

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**(With Independent Accountants' Review Report Thereon)**



# 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, 2015 and 2014, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, changes in equity and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express 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, 2015 and 2014 were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT\$2,441,161 thousand and NT\$4,407,449 thousand, representing 2.27% and 4.44% of the related consolidated total assets as of June 30, 2015 and 2014, respectively; and the total liabilities amounted to NT\$639,953 thousand and NT\$2,285,110 thousand, representing 1.07% and 3.05% of the related consolidated total liabilities as of June 30, 2015 and 2014, respectively; and their comprehensive income amounted to a net income of NT\$25,372 thousand, net loss of NT\$259,516 thousand, net income of NT\$61,022 thousand and net loss of NT\$1,292,979 thousand, representing 0.60%, 4.24%, 0.58% and 10.60% of the consolidated total comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

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 the International Accounting Standard No. 34 "Interim Financial Reporting" as endorsed by Financial Supervisory Commission, ROC.



Because of the significant decline in the DRAM industry in the previous years, the Company is exposed to liquidity risks as its current liabilities exceeded its current assets by NT\$24,752,278 thousand as of June 30, 2015. The management's plans on these matters are described in Note12(2) to the consolidated financial statements. The financial statements described in the first paragraph above do not include any adjustments that might result from the outcome of this uncertainty.

KPMG

Taipei, Taiwan (the Republic of China)

August 10, 2015

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the 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, 2015 and 2014 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, 2015, DECEMBER 31, 2014 AND JUNE 30, 2014

(Expressed in thousands of New Taiwan Dollars)

		June 30, 2015		December 31, 2014 (Adjusted)		June 30, 2014 (Adjusted)	
Assets							
<b>Current assets:</b>							
1100	Cash and cash equivalents (Note 6(1))	\$ 7,188,552	7	7,267,855	7	7,421,752	7
1170	Notes and accounts receivable, net (Note 6(2))	5,913,910	6	6,025,292	6	5,665,508	6
1180	Accounts receivable due from related parties, net (Notes 6(2) and 7)	-	-	19,825	-	22,257	-
1200	Other receivables (Note 6(2))	1,520,958	1	1,560,987	2	1,889,968	2
1210	Other receivable—related parties (Notes 6(2)(8) and 7)	247,407	-	248,012	-	230,539	-
130x	Inventories (Note 6(3))	5,463,715	5	5,148,407	5	5,879,742	6
1460	Non-current assets classified as held for sale, net (Note 6(4))	-	-	-	-	1,700,000	2
1470	Other current assets	1,432,925	1	891,640	-	1,000,206	1
	<b>Total current assets</b>	<u>21,767,467</u>	<u>20</u>	<u>21,262,018</u>	<u>20</u>	<u>23,809,972</u>	<u>24</u>
<b>Non-current assets:</b>							
1523	Non-current available-for-sale financial assets	112,596	-	115,366	-	148,189	-
1550	Investments accounted for using equity method, net (Note 6(5))	31,212,185	29	28,545,213	27	20,783,238	21
1600	Property, plant and equipment (Notes 6(7) and 8)	51,033,685	48	51,175,927	49	48,633,769	49
1780	Intangible assets	473,369	-	537,136	1	473,057	1
1840	Deferred income tax assets	846,513	1	846,648	1	3,251,096	3
1935	Lease receivable—long-term (Notes 6(8) and 7)	1,761,350	2	1,883,806	2	2,000,043	2
1990	Other non-current assets (Notes 6(1) and 8)	411,956	-	386,211	-	225,652	-
	<b>Total non-current assets</b>	<u>85,851,654</u>	<u>80</u>	<u>83,290,307</u>	<u>80</u>	<u>75,515,044</u>	<u>76</u>
	<b>Total assets</b>	<u>\$ 107,619,121</u>	<u>100</u>	<u>104,552,325</u>	<u>100</u>	<u>99,325,016</u>	<u>100</u>
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
	Short-term loans (Note 6(9))	\$ 3,602,000	3	-	-	-	-
	Notes and accounts payable, net	1,969,492	2	1,075,345	1	961,817	1
	Accounts payable—related parties (Note 7)	159,568	-	133,595	-	157,996	-
	Other payables (Note 6(12))	7,457,414	7	2,949,832	3	2,889,386	3
	Other payables—related parties (Notes 6(11) and 7)	32,686,029	30	41,099,884	39	54,720,921	55
	Current portion of long-term loans (Notes 6(10)(23))	550,000	1	3,900,000	4	7,495,500	8
	Other current liabilities	95,242	-	21,090	-	2,946	-
	<b>Total current liabilities</b>	<u>46,519,745</u>	<u>43</u>	<u>49,179,746</u>	<u>47</u>	<u>66,229,166</u>	<u>67</u>
<b>Non-current liabilities:</b>							
	Long-term loans (Note 6(10))	12,182,500	12	12,480,000	12	6,927,500	7
	Deferred income tax liabilities	271	-	276	-	182	-
	Lease payables—long-term (Notes 6(11) and 7)	278,147	-	282,250	-	286,234	-
	Accrued pension liabilities	632,907	1	634,563	1	838,483	1
	Other non-current liabilities	264,614	-	298,432	-	662,417	-
	<b>Total non-current liabilities</b>	<u>13,358,439</u>	<u>13</u>	<u>13,695,521</u>	<u>13</u>	<u>8,714,816</u>	<u>8</u>
	<b>Total liabilities</b>	<u>59,878,184</u>	<u>56</u>	<u>62,875,267</u>	<u>60</u>	<u>74,943,982</u>	<u>75</u>
<b>Equity (Notes 6(5)(6)(14)(15)):</b>							
	Common stock	24,284,008	22	24,095,278	23	23,961,008	24
	Advance receipts for ordinary share	9,075	-	653,565	1	9,565	-
	Additional paid-in capital	7,206,751	7	6,377,936	6	5,913,765	6
	Legal reserve	1,077,812	1	-	-	-	-
	Accumulated (deficit) and profit	15,429,801	14	10,816,268	10	(5,265,507)	(5)
	Other equity	(14,063)	-	5,939	-	44,190	-
	Treasury stock	(347,533)	-	(347,533)	-	(347,533)	-
	Equity attributable to owners of the Company	47,645,851	44	41,601,453	40	24,315,488	25
	Non-controlling interest	95,086	-	75,605	-	65,546	-
	<b>Total equity</b>	<u>47,740,937</u>	<u>44</u>	<u>41,677,058</u>	<u>40</u>	<u>24,381,034</u>	<u>25</u>
	<b>Total Liabilities and Equity</b>	<u>\$ 107,619,121</u>	<u>100</u>	<u>104,552,325</u>	<u>100</u>	<u>99,325,016</u>	<u>100</u>

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, 2015 AND 2014  
(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,			
		2015		2014(Adjusted)		2015		2014(Adjusted)	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues (Note 7)	\$ 11,155,776	100	11,916,423	100	23,183,719	100	23,607,935	100
5000	Cost of goods sold (Notes 6(3))(13)(16)(18) and 7)	<u>6,467,849</u>	<u>58</u>	<u>6,696,284</u>	<u>56</u>	<u>12,822,568</u>	<u>55</u>	<u>13,727,008</u>	<u>58</u>
	Gross profit	<u>4,687,927</u>	<u>42</u>	<u>5,220,139</u>	<u>44</u>	<u>10,361,151</u>	<u>45</u>	<u>9,880,927</u>	<u>42</u>
	Operating expenses (Notes 6(13)(16)(18) and 7):								
6100	Selling and distribution expenses	167,116	2	139,570	1	329,027	2	283,617	1
6200	Administrative and general expenses	258,363	3	503,722	4	573,416	3	788,968	3
6300	Research and development expenses	<u>354,474</u>	<u>3</u>	<u>333,859</u>	<u>3</u>	<u>783,234</u>	<u>3</u>	<u>609,127</u>	<u>3</u>
	Total operating expenses	<u>779,953</u>	<u>8</u>	<u>977,151</u>	<u>8</u>	<u>1,685,677</u>	<u>8</u>	<u>1,681,712</u>	<u>7</u>
	Operating income	<u>3,907,974</u>	<u>34</u>	<u>4,242,988</u>	<u>36</u>	<u>8,675,474</u>	<u>37</u>	<u>8,199,215</u>	<u>35</u>
	Non-operating income and expenses:								
7010	Other income (Notes 6(8)(19))	61,949	1	70,170	1	121,472	1	135,894	1
7020	Other gains and losses (Note 6(19))	(127,068)	(1)	(296,535)	(3)	(179,749)	(1)	(152,254)	(1)
7050	Finance expenses (Notes 6(11)(19))	(205,935)	(2)	(312,424)	(3)	(448,901)	(2)	(634,796)	(3)
7060	Share of profit of associates accounted for using equity method (Notes 6(5) and 7)	<u>1,117,954</u>	<u>10</u>	<u>2,716,821</u>	<u>23</u>	<u>2,890,498</u>	<u>12</u>	<u>5,688,976</u>	<u>24</u>
	Total non-operating income and expenses	<u>846,900</u>	<u>8</u>	<u>2,178,032</u>	<u>18</u>	<u>2,383,320</u>	<u>10</u>	<u>5,037,820</u>	<u>21</u>
	Profit before income tax	<u>4,754,874</u>	<u>42</u>	<u>6,421,020</u>	<u>54</u>	<u>11,058,794</u>	<u>47</u>	<u>13,237,035</u>	<u>56</u>
7950	Income tax expense (Note 6(14))	<u>490,001</u>	<u>4</u>	<u>1,910</u>	-	<u>494,678</u>	<u>2</u>	<u>3,839</u>	-
	Profit from continuing operations	<u>4,264,873</u>	<u>38</u>	<u>6,419,110</u>	<u>54</u>	<u>10,564,116</u>	<u>45</u>	<u>13,233,196</u>	<u>56</u>
8100	Loss from discontinued operations (Note 12(3))	-	-	<u>(333,905)</u>	<u>(3)</u>	-	-	<u>(1,077,863)</u>	<u>(4)</u>
	Net income	<u>4,264,873</u>	<u>38</u>	<u>6,085,205</u>	<u>51</u>	<u>10,564,116</u>	<u>45</u>	<u>12,155,333</u>	<u>52</u>
	Other comprehensive income:								
8360	Items that could be reclassified subsequently to profit or loss								
8361	Foreign currency translation differences—foreign operations	(5,894)	-	(5,698)	-	(17,232)	-	1,652	-
8362	Other comprehensive income (loss), before tax, available-for-sale financial assets	(29,499)	-	47,226	-	(2,770)	-	44,872	-
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	<u>(35,393)</u>	-	<u>41,528</u>	-	<u>(20,002)</u>	-	<u>46,524</u>	-
8500	Total comprehensive income	<u>\$ 4,229,480</u>	<u>38</u>	<u>6,126,733</u>	<u>51</u>	<u>10,544,114</u>	<u>45</u>	<u>12,201,857</u>	<u>52</u>
	Profit attributable to:								
	Owners of the Company								
	Profit from continuing operations	\$ 4,254,402	57	6,417,439	20	10,544,741	52	13,229,287	58
	Loss from discontinued operations	-	-	<u>(333,905)</u>	<u>(2)</u>	-	-	<u>(1,017,853)</u>	<u>(6)</u>
8610	Profit attributable to owners of the Company	<u>\$ 4,254,402</u>	<u>57</u>	<u>6,083,534</u>	<u>18</u>	<u>10,544,741</u>	<u>52</u>	<u>12,211,434</u>	<u>52</u>
	Non-controlling interests								
	Profit from continuing operations	\$ 10,471	-	1,674	-	19,375	-	3,909	-
	Loss from discontinued operations	-	-	-	-	-	-	<u>(60,010)</u>	-
8620	Income (loss) attributable to non-controlling interests	<u>\$ 10,471</u>	-	<u>1,674</u>	-	<u>19,375</u>	-	<u>(56,101)</u>	-
	Total comprehensive (loss) income attributable to:								
	Owners of the Company								
	Comprehensive income from continuing operations	\$ 4,219,009	38	6,458,964	54	10,524,739	45	13,275,811	56
	Comprehensive loss from discontinued operations	-	-	<u>(333,905)</u>	<u>(3)</u>	-	-	<u>(1,017,853)</u>	<u>(4)</u>
8710	Total comprehensive income attributable to owners of the Company	<u>\$ 4,219,009</u>	<u>38</u>	<u>6,125,059</u>	<u>51</u>	<u>10,524,739</u>	<u>45</u>	<u>12,257,958</u>	<u>52</u>
	Non-controlling interests								
	Comprehensive income from continuing operations	\$ 10,471	-	1,674	-	19,375	-	3,909	-
	Comprehensive loss from discontinued operations	-	-	-	-	-	-	<u>(60,010)</u>	-
8720	Total comprehensive income (loss) attributable to non-controlling interests	<u>\$ 10,471</u>	-	<u>1,674</u>	-	<u>19,375</u>	-	<u>(56,101)</u>	-
9750	Basic earnings per share (Unit: TWD) (Note 6(17))								
	Basic earnings per share from continuing operations	\$ 1.75		2.68		4.36		5.52	
	Basic loss per share from discontinued operations	-		<u>(0.14)</u>		-		<u>(0.42)</u>	
	Basic earnings per share	<u>\$ 1.75</u>		<u>2.54</u>		<u>4.36</u>		<u>5.10</u>	
9850	Diluted earnings per share (Unit: TWD) (Note 6(17))								
	Diluted earnings per share from continuing operations	\$ 1.74		2.66		4.31		5.49	
	Diluted loss per share from discontinued operations	-		<u>(0.14)</u>		-		<u>(0.42)</u>	
	Diluted earnings per share	<u>\$ 1.74</u>		<u>2.52</u>		<u>4.31</u>		<u>5.07</u>	

See accompanying notes to consolidated financial statements.

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2015 AND 2014  
(Expressed in thousands of New Taiwan Dollars)

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, 2015 AND 2014

(Expressed in thousands of New Taiwan Dollars)

	For the six-month periods ended June 30,	
	2015	2014 (Adjusted)
<b>Cash flows from operating activities:</b>		
Profit from continuing operations before tax	\$ 11,058,794	13,237,035
Loss from discontinued operations before tax	-	(1,077,863)
<b>Profit before tax</b>	<b>11,058,794</b>	<b>12,159,172</b>
<b>Adjustments for:</b>		
Income and expenses not affecting cash flow		
Depreciation expense	2,780,380	2,762,588
Amortization expense	72,162	123,242
Interest expenses	448,901	642,206
Interest income	(121,472)	(135,898)
Share-based payments	3,177	11,449
Share of profit of associates accounted for using equity method	(2,890,498)	(5,688,976)
Loss on disposal of property, plant and equipment	(668)	(48,767)
Property, plant and equipment transferred to expenses	-	19
Impairment loss on non-financial assets	1,758	411,750
Unrealized foreign currency exchange (gain) loss, net	(45,901)	48,690
Income and expenses not affecting cash flow	<u>247,839</u>	<u>(1,873,697)</u>
Change in operating assets and liabilities:		
Change in operating assets, net :		
Decrease in accounts receivable and notes receivable	184,756	925,254
Decrease in other receivables	97,360	112,894
(Increase) decrease in inventories	(315,308)	1,836,916
(Increase) decrease in other assets	(541,155)	202,902
Increase (decrease) in accounts payable and notes payable	24,902	(743,481)
(Decrease) increase in other payables	(723,351)	1,020,086
(Decrease) increase in other current liabilities	73,919	(367,935)
Decrease in accrued pension liabilities	(1,656)	(970)
Increase in other non-current liabilities	13,152	309,124
Total changes in operating assets and liabilities	<u>(1,187,381)</u>	<u>3,294,790</u>
Cash generated from operations	10,119,252	13,580,265
Interest received	122,318	133,618
Interest paid	(463,078)	(662,333)
Income tax paid	(49,745)	(20,600)
Net cash used in provided by operating activities	<u>9,728,747</u>	<u>13,030,950</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(1,746,753)	(612,588)
Proceeds from disposal of fixed and idle assets	1,328	48,779
Proceeds from disposal of non-current assets classified as held for sale	-	325,000
Acquisition of intangible assets	(84,874)	(213,451)
Decrease in lease receivables	214,665	214,665
Increase in other non-current assets	(27,185)	(199,453)
Acquisition of ownership interests in subsidiaries from non-controlling interests	-	(69,750)
Net cash (used in) provided by investing activities	<u>(1,642,819)</u>	<u>(506,798)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	3,602,000	90,600
Repayments of short-term loans	-	(180,000)
Proceeds from long-term debt	-	6,375,000
Repayments of long-term debt	(3,650,000)	(3,650,000)
Decrease in other payables — related parties	(8,486,863)	(11,706,464)
Decrease in lease payable	(3,870)	(4,089)
Exercise of employee share options	393,633	10,428
<b>Net cash used in financing activities</b>	<b>(8,145,100)</b>	<b>(9,064,525)</b>
Effect of foreign currency exchange translation	(20,131)	(33,377)
Increase in cash	(79,303)	3,426,250
Cash and cash equivalents at beginning of period	7,267,855	3,995,502
<b>Cash and cash equivalents at end of period</b>	<b>\$ 7,188,552</b>	<b>7,421,752</b>

See accompanying notes to consolidated financial statements.

**Notes to consolidated financial statements as of June 30, 2015 and 2014 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, 2015 AND 2014**

**(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 10, 2015.

**3. New and revised standards and interpretations not yet adopted**

- (1) The impact of adoption of new and amended standards and interpretations endorsed by the Financial Supervisory Commissions of the Republic of China ("FSC").

The Group adopted the 2013 version of IFRSs endorsed by the FSC (excluding IFRS 9 Financial Instruments) as they issue the consolidated financial statements commencing from 2015. The related new, revised and amended standards and interpretations are listed below:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Prescribed by IASB</b>
Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters"	July 1, 2010
Amendments to IFRS 7 "Disclosures—Transfer of Financial Asset"	July 1, 2011
Amendments to IFRS 7 "Disclosures—offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated financial statements"	January 1, 2013 (Investment entity took effect on January 1, 2014)
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"	January 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlyin Assets"	January 1, 2012
Amendment to IAS 19 "Employee Benefits"	January 1, 2013
Amendment to IAS 27 "Separate Financial Statements"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financia Liabilitie"	January 1, 2014



# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Except for the following, the Group believes that the adoption of aforementioned 2013 version of IFRSs endorsed by the FSC did not have any significant effect on the Group's consolidated financial statements.

1) IFRS 12 "Disclosure of Interests in Other Entities"

The Group has increased the disclosures on information about its related entities according to this standard. Please refer to Note 6(5) for related information.

2) Amendments to IAS 19, "Employee Benefits"

The amendments to IAS 19 require management of the Company to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when incurred, and instead, require to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, is expensed immediately when incurred and is no longer amortized over the average period before vested on a straight-line basis. In addition, instead of recognizing liability and expense only when the demonstrable benefit commitment is made, the amendments require the Group to recognize liability and expense for termination benefit on (1) the date when the Group can no longer withdraw the offer of the benefit; or (2) the date when the Group recognizes related restructuring expense, whichever date is earlier. Moreover, the amendments also require a broader disclosure for defined benefit plans.

The Group has changed the accounting policy related to the measure and expression of net defined benefit assets, pension cost and actuarial gains or losses. With the elimination of the corridor approach, the Group has fully recognized the unrecognized its prior service cost and actuarial gains or losses, and retrospectively adjusted the accumulated deficit. The influenced items and amounts are as follows:

Consolidated statement of financial position:

	2010 IFRSs amounts	Impact on transition	2013 IFRSs amounts
June 30, 2014:			
Investments accounted for using equity method	\$ <u>20,783,746</u>	<u>(508)</u>	<u>20,783,238</u>
Accrued pension liabilities	\$ <u>819,149</u>	<u>19,334</u>	<u>838,483</u>
Other non-current liabilities	\$ <u>662,414</u>	<u>3</u>	<u>662,417</u>
Accumulated deficit	\$ <u>(5,245,662)</u>	<u>(19,845)</u>	<u>(5,265,507)</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2010 IFRSs amounts	Impact on Transition	2013 IFRSs version
December 31, 2014:			
Investments accounted for using equity method	\$ <u>28,347,485</u>	<u>(2,272)</u>	<u>28,345,213</u>
Accrued pension liabilities	\$ <u>674,994</u>	<u>(40,431)</u>	<u>634,563</u>
Other non-current liabilities	\$ <u>298,419</u>	<u>13</u>	<u>298,432</u>
Accumulated profit	\$ <u>10,778,122</u>	<u>38,146</u>	<u>10,816,268</u>

	2010 IFRSs amounts	Impact on transition	2013 IFRSs amounts
For the three-month period ended June 30, 2014:			
Cost of goods sold	\$ (6,696,401)	117	(6,696,284)
Selling and distribution expenses	(139,580)	10	(139,570)
Administrative and general expenses	(503,753)	31	(503,722)
Research and development expenses	(333,881)	22	(333,859)
Share of profit of associates accounted for using equity method	2,716,803	18	2,716,821
Net income	6,085,007	198	6,085,205

	2010 IFRSs amounts	Impact on transition	2013 IFRSs amounts
For the six-month period ended June 30, 2014:			
Cost of goods sold	\$ (13,727,242)	234	(13,727,008)
Selling and distribution expenses	(283,637)	20	(283,617)
Administrative and general expenses	(789,030)	62	(788,968)
Research and development expenses	(609,170)	43	(609,127)
Share of profit of associates accounted for using equity method	5,688,939	37	5,688,976
Net income	12,154,937	396	12,155,333

## (2) New standards and interpretations issued but not yet approved by the FSC

The following summarizes the new standards and amendments issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC until the reporting date that may have an impact on the Group:

Newly Issued/Revised Standards, Amendments, and Interpretations	Effective Date Announced by 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"	January 1, 2016
Amendments to IFRS 10, IFRS 12, and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Acquisitions of Interests in Joint Operations"	January 1, 2016
Amendment to IFRS 14 "Regulatory Deferral Account"	January 1, 2016

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>Newly Issued/Revised Standards, Amendments, and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendment to IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements Cycle 2010-2012 and 2011-2013	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRIC Interpretation 21 "Levies"	January 1, 2014

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of the above mentioned 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, 2014. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2014 for related information. For the impact of adopting the 2013 version of IFRSs endorsed and issued to be effective by the FSC commencing from January 1, 2015, please refer to Note 3(1).

**(2) Basis of consolidation**

- 1) Except for Note 3(1), 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, 2014. Please refer to Note 4(3) of the consolidated financial statements for the year ended December 31, 2014 for complete disclosures of significant accounting policies.

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 2) List of subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activity	Shareholdings		
			June 30, 2015	December 31, 2014	June 30, 2014
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%	99.99%
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	58.34%	58.34%	71.10%
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. Shenzhen	Sales of semiconductor products	100.00%	100.00%	100.00%

Note : All of the subsidiaries' financial statements were not reviewed for the six-month periods ended June 30, 2015 and 2014.

### 3) 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.

### (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.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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, 2014.

**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, 2014. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2014 for more details.

**(1) Cash and cash equivalents**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
Cash on hand—pretty cash	\$ 248	163	1,058
Checking and demand deposits	2,909,021	3,091,133	3,355,822
Time deposits	4,096,566	3,808,616	4,047,392
Short-term commercial papers	182,717	397,943	17,480
	<b>\$ <u>7,188,552</u></b>	<b><u>7,297,855</u></b>	<b><u>7,421,752</u></b>

The Group provided certificate of deposit and restricted bank deposit amounting to \$389,900, \$375,900 and \$209,688 as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively. As a pledge to imported cargo materials, accounts for research and development's plan from the Ministry of Economic Affairs and the credit agreement shall not be used, and such time deposits were reclassified to non-current assets as a pledge to imported cargo materials as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively.

**(2) Notes receivable, accounts receivable and other receivables**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
Notes receivable from operating activities	\$ -	21,301	-
Accounts receivable (including related parties)	5,922,359	6,032,705	5,697,653
Other receivables (including related parties)	1,768,365	1,908,999	2,120,507
Less : allowance for doubtful receivables	(8,449)	(8,889)	(9,888)
	<b>\$ <u>7,682,275</u></b>	<b><u>7,954,116</u></b>	<b><u>7,808,272</u></b>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2015	\$ 7,622,346	59,890	39	-	7,682,275
December 31, 2014	7,806,317	146,542	1,257	-	7,954,116
June 30, 2014	7,740,435	67,830	7	-	7,808,272

The changes in the allowance for impairment with respect to notes receivable, accounts receivable, other receivables, and overdue receivables during the periods were as follows:

	Collectively assessed impairment
Balance at January 1, 2015	\$ 8,889
Loss on foreign exchange	(440)
Balance at June 30, 2015	<u>\$ 8,449</u>
Balance at January 1, 2014	\$ 9,546
Gain on foreign exchange	342
Balance at June 30, 2014	<u>\$ 9,888</u>

## (3) Inventories

	June 30, 2015	December 31, 2014	June 30, 2014
Raw materials	\$ 220,526	145,520	213,360
Work in process	2,991,874	2,719,794	3,640,409
Finished goods	2,147,386	2,140,021	1,839,455
Supplies	103,929	143,072	186,518
	<u>\$ 5,463,715</u>	<u>5,148,407</u>	<u>5,879,742</u>

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 carrying value of inventories exceeded the net realizable value thereof. 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, \$11,634 and \$29,596 for the three-month periods ended June 30, 2015 and 2014, and six-month periods ended June 30, 2014, respectively, which was credited to cost of goods sold.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (4) Non- current assets held for sale

On March 14, 2014, the Board of Directors of the Company and the temporary shareholders' meeting of its subsidiary, Sumpro Electronics Corporation, approved of the plan to sell parts of the buildings of the Company, as well as all machinery equipment and spare parts of the subsidiary. The Company and its subsidiary disposed their assets on July 1, 2014, at \$400,000 and \$1,300,000, respectively. The full amount of the price has been received.

For the three-month and six-month periods ended June 30, 2014, non-current assets held for sale are measured at the lower of carrying amount and fair value, less, cost to sell, and recognized the impairment losses of \$1,980 and \$405,306, respectively, under other gains and losses and losses from discontinued operations on the consolidated statements of comprehensive income. Please refer to Note 6(19) and Note 12(3) for details.

## (5) Investments accounted for using equity method

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

	June 30, 2015	December 31, 2014	June 30, 2014
Associate	\$ <u>31,212,185</u>	<u>28,345,213</u>	<u>20,783,238</u>

## 1) Associate

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 Inotera Memories, Inc.'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, without purchasing in proportion to the original shareholding percentage.

The Group's capital surplus—equity of associates accounted for using equity method increased by \$26,869 due to the recognition of the costs of employee stock options of Inotera Memories, Inc. for the six-month period ended June 30, 2014.

The Inotera Memories, Inc.'s capital surplus—equity of associates accounted for using equity method increased by \$2,215,285 due to the increase in capital injection of 24,584 thousand shares and 8,735 thousand shares on February 13 and May 8, 2014, respectively. Additionally, the Inotera Memories, Inc. issued depositary receipts which amounted to 40,000 units on May 5, 2014, without purchasing in proportion to the original shareholding percentage.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Associates	Relationship	Registration Country	Percentage of ownership		
			June 30, 2015	December 31, 2014	June 30, 2014
Inotera Memories, Inc.	The main supplier for raw material of the Company. Its primary operating activity is producing and selling of semiconductor products.	Taiwan	24.34%	24.42%	24.56%

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

	June 30, 2015	December 31, 2014	June 30, 2014
Inotera Memories, Inc.	\$ <u>39,273,948</u>	<u>80,144,397</u>	<u>86,690,055</u>

The following is the aggregated financial information of the major associate that has already been modified to the associates' consolidated financial statements based on the IFRS as endorsed by FSC to reflect the fair value adjustments made at the time of acquisition and adjustment for accounting policy variations.

(a) The financial information in aggregate of Inotera Memories Inc.

	June 30, 2015	December 31, 2014	June 30, 2014
Current assets	\$ 54,276,604	56,814,358	62,472,406
Non-current assets	86,755,618	80,987,748	69,085,677
Current liabilities	(10,598,733)	(17,272,884)	(40,494,117)
Non-current liabilities	(1,806,172)	(4,050,738)	(5,998,149)
Net asset	\$ <u>128,627,317</u>	<u>116,478,484</u>	<u>85,065,817</u>

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2015	2014	2015	2014
Revenue	\$ <u>16,244,585</u>	<u>21,449,966</u>	<u>34,698,397</u>	<u>41,674,257</u>
Net income from continuing operations	\$ 4,588,350	10,614,987	11,857,279	21,860,837
Other comprehensive income	(67)	-	(131)	-
Total comprehensive income	\$ <u>4,588,283</u>	<u>10,614,987</u>	<u>11,857,148</u>	<u>21,860,837</u>

(Continued)



## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the six-month periods ended June 30,	
	2015	2014
Share of the equity of the associate at January 1	\$ 28,345,213	12,851,702
Total comprehensive income allocated to the Group of investment in associate at June 30	<u>2,890,498</u>	<u>5,688,976</u>
Share of the equity of the associate at June 30	31,235,711	18,540,678
Increasing:		
Disposal of realized profit from fixed assets	135	406
Recognition of the costs of employee stock options	22,229	26,869
Capital surplus due to acquisition of shares recognized difference from original holding proportion	-	2,215,285
Decreasing:		
Capital surplus due to acquisition of shares recognized difference from original holding proportion	(45,878)	-
Others	(12)	-
Carrying amount of equity of the associate at June 30	<u>\$ 31,212,185</u>	<u>20,783,238</u>

## (6) Acquisition of non-controlling interests

On March 27, 2014, the subsidiary of the Company, Sumpro Electronics Corporation, redeemed its share options by paying \$69,750 in cash, increasing the Group's shareholding percentage in its subsidiary from 94% to 100%. On September 26, 2014, the treasury stocks repurchased by the subsidiary were cancelled due to the resolution of the board. There were 15,000 thousand shares that were cancelled. September 26, 2014 was the record date for the decrease in capital.

The following summarized the effect of changes in the Company's ownership interest in its subsidiaries and associates:

	For the three-month period ended June 30, 2014	For the six-month period ended June 30, 2014
Acquisition of non-controlling interests (carrying amount) \$	-	9,787
Consideration paid for the non-controlling interests	<u>-</u>	<u>(69,750)</u>
Differences between purchase consideration and book value of the shares	<u>\$ -</u>	<u>(59,963)</u>
Decrease in capital surplus	\$ -	(36,311)
Decrease in retained earnings	<u>-</u>	<u>(23,652)</u>
	<u>\$ -</u>	<u>(59,963)</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (7) Property, plant and equipment

The cost and depreciation of property, plant and equipment of the Group as of and for the six-month periods ended June 30, 2015 and 2014 were as follows:

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost :						
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	<u>\$ 1,013,924</u>	<u>4,198,619</u>	<u>123,197,902</u>	<u>1,529,613</u>	<u>1,137,238</u>	<u>131,077,296</u>
Balance as of January 1, 2014	\$ 1,013,924	5,241,798	121,096,948	1,992,068	529,640	129,874,378
Additions	-	-	298,061	18,958	222,854	539,873
Disposals	-	-	(2,816,270)	(151,163)	-	(2,967,433)
Reclassification	-	-	326,095	(53,794)	(272,301)	-
Reclassification to non-current assets held for sale	-	(1,042,934)	(2,220,593)	-	-	(3,263,527)
Reclassification to prepaid expense	-	-	(83,564)	(11,580)	-	(95,144)
Effect of exchange rate change	-	58	(84)	(372)	-	(398)
Balance as of June 30, 2014	<u>\$ 1,013,924</u>	<u>4,198,922</u>	<u>116,600,593</u>	<u>1,794,117</u>	<u>480,193</u>	<u>124,087,749</u>
Accumulated depreciation / impairment :						
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)
Reversal of 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	<u>\$ -</u>	<u>1,211,793</u>	<u>77,624,978</u>	<u>1,206,840</u>	<u>-</u>	<u>80,043,611</u>
Balance as of January 1, 2014	\$ -	1,602,429	73,947,602	1,525,667	-	77,075,698
Depreciation for the period	-	100,445	2,597,046	65,097	-	2,762,588
Disposals	-	-	(2,812,510)	(155,341)	-	(2,967,851)
Impairment loss	-	-	-	4,464	-	4,464
Reclassification	-	-	55,764	(55,764)	-	-
Reclassification to non-current assets held for sale	-	(640,954)	(765,287)	-	-	(1,406,241)
Reclassification to prepaid expense	-	-	(11,938)	(2,554)	-	(14,492)
Effect of exchange rate change	-	-	78	(264)	-	(186)
Balance as of June 30, 2014	<u>\$ -</u>	<u>1,061,920</u>	<u>73,010,755</u>	<u>1,381,305</u>	<u>-</u>	<u>75,453,980</u>
Carrying amounts:						
Balance as of June 30, 2015	<u>\$ 1,013,924</u>	<u>2,986,826</u>	<u>45,572,924</u>	<u>322,773</u>	<u>1,137,238</u>	<u>51,033,685</u>
Balance as of December 31, 2014	<u>\$ 1,013,924</u>	<u>3,066,888</u>	<u>42,663,144</u>	<u>352,618</u>	<u>4,079,353</u>	<u>51,175,927</u>
Balance as of June 30, 2014	<u>\$ 1,013,924</u>	<u>3,137,002</u>	<u>43,589,838</u>	<u>412,812</u>	<u>480,193</u>	<u>48,633,769</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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.

## 3) Property, plant and equipment under construction

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2015	2014	2015	2014
Capitalized interest	\$ <u>25,862</u>	<u>-</u>	<u>25,862</u>	<u>-</u>
Capitalized interest rates	<u>2.19%~2.32%</u>	<u>-</u>	<u>2.19%~2.32%</u>	<u>-</u>

## (8) Lease receivables

- 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.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- 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 and six-month periods ended June 30, 2015 and 2014, the Company recognized the interest revenue of \$51,447, \$56,979, \$104,331 and \$115,253, respectively, from the amortization of unrealized interest revenue. The details of lease receivables were as follows:

	June 30, 2015			December 31, 2014			June 30, 2014		
	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	190,637	238,693	429,330	202,759	226,571	429,330	214,265	215,065
Between one and five years	1,469,820	493,786	976,034	1,552,320	544,414	1,007,906	1,634,820	596,661	1,038,159
More than five years	<u>925,155</u>	<u>139,839</u>	<u>785,316</u>	<u>1,057,320</u>	<u>181,420</u>	<u>875,900</u>	<u>1,189,485</u>	<u>227,601</u>	<u>961,884</u>
Subtotal	<u>\$ 2,824,305</u>	<u>824,262</u>	<u>2,000,043</u>	<u>3,038,970</u>	<u>928,593</u>	<u>2,110,377</u>	<u>3,253,635</u>	<u>1,038,527</u>	<u>2,215,108</u>
Current			\$ 238,693			226,571			215,065
Non-current			<u>1,761,350</u>			<u>1,883,806</u>			<u>2,000,043</u>
Lease receivables -- related parties			<u>\$ 2,000,043</u>			<u>2,110,377</u>			<u>2,215,108</u>

## (9) Short-term borrowings

- 1) Short-term borrowings consisted of the following:

	June 30, 2015	December 31, 2014	June 30, 2014
Unsecured short-term borrowings	<u>\$ 3,602,000</u>	<u>-</u>	<u>600</u>
Interest rate	<u>1.15%~1.6%</u>	<u>-</u>	<u>1.15%</u>

- 2) Issuance and redemption of loans

	For the six-month periods ended June 30,	
	2015	2014
Balance as of January 1	\$ -	90,000
New issuance during the period	3,602,000	90,600
Repayments during the period	-	(180,000)
Balance as of June 30	<u>\$ 3,602,000</u>	<u>600</u>
Interest rate	<u>1.15%~1.6%</u>	<u>1.15%</u>
Due date	<u>August 20, 2015</u>	<u>July 13, 2014</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (10) Long-term loans

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

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				<u>\$ 12,182,500</u>
Unused long-term of credit				<u>\$ 7,311,000</u>

December 31, 2014				
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	TWD	1.987%~2.092%	2015~2016	\$ 800,000
Secured bank loans	TWD	2.093%~2.439%	2015~2019	15,580,000
Less: current portion				(3,900,000)
Total				<u>\$ 12,480,000</u>
Unused long-term of credit				<u>\$ 10,435,000</u>

June 30, 2014				
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	TWD	2.505%~2.677%	2015~2016	\$ 850,000
Secured bank loans	TWD	2.0811%~2.3684%	2015~2019	13,573,000
Less: current portion				(7,495,500)
Total				<u>\$ 6,927,500</u>
Unused long-term of credit				<u>\$ 11,415,000</u>

## 1) Issuance and redemption of loans

- a. The Company signed a syndicated loan agreement with Bank of Taiwan, the managing bank, and 13 (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 January 2, 2014, and applied for credit line drawings as 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. The required interest was 90-day commercial paper rate, plus, an annual interest rate of 1.1%, payable monthly. Additionally, the first repayment of the principal is payable on due date, and the balance is payable in 5 equal semi-annual installments. According to the agreement, the Company should maintain a balance of no less than 3% of the original credit limit in a specified bank account two months from the first appropriation date.

(Continued)

# **NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 2013 or when the managing bank deems necessary. In the event that any of the financial covenants below is breached, the Company is required to submit a formal letter to the managing bank at least three months after submitting the semi-annual and annual consolidated financial statements to syndicated banks, so that the managing bank can convene a meeting of the Banks to discuss the aforesaid breach and to resolve whether a waiver of the breach will be granted. The required financial ratios are as follows:

- (a) Financing payables to related parties: not less than \$35,000,000.

Additionally, the Company signed a supplementary contract with syndicated banks in July 2015, under which, such banks agreed to waive the requirement on this financial ratio.

- (b) Liability Ratio (total liabilities to total net equity and tangibles assets, plus, financing payables to related parties): not more than 200%.
- (c) Tangible net equity, plus, other financing payables to related parties: not less than \$45,000,000 in the semi-annual and annual financial statements of 2013, and \$50,000,000 for each year beginning 2014.

The Company is in compliance with all financial covenants above for the first 6 months of 2014 and for the year ended December 31, 2014.

- b. The Company signed a syndicated loan agreement with Bank of Taiwan, the managing bank, and 7 other banks for a credit line of \$18,000,000 in the form of credit loan on November 9, 2009. According to the above syndicated loan agreement, the Company was required to comply with certain financial covenants by maintaining certain financial ratios. In the event that any of the financial covenants below is breached, the Company is required to cure the breach, no later than the end of November in the relevant calendar year, for a breach in respect of any semi-annual consolidated financial statements, and for a breach in respect of any annual consolidated financial statements, no later than the end of June of the following calendar year, or to submit a formal letter to the managing bank at least two months prior to the expiration of the Remedial Period, so that the managing bank can convene a meeting of the Banks to discuss the aforesaid breach and to resolve before the expiration of the Remedial Period on whether a waiver of the breach will be granted. These financial covenants are as follows:

- (a) Current Ratio (total current assets to total current liabilities): not less than one (1) to one (1).
- (b) Interest Coverage Ratio (EBITDA to interest expenses): shall not be less than three (3) to one (1).

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (c) Leverage Ratio (total liabilities, plus, contingent liabilities to tangible net worth): not higher than one and a half (1.5) to one (1).

On November 28, 2014, the syndicated banks formally agreed to further waive the Company's obligation to comply with its financial loan covenants under the syndicate loan relating to the financial statements for the six-month period ended June 30, 2014. This syndicated loan was repaid on January 28, 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, 2015			December 31, 2014			June 30, 2014		
	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	16,612	8,086	24,698	16,845	7,853	24,698	17,072	7,626
Between one and five years	98,792	61,258	37,534	98,792	62,343	36,449	98,791	63,396	35,395
More than five years	<u>358,119</u>	<u>117,506</u>	<u>240,613</u>	<u>370,468</u>	<u>124,667</u>	<u>245,801</u>	<u>382,817</u>	<u>131,978</u>	<u>250,839</u>
	<u>\$ 481,609</u>	<u>195,376</u>	<u>286,233</u>	<u>493,958</u>	<u>203,855</u>	<u>290,103</u>	<u>506,306</u>	<u>212,446</u>	<u>293,860</u>
Current			\$ 8,086			7,853			7,626
Non-current			<u>278,147</u>			<u>282,250</u>			<u>286,234</u>
Lease payables—related parties			<u>\$ 286,233</u>			<u>290,103</u>			<u>293,860</u>

- 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, 2015 and 2014 were fully paid.
- 2) The Group did not issue, repurchase, or repay any lease liabilities during the six-month periods ended June 30, 2015 and 2014. Please refer to Note 6(19) for the details of related interest expenses. For other relevant information, please refer to Note 6(12) of the consolidated financial statements for the year ended December 31, 2014.

(12) Other payables

	June 30, 2015	December 31, 2014	June 30, 2014
Accrued payroll, year-end bonuses and employee benefits	\$ 837,379	775,750	509,066
Cash dividends payable	4,853,396	-	-
Income tax payable	484,691	-	-
Royalties payable	734,238	1,031,022	812,311
Amounts of payable from outsourcing	210,918	462,667	396,189
Other operating and manufacture overhead payable	<u>336,792</u>	<u>680,393</u>	<u>1,171,820</u>
	<u>\$ 7,457,414</u>	<u>2,949,832</u>	<u>2,889,386</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Please refer Note 6(20) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities paid off within one year.

## (13) Employee benefits

## 1) Defined benefit plan

Subsequent to December 31, 2014, 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, 2014 and 2013.

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,	
	2015	2014	2015	2014
Cost of goods sold	\$ 3,200	2,703	6,391	6,405
Operating expenses	1,336	2,625	2,679	4,250
Total	<u>\$ 4,536</u>	<u>5,328</u>	<u>9,070</u>	<u>10,655</u>

## 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,	
	2015	2014	2015	2014
Cost of goods sold	\$ 16,965	18,667	33,768	41,131
Operating expenses	10,349	16,828	23,541	27,129
Total	<u>\$ 27,314</u>	<u>35,495</u>	<u>57,309</u>	<u>68,260</u>

(Continued)



## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (14) Income tax

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

	For the three-month periods ended June 30,		For the three-month periods ended June 30,	
	2015	2014	2015	2014
Income tax using the				
Company's domestic tax rate	\$ 5,243	3,199	9,856	3,832
10% surtax on undistributed earnings	484,691	-	484,691	-
Total current income tax expense	489,934	3,199	494,547	3,832
Deferred income tax expense	67	(1,289)	131	7
Income tax expense	<u>\$ 490,001</u>	<u>1,910</u>	<u>494,678</u>	<u>3,839</u>

- 2) As of June 30, 2015, under the ROC Income Tax Act, the amount of unused loss carry forward available to the Company were as follows:

Year	Unused loss carry forward	Expiry year
2008 (declared)	\$ 12,100,230	2018
2009 (declared)	19,525,230	2019
2010 (declared)	12,439,512	2020
2011 (declared)	30,344,487	2021
2012 (declared)	29,717,148	2022
2013 (declared)	3,709,757	2023
Total	<u>\$ 107,836,364</u>	

- 3) The Company's income tax returns have been examined by the ROC tax authority through 2013.
- 4) Information related to the undistributed earnings and imputation credit account (ICA) and creditable ratio were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Undistributed earnings (accumulated deficit) after 1998	<u>\$ 15,429,801</u>	<u>10,816,268</u>	<u>(5,265,507)</u>
Imputation credit account	<u>\$ 73,483</u>	<u>73,483</u>	<u>67,515</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>2014(estimated)</u>	<u>2013(actual)</u>
Tax deduction ratio for earnings distribution to ROC residents	<u>0.68</u> %	<u>-</u> %

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.

## (15) Capital and other equity

Except as described below, there was no material change in equity for the six-month periods ended June 30, 2015 and 2014. Please refer to Note 6(15) of the consolidated financial statements as of and for the year ended December 31, 2014 for the related detail disclosures on equity.

## 1) Common stock

As of 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.

As of three-month period ended March 31, 2014, 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 157 thousand common shares of stock, at an issuance discount price of \$5.5 per share, respectively, with a total value amounting to \$863. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

## 2) Capital surplus

The components of capital surplus were as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Equity in capital surplus of investee companies	\$ 4,954,053	4,977,555	5,020,250
Employee stock option plans	856,655	879,953	893,515
Premium from exercise of employee stock options	<u>1,396,043</u>	<u>520,428</u>	<u>-</u>
	<u>\$ 7,206,751</u>	<u>6,377,936</u>	<u>5,913,765</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 3) Retained Earning

Pursuant to the Company's articles of incorporation, current-period earnings should first be used to offset any deficit in the previous years and set aside as legal reserve. After the recognition or reversal of special reserve, 1% to 15% of the earnings are to be set aside as employee bonuses and recognized as expense in the current period. After the above appropriations, current- and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of the shareholders will be held to decide on this matter.

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.

No employee bonuses were distributed because the earnings after tax were used to offset the accumulated deficits for the three-month and six-month periods ended June 30, 2014.

The employee bonuses amounted to \$97,004 for 2014, which was consistent with the actual amount distributed. No employee bonuses were distributed due to the accumulated deficits in 2013. The information about bonuses of the shareholders' meeting is available at the Market Observation Post System website

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:

	2014	
	Dividends per share	Amount
Dividends attributable to ordinary shareholders:		
Cash dividends	\$ 2.00	<u>4,853,396</u>

On June 6, 2014, the Company decided at its stockholders' meeting that there were no earnings to be distributed due to the accumulated deficit as of December 31, 2013.

According to the amendment of the Company Act in May 2015, employee benefits are no longer subject to earnings distribution. The Company will revise its articles of incorporation before the deadline specified by the authority.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 4) Treasury stock

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

	Unit: Thousand shares of common stock		
	June 30, 2015	December 31, 2014	June 30, 2014
Beginning number of shares as of January 1	687	6,870	6,870
Decrease (Note)	-	(6,183)	(6,183)
Ending number of shares	<u>687</u>	<u>687</u>	<u>687</u>
Ending balance	\$ <u>347,533</u>	<u>347,533</u>	<u>347,533</u>
Carrying amount per share	\$ <u>505.46</u>	<u>505.46</u>	<u>505.46</u>
Market price per share	\$ <u>51.7</u>	<u>81</u>	<u>7.70</u>

Note : The decrease was a result of capital reduction.

As of June 30, 2015, 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, 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	\$ <u>(40,748)</u>	<u>26,685</u>
Balance at January 1, 2014	\$ (19,739)	17,405
Exchange differences on translation of foreign operations, net of tax		
-the Group	1,652	-
Unrealized gains (losses) on available-for-sale financial assets:		
-the Group	-	44,872
Balance at June 30, 2014	\$ <u>(18,087)</u>	<u>62,277</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (16) 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, 2015 and 2014. Please refer to Note 6(16) of the consolidated financial statements as of and for the year ended December 31, 2014 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 six-month periods ended June 30,			
		2015		2014	
		Weighted-average exercise price (TWD)	Number of options (Units)	Weighted-average exercise price (TWD)	Number of options (Units)
Outstanding at January 1	\$	46.98	83,965	4.95	114,321
Options exercised		55.02	(7,155)	5.50	(1,776)
Options forfeited		75.65	(4,667)	5.53	(1,226)
Outstanding at June 30		44.33	<u>72,143</u>	4.93	<u>111,319</u>
Options exercisable, end of period		44.33	<u>72,143</u>	5.04	<u>95,065</u>

For the three-month and six-month periods ended June 30, 2015 and 2014, expenses arising from share options granted to employees amounted to \$125, \$3,417, \$3,177 and \$11,449, respectively.

## (17) 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,	
		2015	2014	2015	2014
<b>Basic earnings per share:</b>					
Net income from continuing operations attributable to the Group	\$	4,254,402	6,417,436	10,544,741	13,229,287
Net loss from discontinuing operations attributable to the Group		-	(333,905)	-	(1,017,853)
Net income attributable to the Group	\$	<u>4,254,402</u>	<u>6,083,531</u>	<u>10,544,741</u>	<u>12,211,434</u>
Weighted-average number of ordinary shares outstanding (basic)		2,426,965	2,395,433	2,419,850	2,395,417
Basic earnings per share from continuing operations (dollars)	\$	1.75	2.68	4.36	5.52
Basic earnings per share from discontinuing operations (dollars)		-	(0.14)	-	(0.42)
Basic earnings per share (dollars)	\$	<u>1.75</u>	<u>2.54</u>	<u>4.36</u>	<u>5.10</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2015	2014	2015	2014
<b>Diluted earnings per share:</b>				
Net income from continuing operations attributable to the Group	\$ 4,254,402	6,417,436	10,544,741	13,229,287
Net loss from discontinuing operations attributable to the Group	-	(333,905)	-	(1,017,853)
Net income attributable to the Group	<u>\$ 4,254,402</u>	<u>6,083,531</u>	<u>10,544,741</u>	<u>12,211,434</u>
Effect of dilutive potential common shares:				
Weighted-average number of ordinary shares (basic)	\$ 2,426,965	2,395,433	2,419,850	2,395,417
Effect of employee stock option	(4,509)	7,522	28,224	13,062
Weighted-average number of ordinary shares (diluted)	<u>2,422,456</u>	<u>2,402,955</u>	<u>2,448,074</u>	<u>2,408,479</u>
Diluted earnings per share from continuing operations (dollars)	\$ 1.74	2.66	4.31	5.49
Diluted earnings per share from discontinuing operations (dollars)	-	(0.14)	-	(0.42)
Diluted earnings per share (dollars)	<u>\$ 1.74</u>	<u>2.52</u>	<u>4.31</u>	<u>5.07</u>

## (18) Compensation of employees, directors and supervisors

For the three-month and six-month periods ended June 30, 2015, the estimated employee benefits amounted to \$42,652 and \$99,265, respectively. The employee benefits were calculated based on the Company's net profit after tax, distributed according to the earning allocation method stated under the Company's articles of association, and expensed as operating costs or expenses in the current period. If there are any changes after the financial reports are issued, the change will be treated as a change in accounting estimate and recognized through profit or loss in the period of the change.

## (19) 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,	
	2015	2014	2015	2014
Bank deposits and short-term notes	\$ 10,502	13,191	17,141	20,641
Finance leases	51,447	56,979	104,331	115,253
	<u>\$ 61,949</u>	<u>70,170</u>	<u>121,472</u>	<u>135,894</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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,	
	2015	2014	2015	2014
Foreign exchange losses, net	\$ (164,733)	(194,250)	(253,858)	(20,678)
Reversal of impairment (impaired losses) gains on assets	(2,466)	19	(1,758)	(6,444)
Gains on disposal of property, plant and equipment	1,023	40,272	667	41,135
Others	39,108	(142,576)	75,200	(166,267)
	<u>\$ (127,068)</u>	<u>(296,535)</u>	<u>(179,749)</u>	<u>(152,254)</u>

## 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,	
	2015	2014	2015	2014
Bank borrowings	\$ 115,196	81,639	205,646	158,184
Less : capitalized interest payments	(25,862)	-	(25,862)	-
Financing interest of entities with significant influence over the Group	44,286	106,617	92,608	213,213
Financing interest from other related parties	93,653	119,565	193,910	254,477
Lease payments	4,226	4,473	8,480	8,864
Others	(25,564)	130	(25,881)	58
	<u>\$ 205,935</u>	<u>312,424</u>	<u>448,901</u>	<u>634,796</u>

## (20) 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(20) of the consolidated financial statements as of and for the year ended December 31, 2014 for the related detail disclosures on financial instruments.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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
<b>June 30, 2015</b>							
Non-derivative financial liabilities							
Short-term borrowing	\$ 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	7,457,414	7,457,414	7,457,414	-	-	-	-
Financing from 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)	<u>2,129,060</u>	<u>2,129,060</u>	<u>2,129,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,735,911</u>	<u>59,232,200</u>	<u>13,410,867</u>	<u>32,252,807</u>	<u>2,995,485</u>	<u>10,164,762</u>	<u>408,279</u>
<b>December 31, 2014</b>							
Non-derivative financial liabilities							
Secured bank loans	\$ 15,580,000	16,494,206	3,750,108	144,329	288,659	12,311,110	-
Unsecured bank loans	800,000	836,636	251,342	50,676	102,900	321,080	110,638
Other payables	2,949,832	2,949,832	2,949,832	-	-	-	-
Financing from entities with significant influence over the Group	13,400,000	13,615,271	-	13,615,271	-	-	-
Financing from other related parties	26,615,567	27,043,146	-	27,043,146	-	-	-
Finance lease liabilities	290,103	494,138	12,349	12,349	24,698	74,094	370,648
Notes and accounts payable (including to related parties)	<u>1,208,940</u>	<u>1,208,940</u>	<u>1,208,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 60,844,442</u>	<u>62,642,169</u>	<u>8,172,571</u>	<u>40,865,771</u>	<u>416,257</u>	<u>12,706,284</u>	<u>481,286</u>
<b>June 30, 2014</b>							
Non-derivative financial liabilities							
Short-term borrowing	\$ 600	607	607	-	-	-	-
Secured bank loans	13,573,000	14,184,143	3,717,855	3,680,908	149,501	4,056,278	2,579,601
Unsecured bank loans	850,000	908,150	60,631	258,955	112,952	217,984	257,628
Other payables	2,889,386	2,889,386	2,889,386	-	-	-	-
Financing from entities with significant influence over the Group	26,300,000	26,725,159	-	26,725,159	-	-	-
Financing from other related parties	27,382,785	27,825,473	-	27,825,473	-	-	-
Finance lease liabilities	293,860	506,306	12,349	12,349	24,698	74,093	382,817
Notes and accounts payable (including to related parties)	<u>1,119,813</u>	<u>1,119,813</u>	<u>1,119,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 72,409,444</u>	<u>74,159,037</u>	<u>7,800,641</u>	<u>58,502,844</u>	<u>287,151</u>	<u>4,348,355</u>	<u>3,220,046</u>

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

(Continued)



**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2) Market risk

a. Exposure to currency

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

	June 30, 2015			December 31, 2014			June 30, 2014		
	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
<b><u>Financial assets:</u></b>									
<b><u>Monetary items</u></b>									
USD	\$ 265,694	31.070	8,255,113	267,934	31.718	8,498,331	237,675	29.915	7,110,048
JPY	2,372,632	0.2519	597,666	1,629,358	0.2650	431,780	2,080,422	0.2948	613,308
EUR	462	34.6836	16,024	628	38.531	24,197	2,346	40.776	95,660
<b><u>Financial liabilities</u></b>									
<b><u>Monetary items</u></b>									
USD	98,217	31.070	3,051,602	94,532	31.718	2,998,366	83,670	29.915	2,502,988
JPY	172,526	0.2519	43,459	725,529	0.2650	192,265	149,849	0.2948	44,175
EUR	5,305	34.684	183,996	25	38.531	963	156	40.776	6,361

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable and other payables which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of June 30, 2015 and 2014 would have decreased the net income after tax by \$55,897 and \$52,719 for the six-month periods ended June 30, 2015 and 2014, 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(20).

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, 2015 and 2014, the Group's profit would have decreased by \$478,632 and \$681,064, respectively, which were mainly caused by the floating rate loans.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 3) Fair value

## a. Fair value and carrying amount

The Group's management considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost such as accounts receivable (including related parties), finance lease receivables, secured bank loans, related party loans, accounts payable (including related parties) and finance lease liabilities, as a reasonable approximation of fair value.

## b. Valuation techniques and assumptions used in fair value determination

If the quoted price is available on an active market, market price is used as the fair value; the primary stock exchange and the market price of securities determined as popular securities published by the security exchange center of the central government qualify as the basis of fair value evaluation used for listed equity instruments and debt instruments with an active market.

Fair value of the Group's financial instruments that have an active market is displayed by category and attributed as follows:

Listed stocks are financial assets with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

	Carrying Value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2015					
Available-for-sale financial assets Listed stocks	\$ <u>112,596</u>	<u>112,596</u>	<u>-</u>	<u>-</u>	<u>112,596</u>
	Carrying Value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2014					
Available-for-sale financial assets Listed stocks	\$ <u>115,366</u>	<u>115,366</u>	<u>-</u>	<u>-</u>	<u>115,366</u>
	Carrying Value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2014					
Available-for-sale financial assets Listed stocks	\$ <u>148,189</u>	<u>148,189</u>	<u>-</u>	<u>-</u>	<u>148,189</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (21) Financial risk management

The policies and the objectives of the financial risk management are consistent with those disclosed in Note 6(21) of the consolidated financial statements for the year ended December 31, 2014.

## (22) Capital management

There were no material changes in capital management target adopted for capital management in comparison to Note 6(22) of the consolidated financial statements as of and for the year ended December 31, 2014.

## (23) Investing and financing activities of noncash transactions

Cash flow of noncash investing and financing transactions for the six-month periods ended June 30, 2015 and 2014 were as follows:

## 1) Investing and financing activities without having an impact on cash flow

	For the six-month periods ended June 30,	
	2015	2014
Current portion of long-term liabilities	\$ <u>550,000</u>	<u>7,495,500</u>
Cash dividends payable	\$ <u>4,853,396</u>	<u>-</u>

## 2) Cash paid to purchase property, plant and equipment

	For the six-month periods ended June 30,	
	2015	2014
Increase in property, plant and equipment	\$ 2,641,265	539,873
(Decrease) increase in other payables—equipment	<u>(894,512)</u>	<u>72,715</u>
Cash paid to purchase property, plant and equipment	\$ <u>1,746,753</u>	<u>612,588</u>

## 3) Cash paid to purchase intangible assets

	For the six-month periods ended June 30,	
	2015	2014
Increase in intangible assets	\$ 4,455	450,367
Increase (decrease) in other payables—intangible assets	<u>80,419</u>	<u>(236,916)</u>
Cash paid to purchase intangible assets	\$ <u>84,874</u>	<u>213,451</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 7. Related-party transactions

## (1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

## (2) 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				Accounts receivable—related parties		
	For the three-month periods ended June 30,		For the six-month periods ended June 30,		June 30,	December 31,	June 30,
	2015	2014	2015	2014	2015	2014	2014
Other related parties (Note)	\$ <u>57</u>	<u>48,394</u>	<u>(3,120)</u>	<u>80,032</u>	<u>-</u>	<u>19,825</u>	<u>22,257</u>

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

The selling prices and collection terms for the sales to related parties are not significantly different from those third-party customers, and the normal credit term with the related parties above is 15 days after the second of each delivery month. There is no collateral received among related parties accounts receivable and there is no need to estimate bad debt expense.

## 2) Purchase from related parties

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

	Purchases				Accounts payable—related parties		
	For the three-month periods ended June 30,		For the six-month periods ended June 30,		June 30,	December 31,	June 30,
	2015	2014	2015	2014	2015	2014	2014
Associate (Note)	\$ (708)	(13,555)	(1,300)	78,240	-	-	-
Entities with significant influence over the Group	26,681	29,145	53,101	56,395	8,571	10,411	21,759
Other related parties	<u>232,951</u>	<u>205,232</u>	<u>436,381</u>	<u>430,755</u>	<u>150,997</u>	<u>123,184</u>	<u>136,237</u>
	\$ <u>258,924</u>	<u>220,822</u>	<u>488,182</u>	<u>565,390</u>	<u>159,568</u>	<u>133,595</u>	<u>157,996</u>

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

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	
	2015	2014	2015	2014	June 30, 2015	December 31, 2014
Associate	\$ 161	-	161	-	125	38
Other related parties	<u>1,558,839</u>	<u>1,361,167</u>	<u>3,083,024</u>	<u>2,545,985</u>	<u>1,075,412</u>	<u>1,006,493</u>
Total	<u>\$ 1,559,000</u>	<u>1,361,167</u>	<u>3,083,185</u>	<u>2,545,985</u>	<u>1,075,537</u>	<u>1,006,531</u>

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

## 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, 2015	December 31, 2014	June 30, 2014
Associate	\$ <u>8,714</u>	<u>14,091</u>	<u>15,474</u>

## 5) The Group's expenses paid to related parties, such as utility and steam expenses were as follows:

	Other payables—related parties		
	June 30, 2015	December 31, 2014	June 30, 2014
Entities with significant influence over the Group	\$ <u>-</u>	<u>-</u>	<u>50,399</u>

## 6) Financing from related parties

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

	Other payables—related parties		
	June 30, 2015	December 31, 2014	June 30, 2014
Entities with significant influence over the group	\$ 10,000,000	13,400,000	26,300,000
Other related parties	<u>21,528,704</u>	<u>26,615,567</u>	<u>27,382,785</u>
Total	<u>\$ 31,528,704</u>	<u>40,015,567</u>	<u>53,682,785</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interest payables on borrowings from related parties as of June 30, 2015, December 31, 2014, and June 30, 2014 amounted to \$43,224, \$57,333 and \$72,977, respectively. Please refer to Note 6(19) for details on related interest expenses.

## 7) 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 \$68, \$203, \$135 and \$406 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively; and the unrealized profit on disposal of assets, which is a deduction of investment under equity method, amounted to \$101,274, \$101,409 and \$101,543 as of June 30, 2015, December 31, 2014, and June 30, 2014, respectively.
- b. The Group purchased machinery equipment from other related parties of \$10,164 for the six-month period ended June 30, 2015, and the unpaid payables of \$4,029 were accounted for under other payables—related parties as of June 30, 2015.
- c. The Group disposed its equipment to its affiliates at \$695 and the profit on disposal amounted to \$695 for the six-month period ended June 30, 2015. All amounts were received as of June 30, 2015.
- d. The Group purchased machinery equipment from other related parties amounting to \$39,433 in May 2014, and the unpaid payables of \$15,500 were accounted for under payables—related parties as of June 30, 2014.

## 8) 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,				
	2015	2014	2015	2014	June 30, 2015	December 31, 2014	June 30, 2014
Entities with significant influence\$ over the Group	26,584	23,049	51,972	45,093	-	-	-
Other related parties	39,674	-	79,348	-	26,449	-	-
Total	\$ 66,258	23,049	131,320	45,093	26,449	-	-

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 9) 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 Probe 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 Probe 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., 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.

## (3) Key Management Personnel Compensation

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2015	2014	2015	2014
Short-term employee benefits	\$ <u>11,780</u>	<u>10,078</u>	<u>32,693</u>	<u>29,566</u>

## 8. Pledged Properties

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

Pledged assets	Object	June 30, 2015	December 31, 2014	June 30, 2014
Property, plant and equipment	Guarantee for bank loans	\$ <u>18,203,570</u>	<u>30,628,371</u>	<u>32,715,540</u>
Other non-current assets	Guarantee for bank loans and import	\$ <u>389,900</u>	<u>375,900</u>	<u>209,688</u>

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. Significant commitments and contingencies**

(1) Significant Commitments

- 1) The Group's foreign workers and shipping guarantees amounted to \$585,000, \$585,000 and \$628,010 as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively.
- 2) As of June 30, 2015, December 31, 2014 and June 30, 2014, the Group's unused established letter of credit amounted to \$148,868, \$518,610 and \$311,684, 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 December 2007, Tessera Technologies, Inc. ("Tessera") accused Nanya Technology Corporation and its subsidiary, Nanya Technology Corporation, U.S.A. (collectively "Nanya"), and other corporations for infringement of patents in the U.S. District Court in the Eastern District of Texas ("EDTX"). On this matter Tessera also asked the International Trade Commission ("ITC") to investigate. However, ITC ruled in favor of Nanya, claiming that no violation was found during the investigation. The United States Court of Appeals affirmed the ruling of ITC. In June 2012, the United States Supreme Court denied the appeal made by Tessera and made a decision to close the ITC case. On the other hand, the EDTX case has been transferred to the US District Court in the Northern District of California for ruling. However, in April 2015, Tessera withdrew the case. Therefore, this case is already considered closed.
- 3) In November 2014, QimondaAG accused Nanya Technology GmbH of patent infringement in Landgericht Dusseldorf Court. In June 2012, Nanya Technology Corporation and Nanya Technology GmbH (collectively "Nanya") filed a request to the Landgericht Munich Court for a declaratory relief, and the said request had been approved in August 2014. However, QimondaAG was not satisfied by the decision made by the court, and therefore, has decided to file an appeal to the Landgericht Munich Court in September 2012. Nanya has engaged counsels to properly handle the case to ensure Nanya's right.

**10. Significant disaster loss: None.**

(Continued)



## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 11. Subsequent events

The Board of Directors approved a resolution during their meeting on June 10, 2015 for the issuance of 320,000,000 new shares of stock for cash with par value of \$10 per share. On July 20, 2015, the Company has received approval from the Financial Supervisory Commission (FSC) for this capital increase, through the FSC's formal interpretation letter No.1040026195. Also, in their minutes of meeting of August 10, 2015, the board of directors are expected to have another meeting to determine the date of the relevant registration procedures.

## 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, 2015			For the six-month period ended June 30, 2014		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	555,951	308,605	864,556	644,992	541,280	1,186,272
Labor and health insurance	34,435	22,763	57,198	46,627	25,797	72,424
Pension expenses	20,165	11,685	31,850	21,370	19,453	40,823
Other personnel expenses	10,398	3,142	13,540	10,706	3,254	13,960
Depreciation expenses	1,397,297	21,309	1,418,606	1,304,382	40,046	1,344,428
Amortization expenses	35,966	-	35,966	38,679	-	38,679

	For the six-month period ended June 30, 2015			For the six-month period ended June 30, 2014		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	1,182,577	693,025	1,875,602	1,226,590	806,568	2,033,158
Labor and health insurance	69,085	44,603	113,688	91,233	43,658	134,891
Pension expenses	40,159	26,220	66,379	47,536	31,379	78,915
Other personnel expenses	20,882	6,322	27,204	21,418	6,589	28,007
Depreciation expenses	2,735,961	44,419	2,780,380	2,686,336	76,252	2,762,588
Amortization expenses	72,162	-	72,162	123,242	-	123,242

- (2) Approaching finance plans of the Group

- 1) Financing plan: As of June 30, 2015, the Group has an unused credit facility of \$7,311,000 for long and short-term loans.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- 2) To increase the ratio of design shrink product production, Nanya Technology still keeps its effort in converting the capacities of design shrink product to 30nm, and according to the forecast the output will be over 50% of the total capacities in the second half of 2015. The actual output is around 20% at the end of Q1 2015. We plan to push the ratio forward to 70~80% in 2016. With more design shrink product output, die cost will be lower, hence, the company will become more cost-efficient.
  - 3) To raise the sales of value-added product : Nanya Technology will remain concentrated on the business of Low-Power and Consumer DRAM products. The two genres contain over 75% of its revenues for now and expected to be over 80% at the end of 2015. It will focus on niche market and related application in order to raise the selling price of its products. In the future, its will be eager to create more value to its products to enhance the profit of the Company.
  - 4) The Group's profitability and the operations had improved since the year 2013. The repayment of debt and decrease in current liabilities are expected due to continuous cash inflow in the future.
- (3) Discontinued operations:

The subsidiary of the Company's umpro, Electronics Corporation, sold all of its machinery equipment, spare parts and main inventories due to lack of original equipment manufacturing techniques, product lines and equipments on July 1, 2014. Accordingly, the discontinued operations were expressed separately from its continuing operations for the six-month period ended June 30, 2014.

Disclosure of income and cash flow of discontinued operations are as follows:

	For the three-month period ended June 30, 2014	For the six-month period ended June 30, 2014
Profit (loss) from discontinued operations:		
Operating revenues	\$ 506,427	1,027,607
Cost of goods sold	(760,630)	(1,469,155)
Gross loss	(254,203)	(441,548)
Operating expenses	(111,985)	(273,159)
Non-operating income and expenses	32,283	(363,156)
Loss from discontinued operations before tax	(333,905)	(1,077,863)
Income tax expense	-	-
Loss from discontinued operations	<u>\$ (333,905)</u>	<u>(1,077,863)</u>
Cash flows from discontinued operations:		
Cash flows from operating activities	\$ (80,458)	(240,933)
Cash flows from investing activities	(18,864)	308,626
Cash flows from financing activities	90,810	(76,486)
Net cash used	<u>\$ (8,512)</u>	<u>(8,793)</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (4) Seasonality of operations

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

## 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, 2015				Note
				Shares / Units (in thousands)	Carrying value	Percentage of ownership	Market value or net asset value	
Pei Jen Co., Ltd.	Nan Ya Printed Circuit Board Corp.	Other related party	Available-for-sale securities	2,770	112,596	0.43%	112,596	-

- 4) Information regarding purchase or sales of securities for the period exceeding \$300 million or 20% of the Company’s paid-in capital : None.
- 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.
- 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)	908,565	3.96%	O/A	-		319,588	5.01%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	1,508,604	6.58%	O/A	-		592,747	9.28%	(Note)
The Company	Nanya Technology Corp., HK	Parent company	(Sale)	1,094,909	4.78%	O/A	-		246,677	3.86%	(Note)
The Company	Piece Makers Technology, Inc.	Parent company	(Sale)	328,083	1.43%	O/A	-		306,068	4.79%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related party	Purchase	433,986	12.03%	O/A	-		(150,997)	7.14%	-
						60days					

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

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO 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 319,588	6.49%	-	-	139,337	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 592,747	5.91%	-	-	339,270	-
The Company	Nanya Technology Corp., Germany	Parent company	Account receivable 246,677	5.71%	-	-	122,067	-
The Company	Piece Makers Technology, Inc.	Parent company	Account receivable 306,068	2.22%	-	-	57,847	-

- 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	908,565	General conditions	3.92%
0	"	Nanya Technology Corp., Germany	1	Sales	1,094,909	General conditions	4.72%
0	"	Nanya Technology Corp., Japan	1	Sales	1,508,604	General conditions	6.51%
0	"	Piece Makers Technology, Inc.	1	Sales	328,083	General conditions	1.42%
0	"	Nanya Technology Corp., U.S.A.	1	Accounts receivable	319,588	General conditions	0.30%
0	"	Nanya Technology Corp., Germany	1	Accounts receivable	246,677	General conditions	0.23%
0	"	Piece Makers Technology, Inc.	1	Accounts receivable	306,068	General conditions	0.28%
0	"	Nanya Technology Corp., Japan	1	Accounts receivable	592,747	General conditions	0.55%
0	"	Nanya Technology Corp., Delaware	1	Administrative and general expenses	149,004	Administrative expenses	0.64%

Note 1: Assigned numbers represent the following:

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

Note 2: Transactions are categorized as follows:

- The parent company to subsidiary.
- Subsidiary to parent.
- 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.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (2) Information on investment:

The information on investment of the Group for the six-month period ended June 30, 2015 was as follows:

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of June 30, 2015			Net income of investee	Investment income (loss) recognized by the investor company	Note
				June 30, 2015	December 31, 2014	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%	116,108	2,629	2,629	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00%	113,917	6,953	6,953	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	175,348	175,348	480	100.00%	-	12,206	12,206	(Note)
The Company	Nanya Technology Corp., HK	HK	Sales of semiconductor products	66,271	66,271	20	100.00%	24,723	545	545	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00%	141,813	1,979	1,979	(Note)
The Company	Inotera Memories, Inc.	Taoyuan	Business of electronic products	24,631,379	24,631,379	1,587,484	24.20%	31,035,436	11,857,279	2,874,276	
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	5,725	58.34%	-	46,531	28,019	(Note)
The Company	Sumpro Electronics Corporation	Taoyuan	Business of electronic products	2,591,000	2,591,000	259,100	100.00%	32,814	(9,821)	(9,821)	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp., Germany	Germany	Import/export business	30,056	30,056	-	100.00%	43,990	(1,525)	(1,525)	(Note)
Pei Jen Co., Ltd.	Inotera Memories, Inc.	Taoyuan	Business of electronic products	143,966	143,966	9,018	0.14%	176,749	11,857,279	16,222	

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

## (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, 2015		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	30,604	(Note 1)	30,604 (USD 985)	-	-	30,604 (US 985)	1,600	100.00%	1,600	11,311	-

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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)
30,604 (USD 985)	30,604 (USD 985)	28,587,511

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, 2015 was USD1 : TWD 31.070.

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, 2015.

## 14. Segment Information

Operating segments are combined and reconciled as follows:

	Japanese division	Manufacturing division	Discontinued operations	Others divisions	Adjustments and eliminated	Total
<b>For the three-month period ended June 30, 2015</b>						
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	<u>\$ 724,009</u>	<u>11,024,927</u>	<u>-</u>	<u>1,431,004</u>	<u>(2,024,164)</u>	<u>11,155,776</u>
Reportable segment profit or loss	<u>\$ 1,992</u>	<u>4,731,517</u>	<u>-</u>	<u>36,266</u>	<u>(14,901)</u>	<u>4,754,874</u>
	Japanese division	Manufacturing division	Discontinued operations	Others divisions	Adjustments and eliminated	Total
<b>For the three-month period ended June 30, 2014</b>						
Revenue:						
From external customers	\$ 878,307	9,671,726	506,427	1,366,390	(506,427)	11,916,423
From sales among intersegments	-	2,127,424	69,923	89,714	(2,287,061)	-
Total revenue	<u>\$ 878,307</u>	<u>11,799,150</u>	<u>576,350</u>	<u>1,456,104</u>	<u>(2,793,488)</u>	<u>11,916,423</u>
Reportable segment profit or loss	<u>\$ (4,730)</u>	<u>6,083,531</u>	<u>(333,905)</u>	<u>33,283</u>	<u>642,841</u>	<u>6,421,020</u>

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Japanese division	Manufacturing division	Discontinued operations	Others divisions	Adjustments and eliminated	Total
<b>For the six-month period ended June 30, 2015</b>						
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	<u>\$ 1,546,700</u>	<u>22,909,205</u>	<u>-</u>	<u>2,839,793</u>	<u>(4,111,979)</u>	<u>23,183,719</u>
Reportable segment profit or loss	<u>\$ 1,979</u>	<u>11,019,611</u>	<u>-</u>	<u>78,851</u>	<u>(41,647)</u>	<u>11,058,794</u>
	Japanese division	Manufacturing division	Discontinued operations	Others divisions	Adjustments and eliminated	Total
<b>For the six-month period ended June 30, 2014</b>						
Revenue:						
From external customers	\$ 1,767,155	18,548,571	1,027,607	3,292,209	(1,027,607)	23,607,935
From sales among intersegments	-	4,803,626	69,923	158,397	(5,031,946)	-
Total revenue	<u>\$ 1,767,155</u>	<u>23,352,197</u>	<u>1,097,530</u>	<u>3,450,606</u>	<u>(6,059,553)</u>	<u>23,607,935</u>
Reportable segment profit or loss	<u>\$ (15,372)</u>	<u>12,211,434</u>	<u>(1,077,863)</u>	<u>62,993</u>	<u>2,055,843</u>	<u>13,237,035</u>
	Japanese division	Manufacturing division	Discontinued operations	Others divisions	Adjustments and eliminated	Total
Reportable segment assets						
June 30, 2015	<u>\$ 744,533</u>	<u>107,154,551</u>	<u>-</u>	<u>1,871,908</u>	<u>(2,151,871)</u>	<u>107,619,121</u>
December 31, 2014	<u>\$ 636,993</u>	<u>104,021,970</u>	<u>82,212</u>	<u>2,010,235</u>	<u>(2,199,085)</u>	<u>104,552,325</u>
June 30, 2014	<u>\$ 680,424</u>	<u>97,504,822</u>	<u>2,020,379</u>	<u>1,842,258</u>	<u>(2,722,867)</u>	<u>99,325,016</u>
	Japanese division	Manufacturing division	Discontinued operations	Others divisions	Adjustments and eliminated	Total
Reportable segment assets						
June 30, 2015	<u>\$ 596,994</u>	<u>59,475,887</u>	<u>-</u>	<u>1,558,327</u>	<u>(1,753,024)</u>	<u>59,878,184</u>
December 31, 2014	<u>\$ 483,804</u>	<u>62,420,517</u>	<u>39,577</u>	<u>1,732,694</u>	<u>(1,801,325)</u>	<u>62,875,267</u>
June 30, 2014	<u>\$ 607,206</u>	<u>73,189,333</u>	<u>2,286,435</u>	<u>1,535,275</u>	<u>(2,674,267)</u>	<u>74,943,982</u>