Stock Code: 2408

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

NANYA TECHNOLOGY CORPORATION

FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

Address: No.98, Nanlin Rd., Dake Vil., Taishan Dist., New Taipei City, Taiwan (R.O.C.)
Telephone: (02)2904-5858

Table of contents

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

Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the financial statements of Nanya Technology Corporation ("the Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

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

2. Valuation of inventories

   The Company recognizes a loss from the devaluation of inventories based on the lower of cost or net realizable value method on a quarterly basis. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the financial statements. Please refer to Notes 4(g), 5(a) and 6(f) to the financial statements for the details of the accounting policy, judgments, and major sources of estimation uncertainty and disclosure information about inventory valuation respectively.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities of the investments in other entities accounted for using the equity method. We are responsible for the direction, supervision and performance of the audit. Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Lan Chen and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2018

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China.

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

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

Nanya Technology Corporation

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 32,626,041	22	8,427,379	6
1125	Current available-for-sale financial assets (Note 6(c))	-	-	2,000,360	2
1170	Notes and accounts receivable (Note 6(e))	6,640,926	4	4,545,875	4
1180	Accounts receivable due from related parties (Notes 6(e) and 7)	2,409,673	2	1,452,879	1
1200	Other receivables (Notes 6(e)(i))	11,589,575	8	1,969,250	1
1310	Inventories (Note 6(f))	6,748,226	4	4,659,652	3
1410	Prepayments	1,617,626	1	1,507,857	1
	Total current assets	61,632,067	41	24,563,252	18
	Non-current assets:				
1523	Non-current available-for-sale financial assets (Note 6(c))	-	-	40,882,664	30
1550	Investments accounted for using equity method (Note 6(g))	543,137	-	506,210	-
1600	Property, plant and equipment (Notes 6(h), 7 and 8)	86,218,545	57	67,886,857	50
1780	Intangible assets	136,442	-	272,185	-
1840	Deferred tax assets (Note 6(n))	917,703	1	869,282	1
1935	Long-term lease payments receivable (Note 6(i))	1,043,501	1	1,353,253	1
1990	Other non-current assets (Note 8)	24,984	-	375,632	-
	Total non-current assets	88,884,312	59	112,146,083	82
	Total assets	$ 150,516,379	100	136,709,335	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Current financial liabilities at fair value through profit or loss (Notes 6(b)(k))	$ 2,238,441	1	-	-
2170	Accounts payable	3,025,200	2	5,414,556	4
2180	Accounts payable to related parties (Note 7)	299,746	-	165,183	-
2200	Other payables (Note 6(l))	6,205,337	4	3,938,739	3
2220	Other payables to related parties (Note 7)	1,096,433	1	13,794,916	10
2230	Current tax liabilities	1,713,751	1	2,087,247	2
2322	Long-term borrowings, current portion (Notes 6(j) and 8)	-	-	7,786,000	6
2399	Other current liabilities	1,954	-	191,928	-
	Total current liabilities	14,580,862	9	33,378,569	25
	Non-Current liabilities:				
2530	Bonds payable (Notes 6(k))	3,286,711	2	-	-
2540	Long-term borrowings (Notes 6(j) and 8)	-	-	15,174,000	11
2570	Deferred tax liabilities (Note 6(n))	63,132	-	1,631,260	1
2613	Non-current lease obligations payable (Note 6(l))	-	-	265,093	-
2640	Net defined benefit liability, non-current (Note 6(m))	525,797	-	453,513	-
2670	Other non-current liabilities	60,012	1	264,082	-
	Total non-current liabilities	3,935,652	3	17,787,948	12
	Total liabilities	18,516,514	12	51,166,517	37
	Equity (Notes (n)(o)):				
3110	Ordinary share	29,639,382	20	27,485,658	20
3130	Certificate of entitlement to new shares from convertible bond	223,958	-	-	-
3200	Capital surplus	27,277,191	19	11,523,007	8
3310	Legal reserve	5,164,057	3	2,791,929	2
3320	Special reserve	-	-	4,570	-
3350	Unappropriated retained earnings	69,734,440	46	36,296,086	27
3400	Other equity interest	(39,163)	-	7,789,101	6
3500	Treasury shares	-	-	(347,533)	-
	Total equity	131,999,865	88	85,542,818	63
	Total liabilities and equity	$ 150,516,379	100	136,709,335	100

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (Note7)	$ 54,086,251	100	41,023,122	100
5000	Operating costs (Notes 6(f)(m)(p)(r) and 7)	29,788,306	55	28,541,666	70
	Gross profit from operations	24,297,945	45	12,481,456	30
5910	Add: Unrealized loss from sales	(97,212)	-	(56,527)	-
5920	Realized profit on from sales	56,527	-	78,605	-
	Gross profit from operations	24,257,260	45	12,503,534	30
	Operating expenses (Notes 6(m)(p)(r) and 7):				
6100	Selling expenses	602,575	1	565,652	1
6200	Administrative expenses	1,383,184	3	1,054,840	3
6300	Research and development expenses	3,565,465	7	2,362,246	6
	Total operating expenses	5,551,224	11	3,982,738	10
	Net operating income	18,706,036	34	8,520,796	20
	Non-operating income and expenses (Notes 6(d)(g)(h)(k)(l)(s)):				
7010	Other income	385,964	1	247,725	1
7020	Other gains and losses, net	23,114,236	43	17,680,248	43
7050	Finance costs	(456,872)	(1)	(697,636)	(2)
7060	Share of profit (loss) of subsidiaries and associates accounted for using equity method	43,719	-	(56,259)	-
	Total non-operating income and expenses	23,087,047	43	17,174,078	42
7900	**Profit before tax**	41,793,083	77	25,694,874	62
7950	Tax expense (Note 6(n))	1,511,156	3	1,973,597	5
	Profit	40,281,927	74	23,721,277	57
8300	**Other comprehensive income (Notes 6(m)(n)(t)):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Remeasurement of the net defined benefit	(83,545)	-	130,091	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	-	-	(29,776)	-
8349	Income (loss) tax related to items that may not be reclassified to profit or loss	14,203	-	(22,115)	-
	Total amount of items that may not be reclassified to profit or loss	(69,342)	-	78,200	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(22,317)	-	(5,258)	-
8362	Unrealized (losses) gains on valuation of available-for-sale financial assets	(9,408,293)	(17)	9,401,275	23
8399	Income (loss) tax related to items that may be reclassified to profit or loss	1,602,346	3	(1,602,346)	(4)
	Total amount of items that may be reclassified profit or loss	(7,828,264)	(14)	7,793,671	19
8300	**Other comprehensive (loss) income, net**	(7,897,606)	(14)	7,871,871	19
	Comprehensive income	$ 32,384,321	60	31,593,148	76
	Earnings per share (Note 6(q))				
9750	Basic earnings per share	$ 14.36		8.67	
9850	Diluted earnings per share	$ 13.92		8.64	

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity interest				
	Ordinary share	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity
Balance as of January 1, 2016	$ 24,285,658	-	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(4,570)	(347,533)	54,737,689
Profit for the year ended December 31, 2016	-	-	-	-	-	23,721,277	-	-	-	-	23,721,277
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	78,200	(5,258)	7,798,929	7,793,671	-	7,871,871
Comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	23,799,477	(5,258)	7,798,929	7,793,671	-	31,593,148
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	1,714,117	-	(1,714,117)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	4,570	(4,570)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(7,695,984)	-	-	-	-	(7,695,984)
Issue of shares	3,200,000	-	8,475,000	-	-	-	-	-	-	-	11,675,000
Other changes in capital surplus:											
Changes in ownership interests in subsidiaries	-	-	(865)	-	-	-	-	-	-	-	(865)
Changes in equity of subsidiaries and associates accounted for using equity method	-	-	(5,060,764)	-	-	(2,341)	-	-	-	-	(5,063,105)
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	1,926	-	-	-	-	-	-	-	1,926
Recognized compensation costs on employee stock options by the Company	-	-	294,985	-	-	-	-	-	-	-	294,985
Recognized compensation costs on employee stock options by subsidiaries	-	-	24	-	-	-	-	-	-	-	24
Balance as of December 31, 2016	27,485,658	-	11,523,007	2,791,929	4,570	36,296,086	(16,846)	7,805,947	7,789,101	(347,533)	85,542,818
Profit for the year ended December 31, 2017	-	-	-	-	-	40,281,927	-	-	-	-	40,281,927
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(69,342)	(22,317)	(7,805,947)	(7,828,264)	-	(7,897,606)
Comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	40,212,585	(22,317)	(7,805,947)	(7,828,264)	-	32,384,321
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	2,372,128	-	(2,372,128)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(4,570)	4,570	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,122,848)	-	-	-	-	(4,122,848)
Other changes in capital surplus:											
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	1,031	-	-	-	-	-	-	-	1,031
Conversion of convertible bonds	2,153,724	223,958	15,297,911	-	-	-	-	-	-	-	17,675,593
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	(4,331)	-	-	(283,808)	-	-	-	347,533	59,394
Changes in ownership interests in subsidiaries	-	-	-	-	-	(17)	-	-	-	-	(17)
Recognized compensation costs on employee stock options	-	-	459,573	-	-	-	-	-	-	-	459,573
Balance as of December 31, 2017	$ 29,639,382	223,958	27,277,191	5,164,057	-	69,734,440	(39,163)	-	(39,163)	-	131,999,865

Note: For the years ended December 31, 2017 and 2016, the employee remuneration amounting to $1,364,013 and $418,481 were deducted from the statement of comprehensive income, respectively.

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Profit before tax	$ 41,793,083	25,694,874
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	8,418,398	5,889,235
Amortization expense	141,088	134,008
Provision for bad debt expense	-	16,012
Net loss on financial liabilities at fair value through profit or loss	7,981,043	-
Interest expense	456,872	697,636
Interest income	(385,964)	(247,725)
Share-based payments	459,573	294,985
Share of (profit) loss of subsidiaries and associates accounted for using equity method	(43,719)	56,259
(Gain) Loss on disposal of property, plant and equipment	(3,230)	7,852
Amortization costs of issuing bonds	5,739	-
Gain on disposal of lease payable	(63,542)	-
Gain on disposal of financial assets in available-for-sale	(32,106,247)	-
Gain on disposal of investments accounted for using equity method	-	(19,942,974)
Impairment loss on financial assets	-	190,620
impairment loss on non-financial assets	488,988	1,158,201
Unrealized loss from sales	97,212	56,527
Realized profit on from sales	(56,527)	(78,605)
Unrealized foreign exchange gain	(371,365)	(169,838)
Discount amortization of financial liabilities	-	6,000
Total adjustments to reconcile loss	(14,981,681)	(11,931,807)
Changes in operating assets and liabilities:		
Accounts receivable	(3,100,396)	(185,985)
Other receivable	1,051,537	(779,647)
Inventories	(2,088,574)	1,155,638
Prepayments	(69,768)	56,959
Notes and accounts payable (including related parties)	(2,231,271)	1,116,699
Other payable (including related parties)	4,074,523	106,992
Other current liabilities	(189,974)	1,238,884
Net defined benefit liability	(11,261)	(194,278)
Other non-current liabilities	(45,033)	(79,537)
Total changes in operating assets and liabilities	(2,610,217)	2,435,725
Cash inflow generated from operations	24,201,185	16,198,792
Interest received	211,098	244,263
Interest paid	(323,903)	(730,637)
Income taxes (paid) refund	(1,884,652)	368,337
Net cash flows from operating activities	22,203,728	16,080,755
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(1,900,000)	(41,562,001)
Proceeds from disposal of available-for-sale financial assets	56,846,770	8,114,519
Acquisition of investments accounted for using equity method	(150,000)	-
Proceeds from disposal of investments accounted for using equity method	-	47,481,638
Acquisition of property, plant and equipment	(29,390,484)	(22,332,681)
Proceeds from disposal of property, plant and equipment	3,130	613
Decrease (increase) in refundable deposits	4	(733)
Decrease in long-term lease and installment receivables	429,330	429,330
Increase (decrease) in other non-current assets	345,298	(7,258)
Net cash flows from (used in) investing activities	26,184,048	(7,876,573)
Cash flows used in financing activities:		
Increase in short-term loans	-	24,130,900
Decrease in short-term loans	-	(27,430,900)
Proceeds from issuing convertible bonds	15,604,577	-
Proceeds from long-term debt	-	11,000,000
Repayments of long-term debt	(23,000,000)	(1,261,000)
Increase in guarantee deposits received	13,267	-
Decrease in other payables to related parties	(12,500,000)	(12,500,000)
Decrease in lease payable	(4,138)	(8,327)
Cash dividends paid	(4,122,848)	(7,695,984)
Proceeds from issuing shares	-	11,675,000
Net cash flows used in financing activities	(24,009,142)	(2,090,311)
Effect of exchange rate changes on cash and cash equivalents	(179,972)	70,755
Net increase in cash and cash equivalents	24,198,662	6,184,626
Cash and cash equivalents at beginning of year	8,427,379	2,242,753
Cash and cash equivalents at end of year	$ 32,626,041	8,427,379

See accompanying notes to financial statements.

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

NANYA TECHNOLOGY CORPORATION

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

Nanya Technology Corporation (the " Company") was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at No.98, Nanlin Road, Dake Vil., Taishan District, New Taipei City, Taiwan. The main operating activities of the Company are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

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

The financial statements were authorized for issuance by the Board of Directors on February 26, 2018.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

The Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The potential effects are summarized as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the

(Continued)

measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

2) Impairment-Financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; the Company also choose to apply this policy for trade receivables with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company estimated the application of IFRS 9' s impairment requirements would not have any material impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance for IAS 18 "Revenue" and other interpretations related to other revenue.

For the sale of semiconductor products, revenue is currently recognized based on individual terms of sales contract and the related risks and rewards of ownership transfers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company has performed a preliminary assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred and the Company does not expect that there will be a significant impact on its consolidated financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Company are set out below:

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

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the balance sheet:

1) Financial liabilities are measured at fair value through profit or loss ;

2) Available-for-sale financial assets are measured at fair value;

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss except for available for sale equity investment, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Company' s functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

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

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

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

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

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

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

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

(iii) The asset is expected to be realized within twelve months after the reporting period; or

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

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

(i) The liability is expected to be settled in the normal operating cycle;

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

(iii) The liability is due to be settled within twelve months after the reporting period; or

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

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

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other gains and losses of non-operating income and expenses.

2) Loans and receivables

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

Interest income is included in other gains and losses of non-operating income and expenses.

3) Impairment of financial assets

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

(Continued)

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

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

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

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

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

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

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

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other equity.

(Continued)

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

4) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instrument

1) Classification of liabilities or equity instruments

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

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

The conversion rights included in the convertible bond, which were issued by the Company and classified as derivative financial liabilities due to the settlement of shares are not exchanged to equity instruments through fixed amounts or other financial assets.

The derivative financial assets of convertible bonds were measured at fair value; the initial amounts of non-derivative financial liabilities were measured after deducting the separate embedded derivatives. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method; derivative financial liabilities are measured at fair value, and changes therein, in fair value are recognized in profit or loss.

Interest related to the financial liability is recognized in profit or loss, and included in other gains and losses of non-operating income and expenses.

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in non-operating income or expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(g) Inventories

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

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

(Continued)

(h) Investment in associates

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

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

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

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

The Company shall discontinue the use of the equity method from the date when its investment ceases to be an associate. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss.

(i) Subsidiaries

The Company accounts for investee companies in which it has a controlling interest using the equity method. The net income, other comprehensive income, and shareholders' equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Company in the consolidated financial reports should be the same.

The Company accounts for changes in owners' equity of subsidiaries as equity transactions between the two parties of the transaction, provided that control is still exists.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self-constructed asset comprises material, direct labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

(Continued)

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

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

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

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

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

1) Buildings: 25 years.

2) Machinery and equipment: 5 to 16 years.

3) Other equipment: 3 to 15years.

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

(k) Leases

(i) Lesser

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

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

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

(ii) Lessee

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

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

Other leases are operating leases and are not recognized in the Company's balance sheets.

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

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

(l) Intangible assets

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

Other development expenditure is recognized as an expense when incurred.

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

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

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(m) Impairment of non-derivative financial assets

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

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

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

(n) Treasury stock

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

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

(o) Revenue recognition

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer usually occurs upon loading the goods onto the relevant carrier at the port. All the risks and rewards have been transferred when products are insured against global cargo movement. For domestic sales, transfer occurs upon receipt by the customer.

(p) Employee benefits

(i) Defined contribution plan

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

(ii) Defined benefit plan

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

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

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

Remeasurement of the net defined benefit liabilities, which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

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

(Continued)

(iii) Short-term employee benefits

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

(q) Share-based payment

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

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

(r) Income taxes

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

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

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

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

(ii) The investments in subsidiaries where it is probable that the temporary difference will not reverse in the foreseeable future.

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

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

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

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

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

1) The same taxable entity; or

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

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

(s) Earnings per share

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

(t) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its financial statements.

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

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

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

(Continued)

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Demand deposit and checking accounts	$ 3,058,108	1,659,739
Cash equivalents:		
Time deposits	28,975,095	5,829,667
Commercial paper	302,838	694,473
Repurchase agreements collateralized by corporate bonds	290,000	243,500
	$ 32,626,041	8,427,379

Refer to Note 6(u) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial liabilities at fair value through profit or loss

	December 31, 2017
Financial liabilities held-for-trading：	
Derivative instruments not used for hedging	$ 382,295
Embedded derivative-convertible bonds	1,856,146
Total	$ 2,238,441

Derivatives financial instruments are used to hedge foreign currency and interest rate exposures. The Company holds the following derivative financial instruments, which were not applicable for hedge accounting and were accounted for as held-for-trading financial liabilities, were as follows:

	December 31, 2017			
	Contract Amount (in thousand)		Currency	Maturity dates
Forward exchange contract:				
Non-delivery forward purchased	USD	500,000	USD to TWD	2018.3.20~2018.3.22

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(c) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Domestic money market fund	$ -	2,000,360
Foreign listed stock	-	40,882,664
	$ -	42,883,024
Current	$ -	2,000,360
Non-current	$ -	40,882,664

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

	For the years ended December 31,	
	2017	2016
Security price on reporting date	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Appreciation of 1%	$ -	339,326
Depreciation of 1%	$ -	339,326

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

The Company purchased a two-year interest-free convertible bond of US$6,000 thousand issued by Memoright in August 2015. The conversion rights embedded in the corporate bond are accounted for separately as the economic characteristics and risks are not specifically associated. On December 31, 2016, an impairment loss of $190,620 was recognized because the management evaluated that it was not possible to collect the future cash flows of the convertible bond, with objective indications. The conversion rights of the corporate bond, which are linked to unlisted preference shares of $0, and the corporate bonds of $0, were accounted for as financial assets carried at cost—non-current and investment in debt securities with no active market—non-current, respectively, as of December 31, 2017 and 2016.

(e) Notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Notes and accounts receivable (including related parties)	$ 9,050,599	5,998,754
Other receivable	11,589,575	1,969,250
	$ 20,640,174	7,968,004

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

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

	Neither past due nor impaired	Past due but not impaired			
		Within 30 days	31 60 days	over 61 days	total
December 31, 2017	$ 20,640,174	-	-	-	20,640,174
December 31, 2016	7,968,004	-	-	-	7,968,004

As of December 31, 2017 and 2016, no allowance for impairment was provided because all of the accounts comprising notes and accounts receivable (including related parties) and other receivables were still within the normal credits terms and were evaluated to be collectable.

(f) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 332,370	229,215
Work in progress	5,266,085	2,550,742
In-transit inventory	1,149,771	1,879,695
Total	$ 6,748,226	4,659,652

The Company recognized cost of goods sold amounting to $29,090,301 and $28,049,564 for the years ended December 31, 2017 and 2016, respectively.

The Company did not recognize any loss or gain from devaluation of inventories as there was no indication of impairment or net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved on inventories for the year ended December 31, 2017 and 2016.

(g) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Subsidiaries	$ 543,137	506,210

(i) Subsidiaries

Please refer to the consolidated financial statements as of and for the year ended December 31, 2017 for further information.

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(ii) Associates

Inotera Memories, Inc. ("Inotera") was a significant associate for the Company.

In December, 2016, Micron Semiconductor Co. ("MST") completed the share-swap with Inotera, the Company disposed 1,587,484 thousand shares of Inotera on December 6, 2016 (the date upon which the share-swap was recorded), with a selling price of $30 per share, in which the proceeds accounted to $47,481,638, which was deducted from the transaction cost. The Company recognized a gain on disposal of investments accounted for using equity method amounting to $19,942,974 and a deduction of capital surplus amounting to $5,021,563.

Inotera was no longer a related party of the Company since December 6, 2016 (the date upon which the share-swap was recorded).

Summary of shares of profit or loss of associates accounted for using equity method attributable to the Company were as follows:

	For the years ended December 31, 2017	2016
Share of loss of associates accounted for using equity method	$ -	(159,166)

(h) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2017	$ 1,013,924	4,195,631	125,146,911	1,403,638	25,574,571	157,334,675
Additions	-	-	856,150	43,240	26,548,527	27,447,917
Disposals	-	-	(360,939)	(23,366)	-	(384,305)
Derecognized lease assets	-	-	-	(345,636)	-	(345,636)
Reclassification	-	3,305,157	47,009,898	29,750	(50,344,805)	-
Balance as of December 31, 2017	$ 1,013,924	7,500,788	172,652,020	1,107,626	1,778,293	184,052,651
Balance as of January 1, 2016	$ 1,013,924	4,195,631	124,471,933	1,401,283	1,275,203	132,357,974
Additions	-	-	535,913	41,506	24,642,666	25,220,085
Disposals	-	-	(213,710)	(29,674)	-	(243,384)
Reclassification	-	-	352,775	(9,477)	(343,298)	-
Balance as of December 31, 2016	$ 1,013,924	4,195,631	125,146,911	1,403,638	25,574,571	157,334,675
Accumulated depreciation / impairment:						
Balance as of January 1, 2017	$ -	1,449,795	86,874,012	1,124,011	-	89,447,818
Depreciation for the period	-	225,941	8,156,317	36,140	-	8,418,398
Impairment loss	-	-	488,988	-	-	488,988
Disposals	-	-	(360,939)	(23,466)	-	(384,405)
Derecognized lease assets	-	-	-	(136,693)	-	(136,693)
Reclassification	-	-	(28,759)	28,759	-	-
Balance as of December 31, 2017	$ -	1,675,736	95,129,619	1,028,751	-	97,834,106

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Balance as of January 1, 2016	$ -	1,289,864	80,230,039	1,115,400	-	82,635,303
Depreciation for the period	-	159,931	5,682,429	46,875	-	5,889,235
Impairment loss	-	-	1,157,024	1,177	-	1,158,201
Disposals	-	-	(204,747)	(30,174)	-	(234,921)
Reclassification	-	-	9,267	(9,267)	-	-
Balance as of December 31, 2016	$ -	1,449,795	86,874,012	1,124,011	-	89,447,818
Carrying amounts:						
Balance as of December 31, 2017	$ 1,013,924	5,825,052	77,522,401	78,875	1,778,293	86,218,545
Balance as of December 31, 2016	$ 1,013,924	2,745,836	38,272,899	279,627	25,574,571	67,886,857

(i) Impairment loss

The impairment loss amounting to $488,988 and $1,158,201 were recognized for the years ended December 31, 2017 and 2016, respectively, because the Company expected the future recoverable amounts of equipment, which have been identified to be no longer used in its future operation, would be lower than the book value.

(ii) Leased assets

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

(iii) Property, plant and equipment under construction

	For the years ended December 31,	
	2017	**2016**
Capitalized interest amounts	$ 163,901	39,109
Capitalized interest rates	1.79%~1.98%	1.92%~2.09%

(iv) Secured

Please refer to Note 8 for details of the long-term borrowings and the amount of the guarantee as of December 31, 2017 and 2016, respectively.

(i) Lease receivables

(i) 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 USD50,000 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 USD13,010 thousand and USD1,990 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 USD8,010 thousand and USD1,990 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 USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

(ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the years ended December 31, 2017 and 2016, the Company recognized the interest revenue of \$150,240 and \$177,867, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2017			December 31, 2016		
	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	119,578	309,752	429,330	150,240	279,090
Between one and five years	1,057,320	268,124	789,196	1,222,320	352,504	869,816
More than five years	264,330	10,025	254,305	528,660	45,223	483,437
Sub-total	$ 1,750,980	397,727	1,353,253	2,180,310	547,967	1,632,343
Current			$ 309,752			279,090
Non-current			1,043,501			1,353,253
			$ 1,353,253			1,632,343

(Continued)

(j) Long-term borrowings

	December 31, 2017			
	Currency	Interest rate range	Expiration	Amount
Unused long term of credit				$ 1,600,000

	December 31, 2016			
	Currency	Interest rate range	Expiration	Amount
Secured bank borrowings	TWD	1.7895%~2.1668%	2019~2021	$ 22,960,000
Less: Current portion of long-term borrowings				(7,786,000)
Total				$ 15,174,000
Unused long term of credit				$ 1,300,000

(i) Issuance and redemption of loans

1) The Company signed a syndicated loan agreement with Taiwan Cooperative Bank, the lead bank, and 15 other banks (hereinafter referred to as "the syndicate bank") for a syndicated loan with a credit line of $12,000,000 on February 18, 2016 and applied for appropriation of loans of $11,000,000 as of December 31, 2017. The Company has fully repaid the syndicated loan in December, 2017.

2) The Company signed a syndicated loan agreement with Bank of Taiwan, the lead bank, and 14 other banks (hereinafter referred to as "the syndicate banks") for a syndicated loan with a credit line of $12,000,000 on January 2, 2014, and applied for appropriation of loans of $12,000,000 as of November 30, 2017. The Company has fully repaid the syndicated loan in November, 2017.

(ii) Collaterals for bank loans

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

(k) Bonds Payable

	December 31, 2017
Issuance of unsecured overseas convertible bonds	$ 15,218,000
Unamortized discount on bonds payable	(229,383)
Conversion of convertible bonds to ordinary shares	(11,701,906)
Balance at end of period	$ 3,286,711

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

	For the year ended December 31, 2017
Embedded derivatives-call and put options and conversion rights remeasured at fair value through loss (included financial liabilities at fair value through profit or loss)	$ 1,856,146
Embedded derivatives-call and put options and conversion rights remeasured at fair value through loss (included other gain and losses)	$ 7,598,748

Item	The first unsecured overseas convertible bond
1. Issue amount	USD500,000 thousand
2. Issue par value	USD200 thousand
3. Issue period	2017.1.24～2022.1.24
4. Bond expiration	5 years
5. Coupon rate	0%
6. Conversion price	TWD52.47 dollars
7. Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 day from the issuance date (excluding the issuance date itself).
8. Put option of bond holders	(A)Each bondholder may require the Company to redeem, in whole or in part, the convertible bonds at an amount, hereinafter referred to as "Early Redemption Amount"(ERA), calculated at par value, plus, interest compensation, which is calculated semi-annually at the rate of 1.75% per annum, after 3 years from the issuance date (excluding the issuance date itself). (B)Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange. (C)Each bondholder may redeem in advance, in whole or in part, the convertible bonds if the Company meets all the conditions on the changes in its rights of control in the contract.
9. Call option of issuer	(A)The issuer may redeem, in whole or in part, the convertible bonds at the ERA if the closing price of the Company's shares which translated into US dollars at the prevailing rate for a period of 20 trading days in any period of 30 consecutive trading days is above 130 percent of the ERA multiplied the conversion ratio and divided by par value. (B)The issuer may redeem its outstanding convertible bonds at their Early Redemption Amount if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled. (C)The issuer may redeem, in whole or in part, or the convertible bonds at their Early Redemption Amount if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

The host contract debt instruments and derivative conversion rights instruments were included in convertible bond, the host contract are measured at an effective annual rate equal to 1.6593%; the derivative conversion rights instruments are measured at fair value recognized in profit or loss. The Company approved to distribute its cash dividends for 2016 in the general meeting of stockholders held on May 26, 2017. As a result, the conversion price decreased to \$50.94 dollars since June 26, 2017 (ex-dividend date).

(l) Finance lease liabilities

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

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

(iii) The rental expenses from the lease of land which was treated as an operating lease amounted to \$620 and \$3,719 for the years ended December 31, 2017 and 2016, respectively. These expenses were fully paid as of December 31, 2017 and 2016.

(iv) The Company signed an agreement for termination on its lease with Inotera Memories Inc. in March 2017. The Company derecognized the lease obligation payables on the termination date and recognized a gain on disposal of lease payable amounting to \$63,542 for the difference between carrying amount and fair value of leased property.

	December 31, 2017			December 31, 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ -	-	-	24,698	15,868	8,830
Between one and five years	-	-	-	98,792	57,807	40,985
More than five years	-	-	-	321,071	96,963	224,108
Subtotal	\$ -	-	-	444,561	170,638	273,923
Lease payables-related parties			\$ -			8,830
Current			-			265,093
Non-current			\$ -			273,923

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(m) Employee benefits

(i) Defined benefit plan

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

		December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$	984,774	898,602
Fair value of plan assets		(458,977)	(445,089)
Net defined benefit liabilities	$	525,797	453,513

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

1) Composition of plan assets

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

As of December 31, 2017, the Company's pension fund with Bank of Taiwan amounted to $458,977. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

		For the years ended December 31, 2017	2016
Defined benefit obligation as of January 1,	$	898,602	1,189,853
Current service and interest costs		16,893	23,623
Remeasurement of net defined benefit liabilities			
—actuarial losses arising from change in financial assumptions		82,226	(133,559)
Benefits paid		(12,947)	(181,315)
Defined benefit obligation as of December 31,	$	984,774	898,602

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2017	2016
Fair value of plan assets as of January 1,	$ 445,089	433,993
Interest income	5,660	6,565
Remeasurement of net defined liabilities		
－return on plan assets (excluding interest income)	(1,319)	(3,468)
Contributions from employer	13,918	13,882
Benefits already paid by the plan	(4,371)	(5,883)
Fair value of plan assets as of December 31,	$ 458,977	445,089

4) Expenses recognized in profit or loss

	For the years ended December 31,	
	2017	2016
Current service costs	$ 5,660	5,822
Net interest income of net defined benefit liabilities	11,233	17,801
Operating expected rate of return for the plan asset	(5,660)	(6,565)
	$ 11,233	17,058
Cost of goods sold	$ 7,759	11,685
Operating expenses	3,474	5,373
	$ 11,233	17,058

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

	For the years ended December 31,	
	2017	2016
Balance as of January 1,	$ (57,613)	50,363
Recognized during the period	69,342	(107,976)
Balance as of December 31,	$ 11,729	(57,613)

6) Actuarial assumptions

	December 31, 2017	December 31, 2016
Discount rate	1.25 %	1.25 %
Future salary increases	2.85 %	2.50 %

Based on the actuarial report, the Company is expected to make contributions of $11,853 to the defined benefit plans in 2018.

The weighted average duration of the defined benefit plan is 20 years.

7) Sensitivity analysis

As of December 31, 2017 and 2016, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase amount	**Decrease amount**
December 31, 2017		
Discount rate (change 0.25%)	43,318	(41,134)
Future salaries (change1%)	184,951	(153,472)
December 31, 2016		
Discount rate (change 0.25%)	41,329	(39,181)
Future salaries (change1%)	177,222	(146,032)

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

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

(ii) Defined contribution plan

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

The Company' s pension costs under the contribution pension plan amounted to $115,738 and $103,037 for the years ended 2017 and 2016, respectively.

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(n) Income tax

(i) The Company's income tax expense recognized for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Current tax expense		
Current period	$ 68	1,328,701
Adjustment for prior periods	8,597	-
10% surtax on undistributed earnings	1,502,491	644,896
Tax expense	$ 1,511,156	1,973,597

The Company's tax (expense) income recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ 14,203	(22,115)
Items that may be reclassified subsequently to profit and loss:		
Unrealized (losses) gains on available-for-sale financial assets	$ (1,602,346)	1,602,346

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

	For the years ended December 31,	
	2017	2016
Income tax calculated based on local tax rate	$ 7,104,824	4,368,129
Tax effect of permanent differences	1,318,163	5,811
Change in unrecognized temporary differences	96,495	-
Tax effect of unrecognized current-year loss carryforward	(8,519,482)	(4,373,941)
Adjustment for prior periods	8,597	-
10% surtax on undistributed earnings	1,502,491	644,896
Income basic tax	68	1,328,702
Total	$ 1,511,156	1,973,597

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

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

	December 31, 2017	December 31, 2016
Net operating loss carry forwards	$ 7,863,392	13,022,371

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

As of December 31, 2017, under ROC Income Tax, the unused loss carry forward benefits available to the Company were as follows:

Year	Unused loss carry forward	Expiry year
2011	$ 12,833,387	2021
2012	29,717,148	2022
2013	3,704,714	2023
Total	$ **46,255,249**	

2) Recognized deferred tax liabilities and assets

The changes in recognized deferred tax assets and liabilities in 2017 and 2016 were as follows:

Deferred tax assets：

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2017	$ 807,371	61,911	869,282
Recognized in profit or loss	(510,176)	544,394	34,218
Recognized in other comprehensive income	-	14,203	14,203
Balance as of December 31, 2017	$ **297,195**	**620,508**	**917,703**

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2016	$ 777,903	91,419	869,322
Recognized in profit or loss	29,468	(7,393)	22,075
Recognized in other comprehensive income	-	(22,115)	(22,115)
Balance as of December 31, 2016	$ 807,371	61,911	869,282

Deferred tax liabilities：

	Unrealized gains (losses) on available-for-sale financial assets	Others	Total
Balance as of January 1, 2017	$ 1,602,346	28,914	1,631,260
Recognized in profit or loss	-	34,218	34,218
Recognized in other comprehensive income	(1,602,346)	-	(1,602,346)
Balance as of December 31, 2017	$ -	63,132	63,132
Balance as of January 1, 2016	$ -	6,838	6,838
Recognized in profit or loss	-	22,076	22,076
Recognized in other comprehensive income	1,602,346	-	1,602,346
Balance as of December 31, 2016	$ 1,602,346	28,914	1,631,260

3) The Company's income tax returns have been examined by the ROC tax authority through 2015.

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

	December 31, 2017	December 31, 2016
Unappropriated retained earnings in 1998 and thereafter	$ 69,734,440	36,296,086
Imputation credit account balance	$ 1,771,664	240,779
	2017(estimated)	**2016(actual)**
Tax deduction ratio for earnings distribution to ROC residents	2.54 %	5.77 %

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

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

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system. The information presented above is for reference only.

(o) Capital and other equity

As of December 31, 2017 and 2016, the Company's government registered total authorized capital both amounted to $300,000,000 with $10 par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to $29,639,382, and $27,485,658 respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended December 31, 2017 and 2016 were as follows:

	Ordinary Shares	
	2017	2016
Balance as of January 1,	2,748,566	2,428,566
Conversion of convertible bonds	215,372	-
Issue of shares	-	320,000
Balance as of December 31,	2,963,938	2,748,566

(i) Ordinary share

For the year ended December 31, 2017, the overseas convertible bondholders exercised some of their conversion rights and the Company issued 215,372 thousand ordinary shares and 22,396 thousand shares of certificates of entitlement at a par value which totaled $2,377,682. The process for the registration of 215,372 thousand ordinary shares had been completed.

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

On March 22, 2012 and October 24, 2012, the Company's board of directors approved to increase the Company's capital though carrying out a private placement of ordinary shares with the issuance of 3,800,000 thousand ordinary shares and 5,294,118 thousand ordinary shares after reducing the Company's capital to 380,319 thousand ordinary shares and 529,856 thousand ordinary shares, respectively, at a discounted issuance price of $1.7 dollars per share. This capital increase was approved by the Securities and Futures Bureau (SFB). Also, the process for the registration thereof was completed. According to the Securities and Exchange

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

Act, the transfer of such privately placed ordinary shares within three years from the delivery date is forbidden, except when the transferees conform to Article 43-8 of the Securities and Exchange Act.

(ii) Capital surplus

		December 31, 2017	December 31, 2016
Employee stock option plans	$	2,127,034	1,667,461
Premium from the issuance of stock		25,150,157	9,852,246
Other		-	3,300
	$	27,277,191	11,523,007

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

(iii) Retain earning

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

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

1) Legal reserve

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

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

2) Special reserve

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

3) Earnings distribution

Earnings distribution for 2016 and 2015 was approved in the general meeting of shareholders held on May 26, 2017 and June 22, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	For the year ended December 31, 2016	
	Dividends per share	Amount
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 1.50	4,122,848

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

(iv) Treasury shares

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

	December 31, 2017	December 31, 2016
Numbers of shares as of December 31,	-	687
Ending balance as of December 31,	$ -	347,533
Book value per share	$ -	505.46
Price per share (dollars)	$ -	48.30

As of December 31, 2017, the Company's subsidiary, Pei Jen Co., Ltd., had already sold all of shares of the Company, at the Company's average market price per share. The Company recognized the deduction of capital surplus of $4,331 due to the disposal price being lower than the book value of treasury shares, then recognized the remaining deduction of retained earnings of $283,808 after debiting all the capital surplus.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(v) Other equity (net of tax)

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets
Balance as of January 1, 2017	$	(16,846)	7,805,947
Exchange differences on translation of foreign financial statements, net of tax			
The Company		(22,317)	-
Unrealized losses on available-for-sale financial assets:			
The Company		-	(7,805,947)
Balance as of December 31, 2017	$	(39,163)	-
Balance as of January 1, 2016	$	(11,588)	7,018
Exchange differences on translation of foreign financial statements, net of tax:			
The Company		(5,258)	-
Unrealized gains on available-for-sale financial assets:			
The Company		-	7,798,929
Balance as of December 31, 2016	$	(16,846)	7,805,947

(p) Share-based payment transactions

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

	The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Grant date	2011.3.21	2016.5.10	2016.8.11
Grant unit	70,000	97,500	2,500
Exercise price (Notes1~6)	14.6	38.0	36.6
Deal period	8 years	8 years	8 years
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion

Note 1: The Company increased its capital through carrying out a private placement of ordinary shares in 2011, 2012 and 2013. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $6.0 dollars, $5.1 dollars and $4.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 2: The Company reduced its capital in 2014. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $43 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 3: The Company approved to distribute its cash dividends in 2015. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $41.5 dollars in accordance with the offering and exercising terms and conditions of ESOP.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

Note 4: The Company increased its capital through issuing of shares in 2016. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $40.9 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 5: The Company approved to distribute its cash dividends in 2016. As a result, the exercise price of the 7th and 8th batch of the employee stock option plan were adjusted to $38 dollars and $35.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 6: The Company approved to distribute its cash dividends in 2017. As a result, the exercise price of the 7th, 8th and 9th batch of the employee stock option plan were adjusted to $36.9 dollars, $34.3 dollars and $35.5 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

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

	The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Dividend rate	- %	- %	- %
Expected volatility	53.79 %	55.47 %	45.80 %
Risk-free rate	0.9307 %	0.5728 %	0.529 %
Fair value of unit stock option (dollar)	$ 5.91	18.77	15.30

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

(ii) Relevant information of employee stock option plans

	For the years ended December 31,			
	2017		2016	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding as of January 1,	36.37	162,030	42.79	71,846
Options granted	-	-	35.33	100,000
Options forfeited	35.09	(6,656)	46.02	(1,865)
Options expired	-	-	46.02	(7,951)
Outstanding as of December 31,	35.34	155,374	36.37	162,030
Options exercisable as of December 31,	36.90	61,060	38.00	62,877

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

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

	December 31, 2017	December 31, 2016
Range of exercise price (dollar)	34.30~36.90	35.30~38.00
Weighted average of remaining option plan period (year)	1.22~6.61	2.22~7.61

(iii) Compensation cost

	For the years ended December 31,	
	2017	2016
Compensation cost arising from share options granted to employees	$ 459,573	294,985

(q) Earnings per share

	For the years ended December 31,	
	2017	2016
Basic earnings per share :		
Net income attributable to the Company	$ 40,281,927	23,721,277
Weighted-average number of ordinary shares outstanding (basic)	2,806,025	2,736,512
Basic earnings per share (dollars)	$ 14.36	8.67
Diluted earnings per share:		
Net income attributable to the Company	$ 40,281,914	23,721,277
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	2,806,025	2,736,512
Effect of employee stock option	68,133	8,064
Effect of employee remuneration	19,564	-
Weighted-average number of ordinary shares (diluted)	2,893,722	2,744,576
Diluted earnings per share (dollars)	$ 13.92	8.64

Because of the convertible bonds issued by the Company in 2017 were anti-dilutive, no diluted earnings per share were calculated.

(r) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to $1,364,013 and $418,481 for the years ended December 31, 2017 and 2016, respectively. This employee remuneration was estimated based on the Company's net income before tax before

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association, the related information would be available at the Market Observation Post System website.

There is no difference between the estimated employee remuneration, which was stated in the financial statements for the year ended December 31, 2017, and the amounts approved by the Company's board of directors.

The Company's board of directors approved to increase its employee remuneration for 2016. The difference between the estimated amount in the financial statements for the year ended December 31, 2016 and the amount approved by the Company's shareholders was $41,866, resulting in the actual distributions to decrease to $422,281. As a result, the difference of $3,800 was charged to profit or loss in 2017.

(s) Non-operating income and expenses

(i) Other incomes

	For the years ended December 31,	
	2017	2016
Bank deposits and short-term notes	$ 235,724	69,858
Financial leases	150,240	177,867
	$ 385,964	247,725

(ii) Other gains and losses

	For the years ended December 31,	
	2017	2016
Foreign exchange losses, net	$ (924,980)	(312,296)
Gain on disposal of lease payable	63,542	-
Gain on disposal of investments accounted for using equity method	-	19,942,974
Gain on disposal of available-for-sale financial assets	32,106,247	-
Gain (loss) on disposal of property, plant and equipment	3,230	(7,852)
Net loss on financial liabilities at fair value through profit or loss	(7,981,043)	-
Impairment loss on financial assets	-	(190,620)
Impairment loss on non-financial assets	(488,988)	(1,158,201)
Others	336,228	(593,757)
	$ 23,114,236	17,680,248

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(iii) Finance costs

	For the years ended December 31,	
	2017	2016
Bank loans	$ 352,567	407,941
Financing from entities with significant influence over the Company	69,898	118,444
Financing from other related parties	20,238	193,754
Lease payments	2,700	16,371
Amortization interest of overseas convertible bond	175,186	-
Others	184	235
Less: Capitalized of interest	(163,901)	(39,109)
	$ 456,872	697,636

(t) Reclassification adjustment of other comprehensive income

	For the years ended December 31,	
	2017	2016
Available- for-sale financial assets		
Net change in fair value	$ 24,300,300	7,805,947
Net change in fair value reclassified to profit or loss	(32,106,247)	-
Net change in fair value recognized in other comprehensive income	$ (7,805,947)	7,805,947

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of accounts receivable represents the maximum exposure to credit risk.

2) Concentration of credit risk

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

As of December 31, 2017 and 2016, the Company's largest customers consisted of eight and seven customers which accounted for 82.46% and 51.50%, respectively, of accounts receivable so that management believes the concentration of credit risk.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2017							
Derivative financial liabilities							
Derivative instruments not used for hedging	$ 382,295	382,295	382,295	-	-	-	-
Embedded derivative-convertible bonds	1,856,146	-	-	-	-	-	-
Non-derivative financial liabilities							
Accounts payable (including related parties)	3,324,946	3,324,946	3,324,946	-	-	-	-
Other payable (including related parties)	7,301,770	7,301,770	7,301,770	-	-	-	-
Bonds payable	3,286,711	3,759,096	-	-	-	3,759,096	-
	$ 16,151,868	14,768,107	11,009,011	-	-	3,759,096	-
December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$ 22,960,000	24,154,481	5,656,595	2,613,300	10,965,450	4,919,136	-
Financing from entities with significant influence over the Company	8,000,000	8,116,112	-	8,116,112	-	-	-
Financing from other related parties	4,500,000	4,565,313	-	4,565,313	-	-	-
Finance lease liabilities	273,923	444,561	12,349	12,349	24,698	74,093	321,072
Accounts payable (including related parties)	5,579,739	5,579,739	5,579,739	-	-	-	-
Other payable (including related parties)	5,224,825	5,224,825	5,224,825	-	-	-	-
	$ 46,538,487	48,085,031	16,473,508	15,307,074	10,990,148	4,993,229	321,072

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

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 1,333,247	29.848	39,794,756	399,509	32.279	12,895,751
JPY	4,775,053	0.2641	1,261,091	2,000,329	0.2768	553,691
EUR	25	35.6081	890	85	33.846	2,877

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars
Financial liabilities:						
Monetary items						
USD	$ 552,528	29.848	16,491,856	95,419	32.279	3,080,030
JPY	1,151,036	0.2641	303,989	4,127,546	0.2768	1,142,505
EUR	1,567	35.6080	55,798	3,884	33.846	131,458

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, 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 December 31, 2017 and 2016 would have increased the net income before tax by $242,051 and $90,983 for the years ended December 31, 2017 and 2016, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis.

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2017 and 2016, foreign exchange loss (including realized and unrealized portions) amounted to $924,980 and $312,296, respectively.

(iv) Interest risk

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

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $0 and $354,600 for the years ended December 31, 2017 and 2016, respectively.

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The available-for-sale financial assets was measured at recurring fair value. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Loans and receivables :					
Cash and cash equivalents	$ 32,626,041	-	-	-	-
Accounts receivable, net (including related parties)	9,050,599	-	-	-	-
Other receivables	11,279,823	-	-	-	-
Lease payments receivable (including current portion)	1,353,253	-	-	-	-
Total	$ 54,309,716	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 2,238,441	-	2,238,441	-	2,238,441
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	3,324,946	-	-	-	-
Other payables (including related parties)	7,301,770	-	-	-	-
Bonds payable	3,286,711	-	3,405,337	-	3,405,337
Subtotal	13,913,427	-	3,405,337	-	3,405,337
Total	$ 16,151,868	-	5,643,778	-	5,643,778

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic money market fund	$ 2,000,360	-	2,000,360	-	2,000,360
Foreign listed stock	40,882,664	40,882,664	-	-	40,882,664
Total	$ 42,883,024	40,882,664	2,000,360	-	42,883,024
Loans and receivables：					
Cash and cash equivalents	$ 8,427,379	-	-	-	-
Accounts receivable, net (including related parties)	5,998,754	-	-	-	-
Other receivables (including related parties)	1,690,160	-	-	-	-
Lease payments receivable (including current portion)	1,632,343	-	-	-	-
Subtotal	17,748,636	-	-	-	-
Total	$ 60,631,660	40,882,664	2,000,360	-	42,883,024
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	5,579,739	-	-	-	-
Other payables (including related parties)	17,724,825	-	-	-	-
Long-term loans (including current portion)	22,960,000	-	-	-	-
Lease obligations payables (including current portion)	273,923	-	-	-	-
Total	$ 46,538,487	-	-	-	-

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

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Debt Investment that Has No Active Markets and Financial Liabilities Measured at Amortized Cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.

However, if no quoted prices are available, the fair value is determined by discounted cash flows, using estimation and assumptions under existing market conditions which are obtainable by the Company.

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

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

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

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

b) Derivative financial instruments

Is based on the evaluation model accepted by the market users, such as the revised constitution and the option model. Forward foreign exchange contracts are usually based on the current forward exchange rate evaluation.

4) There were no transfers from financial assets for the years ended December 31, 2017 and 2016.

(v) Financial risk management

(i) Nature and extent

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Framework of risk management

The Company's board of directors has overall responsibility for the establishment and oversight of the risk management framework.

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

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

(iii) Credit risk

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

1) Accounts receivable

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

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

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

2) Investment

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

(Continued)

(iv) Liquidity risk

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

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short term bank facilities for $14,258,000.

(v) Market risk

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

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

1) Currency risk

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

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

2) Interest rate risk

The Company adopts a policy of entering into financial instrument transaction that fixes interest rate, such as interest rate swaps, by predicting the trend of future interest rate. All of the Company's long-term loans bear floating interest rates. However, as the range of fluctuation of the interest rates during the term of agreements is acceptable, the Company believes that their interest rate risk need not be hedged.

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

3) Other market value risk

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

(w) The investing and financing activities on non-cash transactions

The Company's investing and financing activities on non-cash transactions for the years ended December 31, 2017 and 2016 were as follows:

Investing and financing activities which did not have any impact on the current cash flows:

	For the years ended December 31,	
	2017	**2016**
Conversion of convertible bonds to ordinary shares	$ 10,755,348	-

(x) Capital management

The Company's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the Company's equity.

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

	December 31, 2017	**December 31, 2016**
Total Liabilities	$ 18,516,514	51,166,517
Deduct: cash and cash equivalents	(32,626,041)	(8,427,379)
Net liabilities	$ (14,109,527)	42,739,138
Total equity	$ 131,999,865	85,542,818
Debt-to-capital ratio	(10.69)%	49.96 %

The Company has not changed its capital management strategy as of December 31, 2017.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Pei Jen Co., Ltd.	The Company's subsidiary
Piece Makers Technology, Corp.	The Company's subsidiary
Nanya Technology Corp. U.S.A.	The Company's subsidiary
Nanya Technology Corp. Delaware	The Company's subsidiary
Nanya Technology Corp. H.K.	The Company's subsidiary
Nanya Technology Corp. Japan	The Company's subsidiary
Nanya Technology Corp. Europe GmbH	The Company's subsidiary
Nanya Technology Corp. Shenzhen	The Company's subsidiary
Nan Ya Photonics Incorporation	The Company's other related parties
Nan Ya Printed Circuit Board Corp.	The Company's other related parties
Mai Laio Harbor Administration Corp.	The Company's other related parties
Formosa Heavy Industries Corporation	The Company's other related parties
Formosa Sumco Technology Corporation	The Company's other related parties
Formosa Advanced Technologies Co., Ltd.	The Company's other related parties
Formosa Technologies Corporation	The Company's other related parties
Formosa Biomedical Technology Corp.	The Company's other related parties
Formosa Petrochemical Corporation	The Company's other related parties
Formosa Chemicals & Fibre Corporation	The Company's other related parties
Formosa Plastics Corporation	The Company's other related parties
Formosa FCFC Carpet Corporation	The Company's other related parties
Formosa Heavy Industries Corp. (GZ) Ltd.	The Company's other related parties
Formosa Transportation (Ningbo) Corp.	The Company's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Company
Inotera Memories, Inc.	A former associate (which was no longer a related-party of the Company since December 6, 2016. Its name was changed to Micron Technology Taiwan in March 2017.)

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(c) Significant related-party transactions

(i) Sales to related parties

	Sales For the years ended December 31,		Accounts receivable to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Subsidiaries	$ 10,933,392	6,962,387	2,409,673	1,452,879
Associates	-	1,269	-	-
Other related parties	6,023	-	-	-
Total	$ 10,939,415	6,963,656	2,409,673	1,452,879

The selling prices and collection terms for the sales to related parties above are not significantly different from those third party customers, and the normal credit term with the related parties above is O/A 60 to 180 days and due for collection on the 15th day of the month following the month of delivery of goods sold. There is no collateral received among related parties accounts receivable. However, not bad debt provision is necessary based on the result of management's evaluation.

(ii) Purchase from related parties

	Purchases For the years ended December 31,		Accounts payable to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Entities with significant influence over the Group	$ 52,746	322,084	4,750	17,626
Other related parties:				
Formosa Sumco Technology Corporation	1,375,540	942,790	290,134	147,136
Other related parties	67,162	22,846	4,862	421
Total	$ 1,495,448	1,287,720	299,746	165,183

The purchase price and payment terms for the purchase from related parties above 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.

(iii) Consigned out for processing

	Amount For the years ended December 31,		Other payables to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Other related parties:				
Formosa Advanced Technologies Co., Ltd.	$ 5,310,380	5,654,012	889,629	931,862

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

(iv) Service received

Account	Relationship	Amount For the years ended December 31, 2017	2016	Other payables to related parties December 31, 2017	December 31, 2016
Administrative expenses	subsidiaries	$ 407,298	400,120	39,203	42,884

(v) Financing from related parties

	Other receivables to related parties December 31, 2017	December 31, 2016
Entities with significant influence over the Company	$ -	8,000,000
Other related parties	-	4,500,000
Total	$ -	12,500,000

Interest payables under other payables to related parties as of December 31, 2017 and 2016 amounted to $0 and $24,685, respectively. Please refer to Note 6(s) for details on related interest expenses.

(vi) Property transactions

Acquisition of equipment:

	Acquisition price For the years ended December 31,		Other payables to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Entities with significant influence over the Company	$ 739,269	-	84,472	-
Other related parties	214,025	1,009,498	83,129	295,485
Total	$ 953,294	1,009,498	167,601	295,485

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

(vii) Lease contracts

1) The Company's rental expenses paid to related parties were as follows:

	For the years ended December 31	
	2017	2016
Entities with significant influence over the Company	$ 213,509	200,951

The rentals charged to the entities with significant influence over the Company are determined based on the local market prices, and rents are paid monthly.

(viii) Contracts with related parties

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

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

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	$ 21,266	21,426
share-based payment	12,004	7,762
	$ 33,270	29,188

Please refer to Note 6(p) for the details of share-based payment.

(8) Pledged assets:

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

Pledged assets	Object	December 31, 2017	December 31, 2016
Property, plant and equipment	Bank loans	$ -	34,402,371
Other non-current assets	Bank loans	$ -	360,000

(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2017	December 31, 2016
Guarantees for importation goods provided by bank	$ 595,000	585,000
Unused letters of credit	113,261	2,031,545
Total	$ 708,261	2,616,545

(b) Contingent liabilities

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

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

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

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

NANYA TECHNOLOGY CORPORATION
Notes to Financial Statements

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US$5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of $850,000 thousand (US$27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2017, the payment amounting to $27,000 (USD900 thousand) had been recognized by the Company.

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On February 26, 2018, the Company' s board of directors approved to fully dispose the entire 8,710 thousand shares of Piece Makers Technology Corp, wherein the Company owned 53.56% of its shares, with a selling price of $15.268 dollars per share, at a total value amounting to $132,983.

(12) Other:

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

	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,473,249	1,543,167	5,016,416	2,419,355	1,113,834	3,533,189
Labor and health insurance	158,272	60,050	218,322	139,346	53,410	192,756
Pension expenses	87,708	39,263	126,971	82,268	37,827	120,095
Other personnel expenses	61,475	20,251	81,726	57,480	19,173	76,653
Depreciation expenses	8,357,226	61,172	8,418,398	5,845,612	43,623	5,889,235
Amortization expenses	141,088	-	141,088	134,008	-	134,008

As of December 31, 2017 and 2016, the Company had 2,923 and 2,624 employees, respectively.

NANYA TECHNOLOGY CORPORATION
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Memoright (Cayman) Co., LTD.	-	Non-current financial assets at cost and non-current investments in debt instrument without active market	-	-	-	-	

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Price	Cost	Gain on disposal	Shares (thousand)	Amount
The Company	Yuanta Wan Tai Money Market	Current available-for-sale financial assets	-	-	133,262	2,000,360	66,404	1,000,000	199,666	3,000,916	3,000,000	916	-	-
The Company	Fubon Chi-Hsiang Money Market	Current available-for-sale financial assets	-	-	-	-	57,705	900,000	57,705	900,150	900,000	150	-	-
The Company	Micro Technology Inc.	Non-current available-for-sale financial assets	-	-	57,780	40,882,664	-	-	57,780	63,562,278	31,457,097	32,105,181	-	-

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

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

(vii) Related-party transaction for purchases and sales for which amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(3,267,321)	(6.04)%	O/A,60~90Days	-		540,833	5.98%	-
The Company	Nanya Technology Corp., H.K.	Subsidiary	(Sale)	(322,825)	(0.60)%	O/A,60~90Days	-		56,292	0.62%	-
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(3,882,309)	(7.18)%	O/A,180ays	-		853,788	9.43%	-
The Company	Nanya Technology Europe GmbH	Subsidiary	(Sale)	(3,182,340)	(5.88)%	O/A,60~90Days	-		881,605	9.74%	-
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	1,375,540	14.27 %	O/A60Days	-		(290,134)	(8.73)%	-

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	Account receivable 540,833	7.01	-	-	300,523	-
The Company	Nanya Technology Corp., Japan	Subsidiary	Account receivable 853,788	5.95	-		135,033	-
The Company	Nanya Technology Europe GmbH	Subsidiary	Account receivable 881,605	4.96	-		302,633	-

(ix) Trading in derivative instruments: Please refer to Note 6(b).

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousand)	Percentage of ownership	Carrying value			
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00 %	76,616	1,051	1,051	-
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	1	100.00 %	129,962	8,864	8,864	-
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	325,348	175,348	2,935	100.00 %	43,691	(299,644)	(12,536)	-
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	41,880	(2,022)	(2,022)	-
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	169,282	33,713	33,713	-
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	8,710	53.56 %	81,706	27,346	14,649	-
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Import/export business	30,056	30,056	-	100.00 %	59,531	3,331	3,331	-

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	29,400 (USD985 thousand)	(Note 1)	29,400 (USD985 thousand)	-	-	29,400 (USD985 thousand)	(8,473)	100.00%	(8,473)	7,341	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
29,400 (USD985 thousand)	29,400 (USD985 thousand)	79,199,919

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

Note 2：The exchange rate of New Taiwan dollars to US dollars on December 31, 2017 was USD1：TWD 29.848.

Note 3：60% of net equity.

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2017.