%	O/A 60~90 days	-		327,288	7.45%	(Note)
The Company	Piece Makers Technology, Inc.	Parent company	(Sale)	413,135	2.16%	O/A 60~100 days	-		274,709	6.25%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related party	Purchase	492,177	1%	O/A 60days	-		(233,121)	(12.30)%	-

Note ：The transaction has already been written-off in the consolidated financial statements.

8) Information regarding accounts receivable from related parties for which the amount exceeded $100 million or 20% of the Company's paid-in capital：

Accounts receivable company	Related party	Nature of relationship	Amount	Turnover	Due date accounts receivable		Amounts received in subsequent periods	Allowance for bad debt
					Amount	Method		
The Company	Nanya Technology Corp., U.S.A.	Parent company	Account receivable 150,115	8.57%	-	-	99,082	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 625,742	4.39%	-	-	262,926	-
The Company	Nanya Technology Corp., Germany	Parent company	Account receivable 327,288	5.09%	-	-	155,139	-
The Company	Piece Makers Technology, Inc.	Parent company	Account receivable 274,709	5.22%	-	-	56,485	-

9) Information regarding trading in derivative financial instruments: None.

10) Intercompany relationships and significant intercompany transactions：

No.	Company name	Counter party	Relationship	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
0	The Company	Nanya Technology Corp., U.S.A.	1	Sales	562,078	General conditions	2.91%
0	〃	Nanya Technology Corp., Germany	1	Sales	792,263	General conditions	4.10%
0	〃	Nanya Technology Corp., Japan	1	Sales	1,396,845	General conditions	7.23%
0	〃	Piece Makers Technology, Inc.	1	Sales	413,135	General conditions	2.14%
0	〃	Nanya Technology Corp., U.S.A.	1	Accounts receivable	150,115	General conditions	0.13%
0	〃	Nanya Technology Corp., Germany	1	Accounts receivable	327,288	General conditions	0.28%
0	〃	Piece Makers Technology, Inc.	1	Accounts receivable	274,709	General conditions	0.23%

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No.	Company name	Counter party	Relationship	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
0	The Company	Nanya Technology Corp., Japan	1	Accounts receivable	625,742	General conditions	0.53%
0	〃	Nanya Technology Corp., Delaware	1	Administrative expenses	146,885	General conditions	0.76%

Note 1: Assigned numbers represent the following:

1. 0 represents the parent company
2. Subsidiary is numbered in sequence that starts with 1.

Note 2: Transactions are categorized as follows:

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

Note 3: For significant intercompany transactions, only information regarding funding and finances, sales, and accounts receivable were disclosed; the opposing items of the transactions were not disclosed.

(2) Information on investment:

The information on investment of the Group for the three-month periods ended June 30, 2016 was as follows:

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of June 30, 2016			Net income of investee	Investment income (loss) recognized by the investor company	Note
				June 30, 2016	December 31, 2015	Shares (thousands)	%	Carrying value			
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00%	127,466	2,032	2,032	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00%	127,977	7,428	7,428	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	175,348	175,348	480	100.00%	-	(8,548)	(8,548)	(Note)
The Company	Nanya Technology Corp., HK	HK	Sales of semiconductor products	66,271	66,271	20	100.00%	34,364	643	643	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00%	51,545	(142,935)	(142,935)	(Note)
The Company	Inotera Memories, Inc.	Taoyuan	Business of electronic products	24,631,379	24,631,379	1,587,484	24.10%	31,306,845	(3,447,860)	(831,701)	
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	7,918	55.26%	70,244	9,387	5,175	(Note)
The Company	Sumpro Electronics Corporation	Taoyuan	Business of electronic products	2,591,000	2,591,000	259,100	100.00%	35,715	(157)	(157)	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp., Germany	Germany	Import/export business	30,056	30,056	-	100.00%	55,099	3,329	3,329	(Note)
Pei Jen Co., Ltd.	Inotera Memories, Inc.	Taoyuan	Business of electronic products	143,966	143,966	9,018	0.14%	178,228	(3,447,860)	(4,901)	

Note: The transaction has already been written-off in the consolidated financial statements.

(Continued)

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(3) Information regarding investments in Mainland China：

1) Information on indirect investment in companies in Mainland China：

Name of the PRC investee company	Primary business scope	Amount of paid-in capital	Method of investment	Investment transferred from Taiwan, beginning of period	Six-month periods ended June 30, 2016		Investment transferred from Taiwan, end of period	Equity in the earnings (losses)	Direct and indirect shareholding percentage by the company	Recognized gain or loss from investment for the current period	Carrying value of investment, end of period	Remitted gain on investment, end of period
					Remittance	Remittance						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	31,802	(Note 1)	31,802 (USD 985)	-	-	31,802 (US 985)	(3,372)	100.00%	(3,372)	11,495	-

2) Quota for investment in Mainland China：

Accumulative remittance from Taiwan to Mainland China, end of the period	Amount of investment approved by Investment Commission, Ministry of Economic Affairs	Limit on the amount of investment in Mainland China (Note 4)
31,802 (USD 985)	31,802 (USD 985)	36,315,488

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

Note 2：The exchange rate of New Taiwan dollars to US dollars on June 30, 2016 was USD1：TWD 32.286

Note 3：Amount was recognized based on the self-prepared financial statements.

Note 4：60% of net equity.

3) Information on significant transactions：

Please refer to "Related information on material transaction items" and "Intercompany relationships and significant intercompany transactions" for direct or indirect significant transactions between the Company and its investees in Mainland China for the six-month period ended June 30, 2016.

14. Segment Information

Operating segments are combined and reconciled as follows:

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
For the three-month period ended June 30, 2016					
Revenue:					
From external customers	$ 687,826	7,186,811	1,058,457	-	8,933,094
From sales among intersegments	-	1,633,618	93,702	(1,727,320)	-
Total revenue	**$ 687,826**	**8,820,429**	**1,152,159**	**(1,727,320)**	**8,933,094**
Reportable segment profit or loss	**$ (85,946)**	**1,041,778**	**26,963**	**68,927**	**1,051,722**

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	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
For the three-month period ended June 30, 2015					
Revenue:					
From external customers	$ 724,009	9,082,202	1,349,565	-	11,155,776
From sales among intersegments	-	1,942,725	81,439	(2,024,164)	-
Total revenue	$ 724,009	11,024,927	1,431,004	(2,024,164)	11,155,776
Reportable segment profit or loss	$ 1,992	4,731,517	36,266	(14,901)	4,754,874

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
For the six-month period ended June 30, 2016					
Revenue:					
From external customers	$ 1,442,882	15,906,523	1,981,244	-	19,330,649
From sales among intersegments	-	3,209,643	164,940	(3,374,583)	-
Total revenue	$ 1,442,882	19,116,166	2,146,184	(3,374,583)	19,330,649
Reportable segment profit or loss	$ (142,935)	2,890,720	12,597	136,357	2,896,739

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
For the six-month period ended June 30, 2015					
Revenue:					
From external customers	$ 1,546,700	18,966,226	2,670,793	-	23,183,719
From sales among intersegments	-	3,942,979	169,000	(4,111,979)	-
Total revenue	$ 1,546,700	22,909,205	2,839,793	(4,111,979)	23,183,719
Reportable segment profit or loss	$ 1,979	11,019,611	78,851	(41,647)	11,058,794

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Reportable segment assets					
June 30, 2016	$ 690,257	117,901,852	1,820,077	(2,025,934)	118,386,252
December 31, 2015	$ 882,900	103,514,039	1,620,261	(2,011,163)	104,006,037
June 30, 2015	$ 744,533	107,154,551	1,871,908	(2,151,871)	107,619,121

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Reportable segment assets					
June 30, 2016	$ 635,181	57,376,035	1,440,885	(1,712,559)	57,739,542
December 31, 2015	$ 701,548	48,776,856	1,261,340	(1,588,082)	49,151,662
June 30, 2015	$ 596,994	59,475,887	1,558,327	(1,753,024)	59,878,184