Stock Code: 2408

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

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**June 30, 2017 and 2016**
**(With Independent Accountants' Review 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 Accountants' Review Report

To the Board of Directors
Nanya Technology Corporation:

We have reviewed the accompanying consolidated balance sheets of Nanya Technology Corporation (the "Company") and its subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

Except as described in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 4(b), the financial statements of certain subsidiaries under the equity methods as of and for the three-month and six-month periods ended June 30, 2017 and 2016 were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT$2,927,834 thousand and NT$2,374,889 thousand, representing 1.76% and 2.01%, of the Company's consolidated total assets as of June 30, 2017 and 2016, respectively; and the total liabilities amounted to NT$433,095 thousand and NT$632,208 thousand, representing 0.63% and 1.09% of the Company's consolidated total liabilities as of June 30, 2017 and 2016, respectively; and their comprehensive income (loss) amounted to a net income of NT$29,150 thousand and a net loss of NT$60,576 thousand, as well as a net income of NT$45,008 thousand and a net loss of NT$132,150 thousand, representing 0.66% and (15.09)%; as well as 0.29% and (5.87)% of the Company's consolidated total comprehensive income (loss) for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
August 11, 2017

**Notes to Readers**

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

The independent accountants' review report and the accompanying consolidated interim 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 accountants' review report and consolidated interim financial statements, the Chinese version shall prevail.

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016

## Nanya Technology Corporation and Subsidiaries

## Consolidated Balance Sheets

### June 30, 2017, December 31, 2016, and June 30, 2016

### (Expressed in Thousands of New Taiwan Dollars)

| | | June 30, 2017 | | December 31, 2016 | | June 30, 2016 | |
|---|---|---|---|---|---|---|---|
| | Assets | Amount | % | Amount | % | Amount | % |
| | **Current assets:** | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a)) | $ 23,015,384 | 14 | 9,101,632 | 7 | 15,961,401 | 13 |
| 1111 | Current financial assets at fair value through profit or loss (Note 6(b)) | 41,639 | - | - | - | - | - |
| 1125 | Current available-for-sale financial assets (Note 6(c)) | - | - | 2,000,360 | 2 | 4,306,069 | 5 |
| 1170 | Notes and accounts receivable, net (Note 6(e)) | 6,605,124 | 4 | 5,768,718 | 4 | 3,941,162 | 3 |
| 1200 | Other receivables (Notes 6(e)(i) and 7) | 2,121,937 | 1 | 1,973,908 | 1 | 1,354,590 | 1 |
| 1210 | Other receivables due from related parties (Notes 6(e)(i) and 7) | - | - | - | - | 271,101 | - |
| 1310 | Inventories (Note 6(f)) | 5,215,293 | 3 | 4,849,492 | 4 | 6,182,713 | 5 |
| 1470 | Other current assets | 2,031,781 | 1 | 1,517,576 | 1 | 1,782,528 | 2 |
| | **Total current assets** | 39,031,158 | 23 | 25,211,686 | 19 | 33,799,564 | 29 |
| | **Non-current assets:** | | | | | | |
| 1523 | Non-current available-for-sale financial assets (Note 6(c)) | 41,664,109 | 25 | 40,950,942 | 30 | 80,604 | - |
| 1543 | Non-current financial assets at cost (Note 6(d)) | - | - | - | - | 9,340 | - |
| 1546 | Non-current investments in debt instrument without active market (Note 6(d)) | - | - | - | - | 181,280 | - |
| 1551 | Investments accounted for using equity method (Notes 6(g) and 7) | - | - | - | - | 31,485,073 | 27 |
| 1600 | Property, plant and equipment (Notes 6(h), 7 and 8)) | 83,465,114 | 50 | 67,917,337 | 50 | 49,718,878 | 42 |
| 1780 | Intangible assets | 204,664 | - | 272,185 | - | 339,705 | - |
| 1840 | Deferred tax assets | 846,997 | 1 | 876,312 | - | 869,067 | 1 |
| 1935 | Long-term lease payments receivable (Notes 6(i) and 7) | 1,202,412 | 1 | 1,353,253 | 1 | 1,496,433 | 1 |
| 1990 | Other non-current assets (Note 8) | 332,760 | - | 395,427 | - | 406,308 | - |
| | **Total non-current assets** | 127,716,056 | 77 | 111,765,456 | 81 | 84,586,688 | 71 |
| | **Total assets** | $ 166,747,214 | 100 | 136,977,142 | 100 | 118,386,252 | 100 |

| | | June 30, 2017 | | December 31, 2016 | | June 30, 2016 | |
|---|---|---|---|---|---|---|---|
| | Liabilities and Equity | Amount | % | Amount | % | Amount | % |
| | **Current liabilities:** | | | | | | |
| 2120 | Current financial liabilities at fair value through profit or loss (Note 6(b)) | $ 2,346,616 | 2 | - | - | - | - |
| 2170 | Accounts payable | 6,859,578 | 4 | 5,443,555 | 4 | 1,583,144 | 1 |
| 2180 | Accounts payable to related parties (Note 7) | 255,200 | - | 165,183 | - | 324,740 | - |
| 2200 | Other payables | 8,902,696 | 5 | 3,991,544 | 3 | 10,245,639 | 9 |
| 2220 | Other payables to related parties (Note 7) | 11,657,043 | 7 | 13,993,373 | 10 | 23,172,703 | 20 |
| 2230 | Current tax liabilities | 1,731,823 | 1 | 2,138,229 | 2 | 886,141 | 1 |
| 2322 | Long-term borrowings, current portion (Notes 6(j) and 8) | 7,188,250 | 4 | 7,786,000 | 6 | 2,597,500 | 2 |
| 2399 | Other current liabilities (Notes 6(l) and 7) | 1,739 | - | 192,023 | - | 192,095 | - |
| | **Total current liabilities** | 38,942,945 | 23 | 33,709,907 | 25 | 39,001,962 | 33 |
| | **Non-Current liabilities:** | | | | | | |
| 2530 | Bonds payable (Note 6(k)) | 14,106,793 | 9 | - | - | - | - |
| 2540 | Long-term borrowings (Notes 6(j) and 8) | 12,778,650 | 8 | 15,174,000 | 11 | 17,555,600 | 15 |
| 2570 | Deferred tax liabilities | 2,835,675 | 2 | 1,631,924 | 1 | 703 | - |
| 2613 | Non-current lease obligations payable (Notes 6(l) and 7) | - | - | 265,093 | - | 269,573 | - |
| 2640 | Net defined benefit liability, non-current | 448,303 | - | 453,513 | - | 752,474 | 1 |
| 2670 | Other non-current liabilities | 97,757 | - | 97,558 | - | 159,230 | - |
| | **Total non-current liabilities** | 30,267,178 | 19 | 17,622,088 | 12 | 18,737,580 | 16 |
| | **Total liabilities** | 69,210,123 | 42 | 51,331,995 | 37 | 57,739,542 | 49 |
| | **Equity (Notes 6(n)(o)):** | | | | | | |
| 3110 | Ordinary share | 27,485,658 | 16 | 27,485,658 | 20 | 27,485,658 | 24 |
| 3200 | Capital surplus | 11,752,794 | 7 | 11,523,007 | 8 | 15,848,122 | 13 |
| 3310 | Legal reserve | 5,164,057 | 3 | 2,791,929 | 2 | 2,791,929 | 2 |
| 3320 | Special reserve | - | - | 4,570 | - | 4,570 | - |
| 3350 | Unappropriated retained earnings | 39,570,645 | 24 | 36,296,086 | 27 | 14,744,512 | 12 |
| 3400 | Other equity interest | 13,794,616 | 8 | 7,789,101 | 6 | (1,445) | - |
| 3500 | Treasury shares | (347,533) | - | (347,533) | - | (347,533) | - |
| | **Total equity attributable to owners of parent:** | 97,420,237 | 58 | 85,542,818 | 63 | 60,525,813 | 51 |
| 36xx | Non-controlling interests | 116,854 | - | 102,329 | - | 120,897 | - |
| | **Total equity** | 97,537,091 | 58 | 85,645,147 | 63 | 60,646,710 | 51 |
| | **Total liabilities and equity** | $ 166,747,214 | 100 | 136,977,142 | 100 | 118,386,252 | 100 |

See accompanying notes to consolidated interim financial statements.

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

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

## Nanya Technology Corporation and Subsidiaries

## Consolidated Statements of Comprehensive Income

## For the three-month and six-month periods ended June 30, 2017 and 2016

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

| | | For the three-month periods ended June 30, | | | | For the six-month periods ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | | 2016 | | 2017 | | 2016 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Operating revenue (Note 7) | $ 12,625,502 | 100 | 8,933,094 | 100 | $ 24,856,076 | 100 | 19,330,649 | 100 |
| 5000 | Operating costs (Notes 6(m)(p)(r) and 7) | 7,081,576 | 56 | 6,396,376 | 72 | 14,411,633 | 58 | 13,395,105 | 69 |
| | **Gross profit from operations** | 5,543,926 | 44 | 2,536,718 | 28 | 10,444,443 | 42 | 5,935,544 | 31 |
| | **Operating expenses (Notes 6(l)(m)(p)(r) and 7):** | | | | | | | | |
| 6100 | Selling expenses | 178,600 | 1 | 169,201 | 2 | 352,060 | 1 | 325,369 | 2 |
| 6200 | Administrative expenses | 316,174 | 3 | 225,936 | 3 | 663,828 | 3 | 457,652 | 2 |
| 6300 | Research and development expenses | 882,360 | 7 | 490,924 | 5 | 1,409,123 | 6 | 869,051 | 4 |
| | **Total operating expenses** | 1,377,134 | 11 | 886,061 | 10 | 2,425,011 | 10 | 1,652,072 | 8 |
| | **Net operating income** | 4,166,792 | 33 | 1,650,657 | 18 | 8,019,432 | 32 | 4,283,472 | 23 |
| | **Non-operating income and expenses (Notes 6(g)(i)(l)(s)):** | | | | | | | | |
| 7010 | Other income | 94,959 | - | 67,291 | 1 | 183,272 | 1 | 121,052 | 1 |
| 7020 | Other gains and losses, net | 3,887,167 | 31 | (23,046) | - | 3,354,679 | 13 | (311,413) | (2) |
| 7050 | Finance costs | (147,398) | - | (185,838) | (2) | (269,395) | (1) | (359,770) | (2) |
| 7060 | Share of loss of associates accounted for using equity method, net | - | - | (457,342) | (5) | - | - | (836,602) | (4) |
| | **Total non-operating income and expenses** | 3,834,728 | 31 | (598,935) | (6) | 3,268,556 | 13 | (1,386,733) | (7) |
| 7900 | **Profit before tax** | 8,001,520 | 64 | 1,051,722 | 12 | 11,287,988 | 45 | 2,896,739 | 16 |
| 7950 | Tax expense (Note 6(n)) | 1,504,950 | 12 | 646,750 | 7 | 1,508,728 | 6 | 646,969 | 3 |
| | **Profit** | 6,496,570 | 52 | 404,972 | 5 | 9,779,260 | 39 | 2,249,770 | 13 |
| 8300 | **Other comprehensive income (Note 6(t)):** | | | | | | | | |
| 8360 | **Items that may be reclassified to profit or loss** | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 5,020 | - | 7,138 | - | (15,384) | - | 9,738 | - |
| 8362 | Unrealized gains (losses) on valuation of available-for-sale financial assets | (2,523,145) | (20) | (10,688) | - | 7,253,602 | 29 | (6,613) | - |
| 8399 | Income tax related to items that may be reclassified to profit or loss (Note 6(n)) | 428,840 | 3 | - | - | (1,232,703) | (5) | - | - |
| | Total amount of items that may be reclassified subsequently to profit or loss | (2,089,285) | (17) | (3,550) | - | 6,005,515 | 24 | 3,125 | - |
| 8500 | **Total comprehensive income** | $ 4,407,285 | 35 | 401,422 | 5 | 15,784,775 | 63 | 2,252,895 | 13 |
| | **Profit, attributable to:** | | | | | | | | |
| 8610 | Profit, attributable to owners of parent | $ 6,489,667 | 52 | 396,620 | 5 | 9,764,965 | 39 | 2,245,562 | 13 |
| 8620 | Profit, attributable to non-controlling interests | 6,903 | - | 8,352 | - | 14,295 | - | 4,208 | - |
| | | $ 6,496,570 | 52 | 404,972 | 5 | 9,779,260 | 39 | 2,249,770 | 13 |
| | **Comprehensive income attributable to:** | | | | | | | | |
| 8710 | Comprehensive income, attributable to owners of parent | $ 4,400,382 | 35 | 393,070 | 5 | 15,770,480 | 63 | 2,248,687 | 13 |
| 8720 | Comprehensive income, attributable to non-controlling interests | 6,903 | - | 8,352 | - | 14,295 | - | 4,208 | - |
| | | $ 4,407,285 | 35 | 401,422 | 5 | 15,784,775 | 63 | 2,252,895 | 13 |
| | **Earnings per share (Note 6(q))** | | | | | | | | |
| 9750 | Basic earnings per share | $ | 2.36 | | 0.14 | | 3.55 | | 0.82 |
| 9850 | Diluted earnings per share | $ | 2.32 | | | | 3.40 | | |

See accompanying notes to consolidated interim financial statements.

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

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

## Nanya Technology Corporation and Subsidiaries

## Consolidated Statements of Changes in Equity

## For the six-month periods ended June 30, 2017 and 2016

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | Total other equity interest | | | | | |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on valuation of available-for-sale financial assets | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2016** | $ 24,285,658 | 7,812,701 | 1,077,812 | - | 21,913,621 | (11,588) | 7,018 | (347,533) | 54,737,689 | 116,686 | 54,854,375 |
| Net profit for the six-month periods ended June 30, 2016 | - | - | - | - | 2,245,562 | - | - | - | 2,245,562 | 4,208 | 2,249,770 |
| Other comprehensive income (loss) | - | - | - | - | - | 9,738 | (6,613) | - | 3,125 | - | 3,125 |
| Total comprehensive income (loss) | - | - | - | - | 2,245,562 | 9,738 | (6,613) | - | 2,248,687 | 4,208 | 2,252,895 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 1,714,117 | - | (1,714,117) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (7,695,984) | - | - | - | (7,695,984) | - | (7,695,984) |
| Special reserve appropriated | - | - | - | 4,570 | (4,570) | - | - | - | - | - | - |
| Issuance of shares | 3,200,000 | 8,475,000 | - | - | - | - | - | - | 11,675,000 | - | 11,675,000 |
| Other changes in capital surplus: | | | | | | | | | | | |
| Changes in equity of associates accounted for using equity method | - | (512,387) | - | - | - | - | - | - | (512,387) | - | (512,387) |
| Recognized compensation costs on employee stock options | - | 72,808 | - | - | - | - | - | - | 72,808 | 3 | 72,811 |
| **Balance at June 30, 2016** | $ 27,485,658 | 15,848,122 | 2,791,929 | 4,570 | 14,744,512 | (1,850) | 405 | (347,533) | 60,525,813 | 120,897 | 60,646,710 |
| **Balance at January 1, 2017** | $ 27,485,658 | 11,523,007 | 2,791,929 | 4,570 | 36,296,086 | (16,846) | 7,805,947 | (347,533) | 85,542,818 | 102,329 | 85,645,147 |
| Net profit for the six-month periods ended June 30, 2017 | - | - | - | - | 9,764,965 | - | - | - | 9,764,965 | 14,295 | 9,779,260 |
| Other comprehensive income (loss) | - | - | - | - | - | (15,384) | 6,020,899 | - | 6,005,515 | - | 6,005,515 |
| Total comprehensive income (loss) | - | - | - | - | 9,764,965 | (15,384) | 6,020,899 | - | 15,770,480 | 14,295 | 15,784,775 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 2,372,128 | - | (2,372,128) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (4,122,848) | - | - | - | (4,122,848) | - | (4,122,848) |
| Reversal of special reserve | - | - | - | (4,570) | 4,570 | - | - | - | - | - | - |
| Other changes in capital surplus: | | | | | | | | | | | |
| Recognized compensation costs on employee stock options | - | 229,787 | - | - | - | - | - | - | 229,787 | - | 229,787 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | 230 | 230 |
| **Balance at June 30, 2017** | $ 27,485,658 | 11,752,794 | 5,164,057 | - | 39,570,645 | (32,230) | 13,826,846 | (347,533) | 97,420,237 | 116,854 | 97,537,091 |

See accompanying notes to consolidated interim financial statements.

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

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

# Nanya Technology Corporation and Subsidiaries

## Consolidated Statements of Cash Flows

## For the six-month periods ended June 30, 2017 and 2016

## (Expressed in Thousands of New Taiwan Dollars)

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| **Cash flows from operating activities:** | | |
| **Profit before tax** | $ 11,287,988 | 2,896,739 |
| **Adjustments:** | | |
| **Adjustments to reconcile profit:** | | |
| Depreciation expense | 3,456,115 | 2,946,314 |
| Amortization expense | 80,011 | 73,342 |
| Net loss on financial assets or liabilities at fair value through profit or loss | 1,127,334 | - |
| Interest expense | 269,395 | 359,770 |
| Interest income | (183,272) | (121,052) |
| Share-based payments | 229,787 | 72,811 |
| Amortization costs of issuing bonds | (70,684) | - |
| Share of loss of associates accounted for using equity method | - | 836,602 |
| Gain on disposal of property, plant and equipment | (45) | (819) |
| Gain on disposal of financial assets in available-for-sale | (4,819,443) | - |
| Gain on disposal of lease payable | (63,542) | - |
| Impairment loss on non-financial assets | 32,057 | - |
| Unrealized foreign exchange (gain) loss | (604,710) | 56,510 |
| **Total adjustments to reconcile (loss) profit** | (546,997) | 4,223,478 |
| **Changes in operating assets and liabilities:** | | |
| (Increase) decrease in notes and accounts receivable | (779,621) | 1,505,593 |
| (Increase) decrease in other receivable | (121,391) | 51,117 |
| Increase in inventories | (365,801) | (233,373) |
| Increase in other current assets | (517,435) | (205,297) |
| Increase (decrease) in notes and accounts payable (including related parties) | 1,540,141 | (2,686) |
| Increase (decrease) in other payable (including related parties) | 222,439 | (2,146) |
| (Decrease) increase in other current liabilities | (231,504) | 9,276 |
| Decrease in net defined benefit liability | (5,210) | (3,386) |
| (Decrease) increase in other non-current liabilities | (15,379) | 181,741 |
| **Total changes in operating assets and liabilities** | (273,761) | 1,300,839 |
| Cash inflow generated from operations | 10,467,230 | 8,421,056 |
| Interest received | 92,810 | 115,465 |
| Interest paid | (174,916) | (370,499) |
| Income taxes paid | (1,873,914) | (373,559) |
| **Net cash flows provided by operating activities** | 8,511,210 | 7,792,463 |
| **Cash flows from investing activities:** | | |
| Acquisition of available-for-sale financial assets | - | (8,100,000) |
| Proceeds from disposal of available-for-sale financial assets | 13,360,238 | 3,799,644 |
| Acquisition of property, plant and equipment | (18,311,088) | (2,554,932) |
| Proceeds from disposal of property, plant and equipment | 100 | 684 |
| Increase in refundable deposits | (1,683) | - |
| Acquisition of intangible assets | - | (54,102) |
| Decrease in lease receivables | 214,665 | 214,665 |
| Decrease (increase) in other non-current assets | 61,990 | (19,555) |
| **Net cash flows used in investing activities** | (4,675,778) | (6,713,596) |
| **Cash flows from financing activities:** | | |
| Increase in short-term loans | - | 6,000 |
| Decrease in short-term loans | - | (3,312,000) |
| Proceeds from issuing convertible bonds | 15,681,000 | - |
| Proceeds from long-term debt | - | 7,964,000 |
| Repayments of long-term debt | (3,000,000) | (1,000,000) |
| Increase in guarantee deposits received | 15,873 | - |
| Decrease in other payables to related parties | (2,689,243) | (3,501,867) |
| Decrease in lease payable | (4,138) | (4,102) |
| Proceeds from issuing shares | - | 11,675,000 |
| Change in non-controlling interests | 230 | - |
| **Net cash flows provided by financing activities** | 10,003,722 | 11,827,031 |
| **Effect of exchange rate changes on cash and cash equivalents** | 74,598 | (48,202) |
| **Net increase in cash and cash equivalents** | 13,913,752 | 12,857,696 |
| **Cash and cash equivalents at beginning of period** | 9,101,632 | 3,103,705 |
| **Cash and cash equivalents at end of period** | $ 23,015,384 | 15,961,401 |

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
AS OF JUNE 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Interim Financial Statements

## June 30, 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 and its subsidiary (the "Group") are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

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

The consolidated interim financial statements as of and for the six months ended June 30, 2017 and 2016 were reported and issued by the Board of Directors on August 11, 2017.

### (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 |

(Continued)

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 |
| IFRIC 21 "Levies" | January 1, 2014 |

The Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim 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 "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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are 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. The actual impact of adopting IFRS 9 on the Group' s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting

(Continued)

financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

1) Classification—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.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At June 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of $41,664,109 that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

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 or FVOCI, except for investments in equity instruments, and to contract assets.

(Continued)

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; an entity may choose to apply this policy also for trade receivables with a significant financing component.

The Group's preliminary assessment that the adoption of IFRS 9 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 Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

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

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- 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.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(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".

For the sale of semiconductor products, revenue is currently recognized based on individual terms of sales contract and the global movement insurance of goods and the related risks and rewards of ownership transfer. 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 Group 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 Group does not expect that there will be a significant impact on its consolidated financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group is assessing the potential impact on measuring its differed tax assets resulting from the amendments. The effects would be further analyzed.

(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 |

(Continued)

Those which may be relevant to the Group 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:<br>• 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.<br>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17. |

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

**(4) Summary of significant accounting policies:**

(a) Statement of compliance

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

Except the described below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2016. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2016.

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

(b) Basis of consolidation

Principle of preparing of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 4(c) of the consolidated financial statements for the year ended December 31, 2016 for complete disclosures of significant accounting policies.

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

| | | | Stockholder's Equity | | | |
|---|---|---|---|---|---|---|
| Investor | The name of subsidiaries | Business activity | June 30, 2017 | December 31, 2016 | June 30, 2016 | Note |
| The Company | NANYA TECHNOLOGY CORP. U.S.A | Sales of semiconductor products | 100.00 % | 100.00 % | 100.00 % | |
| The Company | NANYA TECHNOLOGY CORP. Delaware | Design of semiconductor products | 100.00 % | 100.00 % | 100.00 % | |
| The Company | NANYA TECHNOLOGY CORP. H.K. | Sales of semiconductor products | 100.00 % | 100.00 % | 100.00 % | |
| The Company | NANYA TECHNOLOGY CORP. Japan | Sales of semiconductor products | 100.00 % | 100.00 % | 100.00 % | |
| The Company | PEI JEN Co., Ltd. | Investment in enterprise | 100.00 % | 100.00 % | 100.00 % | |
| The Company | PIECEMAKERS TECHNOLOGY CORP. | Product design and sells | 53.57 % | 53.57 % | 55.26 % | Note 1 |
| The Company | SUMPRO ELECTRONICS CORP. | Manufacture and sale of electronic components | - % | - % | 100.00 % | Note 2 |
| NANYA TECHNOLOGY CORP. H.K. | NANYA TECHNOLOGY CORP., Germany | Sales of semiconductor products | 100.00 % | 100.00 % | 100.00 % | |
| NANYA TECHNOLOGY CORP. H.K. | NANYA TECHNOLOGY CORP. Shenzhen | Sales of semiconductor products | 100.00 % | 100.00 % | 100.00 % | |

Note 1: In June and September 2016, the board of directors of PIECEMAKERS TECHNOLOGY CORP. approved to distribute its shares as employee remuneration and increase the common shares arising from the exercise of stock options under the Employee Stock Option Plan. As a result, the shareholding decreased from 55.26% to 53.57%.

Note 2: SUMPRO ELECTRONICS CORP. was no longer a subsidiary of the Group when it was liquidated progress on November 8, 2016.

Note 3: The interim financial statements as of and for the six-month periods ended June 30, 2017 and 2016 of all the subsidiaries enumerated above were not reviewed by independent accountants.

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

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(c) Financial instruments

(i) Derivative financial instruments

The Group 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 included in other gains and losses of non-operating income and 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.

(ii) The conversion rights included in the convertible bond, which were issued by the Group 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.

(d) Income taxes

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

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

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

(e) Employee benefits

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
**Notes to Consolidated Financial Statements**

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

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

In these consolidated interim financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those in Note 5 of the consolidated financial statements for the year ended December 31, 2016.

**(6) Explanation of significant accounts:**

Except as described below, the description of significant accounts in the accompanying consolidated interim financial statements is not materially different from those in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2016 for more details.

(a) Cash and cash equivalents

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Cash on hand－pretty cash | $ 208 | 150 | 239 |
| Cash in bank－demand deposit account | 2,386,400 | 2,327,842 | 2,188,172 |
| Cash equivalents: | | | |
| Time deposits | 17,446,239 | 5,829,667 | 13,020,145 |
| Commercial paper | 2,613,137 | 694,473 | - |
| Repurchase agreements collateralized by corporate bonds | 569,400 | 249,500 | 752,845 |
| | $ 23,015,384 | 9,101,632 | 15,961,401 |

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Financial Assets held-for-trading: | | | |
| Derivative instruments not used for hedging | $ 41,639 | - | - |

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Hide-to-maturity Financial Liabilities： | | | |
| Embedded derivative-convertible bonds | $ 2,346,616 | - | - |

Re-measurement at fair value recognized in profit or loss is disclosed in Notes 6(k)(s).

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
### Notes to Consolidated Financial Statements

Derivatives financial instruments are used to hedge foreign currency and interest rate exposures. The Group 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:

| | June 30, 2017 | | | |
|---|---|---|---|---|
| | Contract Amount (in thousand) | | Currency | Maturity dates |
| Non-delivery forward purchased | US$ | 500,000 | US$ to TWD | 2018.3.20~2018.3.22 |

(c) Available-for-sale financial assets

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Domestic money market fund | $ - | 2,000,360 | 4,306,069 |
| Foreign listed stock | 41,593,061 | 40,882,664 | - |
| Domestic listed stock | 71,048 | 68,278 | 80,604 |
| | $ 41,664,109 | 42,951,302 | 4,386,673 |
| Current | $ - | 2,000,360 | 4,306,069 |
| Non-Current | $ 41,664,109 | 40,950,942 | 80,604 |

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

The Group purchased a two-year interest-free convertible bond of 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, $0 and $9,340 and the corporate bonds of $0, $0 and $181,280, were accounted for as financial assets carried at cost—non-current and investment in debt securities with no active market—non-current, respectively, as of June 30, 2017, December 31, 2016 and June 30, 2016.

(e) Notes and accounts receivable and other receivables

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Notes receivable | $ 5,090 | - | - |
| Accounts receivable | 6,609,117 | 5,778,002 | 3,951,681 |
| Other receivables (including related parties) | 2,121,937 | 1,973,908 | 1,625,691 |
| Less : allowance for doubtful receivables | (9,083) | (9,284) | (10,519) |
| | $ 8,727,061 | 7,742,626 | 5,566,853 |

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

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

| | Neither past due nor impaired | Past due but not impaired | | | total |
|---|---|---|---|---|---|
| | | Within 30 days | 31 to 60 days | over 61 days | |
| June 30, 2017 | $ 8,487,964 | 230,786 | 8,311 | - | 8,727,061 |
| December 31, 2016 | 7,722,187 | 12,843 | 334 | 7,262 | 7,742,626 |
| June 30, 2016 | 5,543,243 | 23,610 | - | - | 5,566,853 |

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

| | Collectively assessed impairment loss |
|---|---|
| Balance as of January 1, 2017 | $ 9,284 |
| Foreign exchange gain | (201) |
| Balance as of June 30, 2017 | $ 9,083 |
| Balance as of January 1, 2016 | $ 9,177 |
| Foreign exchange loss | 1,342 |
| Balance as of June 30, 2016 | $ 10,519 |

(f) Inventories

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Raw materials | $ 327,199 | 217,708 | 279,149 |
| Work in progress | 3,414,520 | 2,712,196 | 2,707,779 |
| In-transit inventory | 1,439,596 | 1,893,102 | 3,107,944 |
| Merchandise | 33,978 | 26,486 | 87,841 |
| Total | $ 5,215,293 | 4,849,492 | 6,182,713 |

The Group did not recognize any loss from devaluation of inventories or gain from recovery in the value of inventories for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(g) Investments accounted for using equity method

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Associates | $ - | - | 31,485,073 |

(i) Associates

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

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

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

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

| | | | Percentage of ownership | | |
|---|---|---|---|---|---|
| Associates | Relationship | Registration Country | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Inotera Memories, Inc. | The main supplier for raw material of the Company. Its primary operating activity is producing and selling of semiconductor products. | Taiwan | - | - | 24.24 % |

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

| | June 30, 2017 |
|---|---|
| Inotera Memories, Inc. | $ 40,072,199 |

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

The Group's significant aggregate financial information for investments accounted for using the equity method was as follows:

The aggregate financial information of Inotera Memories Inc. were as follows:

| | June 30, 2016 |
|---|---|
| Current assets | $ 32,659,626 |
| Non-current assets | 124,046,584 |
| Current liabilities | (17,451,326) |
| Non-current liabilities | (8,969,347) |
| Net asset | $ 130,285,537 |

| | For the three-month period ended June 30, 2016 | For the six-month period ended June 30, 2016 |
|---|---|---|
| Operating Revenue | $ 11,583,648 | 22,396,715 |
| Loss | $ (1,887,132) | (3,447,860) |
| Other comprehensive income | 2,012 | 1,844 |
| Total comprehensive loss | $ (1,885,120) | (3,446,016) |
| Total comprehensive loss distributed to the Group | $ (457,342) | (836,602) |

| | For the six-month period ended June 30, 2016 |
|---|---|
| Share of the equity of the associate as of January 1, | $ 32,833,967 |
| Total comprehensive income allocated to the Group of investment in associate for the six-month period ended June 30, | (836,602) |
| Share of the equity of the associate as of June 30, | 31,997,365 |
| Add: Realized profit on disposal of fixed assets | 135 |
| Recognition compensation costs of employee stock options | 14,940 |
| Less: Capital surplus due to acquisition of shares not proportionate to original holding ratio | (527,326) |
| Others | (41) |
| Ending carrying amount of equity of a significant associate | $ 31,485,073 |

In December 2016, Micron Semiconductor Co. (MST) completed its share swap with Inotera Memories, Inc. The Group disposed all shares of Inotera; therefore, it is no longer a related party of the Group starting December 6, 2016 (the date upon which the share swap was recorded).

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

(h) Property, plant and equipment

The movements of cost and accumulated depreciation and impairments of the property, plant and equipment were as follows:

| | | Land | Building | Machinery and equipment | Other equipment | Under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **Balance as of January 1, 2017** | $ | 1,013,924 | 4,197,562 | 125,215,286 | 1,431,504 | 25,574,275 | 157,432,551 |
| Additions | | - | - | 204,073 | 17,132 | 19,024,537 | 19,245,742 |
| Disposals | | - | - | (234,444) | (21,134) | - | (255,578) |
| Derecognized lease assets | | - | - | - | (345,636) | - | (345,636) |
| Reclassification | | - | - | 18,237,729 | 43,781 | (18,281,510) | - |
| Effect of exchange rate change | | - | (43) | (1,868) | 605 | - | (1,306) |
| **Balance as of June 30, 2017** | $ | 1,013,924 | 4,197,519 | 143,420,776 | 1,126,252 | 26,317,302 | 176,075,773 |
| **Balance as of January 1, 2016** | $ | 1,013,924 | 4,197,540 | 124,544,160 | 1,428,002 | 1,275,203 | 132,458,829 |
| Additions | | - | - | 154,205 | 12,569 | 2,735,224 | 2,901,998 |
| Disposals | | - | - | (11,898) | (21,079) | - | (32,977) |
| Reclassification | | - | 673 | 104,567 | 4,483 | (109,723) | - |
| Effect of exchange rate change | | - | 302 | 13 | (18) | - | 297 |
| **Balance as of June 30, 2016** | $ | 1,013,924 | 4,198,515 | 124,791,047 | 1,423,957 | 3,900,704 | 135,328,147 |
| **Accumulated depreciation / impairment:** | | | | | | | |
| **Balance as of January 1, 2017** | $ | - | 1,450,874 | 86,921,615 | 1,142,725 | - | 89,515,214 |
| Depreciation for the period | | - | 80,049 | 3,355,089 | 20,977 | - | 3,456,115 |
| Impairment loss | | - | - | 32,735 | (678) | - | 32,057 |
| Disposals | | - | - | (234,445) | (21,078) | - | (255,523) |
| Derecognized lease assets | | - | - | - | (136,693) | - | (136,693) |
| Reclassification | | - | - | (39,390) | 39,390 | - | - |
| Effect of exchange rate change | | - | (24) | (971) | 484 | - | (511) |
| **Balance as of June 30, 2017** | $ | - | 1,530,899 | 90,034,633 | 1,045,127 | - | 92,610,659 |
| **Balance as of January 1, 2016** | $ | - | 1,290,719 | 80,274,330 | 1,130,254 | - | 82,695,303 |
| Depreciation for the period | | - | 80,079 | 2,840,864 | 25,371 | - | 2,946,314 |
| Disposals | | - | - | (11,898) | (21,079) | - | (32,977) |
| Reclassification | | - | 673 | 364 | (1,037) | - | - |
| Effect of exchange rate change | | - | 156 | (243) | 716 | - | 629 |
| **Balance as of June 30, 2016** | $ | - | 1,371,627 | 83,103,417 | 1,134,225 | - | 85,609,269 |
| Carrying amounts: | | | | | | | |
| **Balance as of June 30, 2017** | $ | 1,013,924 | 2,666,620 | 53,386,143 | 81,125 | 26,317,302 | 83,465,114 |
| **Balance as of December 31, 2016** | $ | 1,013,924 | 2,746,688 | 38,293,671 | 288,779 | 25,574,275 | 67,917,337 |
| **Balance as of June 30, 2016** | $ | 1,013,924 | 2,826,888 | 41,687,630 | 289,732 | 3,900,704 | 49,718,878 |

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(i) Property, plant and equipment under construction

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Capitalized interest amounts | $ 44,325 | - | 108,730 | - |
| Capitalized interest rates | 1.97 % | - | 1.97%~1.98% | - |

(ii) Secured

Please refer to Note 8 for details of the long-term borrowings and the amount of the guarantee as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

(i) Lease receivables

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

(ii) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the three-month and six-month periods ended June 30, 2017 and 2016, the Group recognized the interest revenue of $38,493, $45,307, $78,756 and $92,209, respectively, from the amortization of unrealized interest revenue.

(Continued)

The details of lease receivables were as follows:

| | June 30, 2017, | | | December 31, 2016 | | | June 30, 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 | Gross investment in the lease | Unearned finance income | Present value of minimum lease payments receivable |
| Less than one year | $ 429,330 | 135,308 | 294,022 | 429,330 | 150,240 | 279,090 | 429,330 | 164,413 | 264,917 |
| Between one and five years | 1,139,820 | 309,263 | 830,557 | 1,222,320 | 352,504 | 869,816 | 1,304,820 | 397,737 | 907,083 |
| More than five years | 396,495 | 24,640 | 371,855 | 528,660 | 45,223 | 483,437 | 660,825 | 71,475 | 589,350 |
| Sub-total | $ 1,965,645 | 469,211 | 1,496,434 | 2,180,310 | 547,967 | 1,632,343 | 2,394,975 | 633,625 | 1,761,350 |
| Current | | | $ 294,022 | | | 279,090 | | | 264,917 |
| Non-current | | | 1,202,412 | | | 1,353,253 | | | 1,496,433 |
| | | | $ 1,496,434 | | | 1,632,343 | | | 1,761,350 |

(j) Long-term borrowings

| | June 30, 2017, | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate range** | **Expiration** | **Amount** |
| Secured bank loans | TWD | 1.7895%~2.1662% | 2019~2020 | $ 19,966,900 |
| Less: Current portion of long-term loans | | | | (7,188,250) |
| Total | | | | $ **12,778,650** |
| Unused long term of credit | | | | $ **1,600,000** |

| | December 31, 2016, | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate range** | **Expiration** | **Amount** |
| Secured bank loans | TWD | 1.7895%~2.1668% | 2019~2020 | $ 22,960,000 |
| Less: Current portion of long-term loans | | | | (7,786,000) |
| Total | | | | $ **15,174,000** |
| Unused long term of credit | | | | $ **1,300,000** |

| | June 30, 2016, | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate range** | **Expiration** | **Amount** |
| Unsecured bank loans | TWD | 1.818% | 2017 | $ 200,000 |
| Secured bank loans | TWD | 1.7895%~2.1924% | 2019~2020 | 19,953,100 |
| Less: Current portion of long-term loans | | | | (2,597,500) |
| Total | | | | $ **17,555,600** |
| Unused long term of credit | | | | $ **600,000** |

(Continued)

(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 banks") for a syndicated loan with a credit line of $12,000,000 on February 18, 2016, and applied for an appropriation of loans of $11,000,000 as of June 30, 2017. In March 2017, the repayment in advance amounted to $600,000. The interest rates would be adjusted depending on the profit-after-tax ratio and also takes into consideration the three-month or six-month TAIBOR rate 2 bank trading days before each of the accounts' drawdown dates or coupon reset dates released on the ROC Bankers Association website. Additionally, the first repayment of the principal is due on the 36 month after the first appropriation date, with the balance payable in 5 semi-annual installments.

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

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

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

      The Group was in compliance with all of the aforementioned covenants as of and for the six-month period ended June 30, 2017, as well as for the year ended December 31, 2016.

2) The Group 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, As of June 30, 2017, the application for the appropriation of loans amounted to $12,000,000; and the Group repaid the amount of $2,400,000 under the payment terms. This loan bears interest of 90 day commercial paper rate, plus, an annual interest rate of 1.1% in monthly payments. Additionally, the first installment payment of the principal is payable on due date, with the rest payable in 5 semiannual installments. According to the agreement, the borrower should maintain a balance of no less than 3% of the original credit limit in the specified bank account two months from the first credit approval date.

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

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

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

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

The Group was in compliance with all of the aforementioned covenants as of and for the six-month periods ended June 30, 2017, as well as for the year ended December 31, 2016.

(ii) Collaterals for bank loans

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

(k) Bonds Payable

| | June 30, 2017 |
|---|---|
| Issuance of unsecured overseas convertible bonds | $ 15,218,000 |
| Unamortized discount on bonds payable | (1,111,207) |
| Balance at end of period | $ 14,106,793 |

| | For the three-month period ended June 30, 2017 | For the six-month period ended June 30, 2017 |
|---|---|---|
| Embedded Derivatives-call and put options and conversion rights re-measured at fair value through loss (included other gain and losses) | $ 1,013,349 | 1,168,973 |
| Interest expense | $ 58,072 | 101,045 |

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
**Notes to Consolidated Financial Statements**

| Item | The first unsecured overseas convertible bond |
|---|---|
| 1.Issue amount | US$ 500,000 thousand |
| 2.Issue par value | US$ 200 thousand |
| 3.Issue period | 2017.1.24～2021.1.24 |
| 4.Bond expiration | 5 years |
| 5.Coupon rate | 0% |
| 6.Conversion price | TWD 52.47 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).<br>(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.<br>(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.<br>(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.<br>(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. |

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.

(l) Finance lease liabilities

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

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

(iii) The rental expenses from the lease of land which was treated as an operating lease amounted to \$0, \$929, \$620, and \$1,859 were fully paid and recognized for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

(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.

The details of lease payable were as follows:

| | June 30, 2017 | | | December 31, 2016 | | | June 30, 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Future minimum lease payments | Interest | Present value of minimum lease payments | Future minimum lease payments | Interest | Present value of minimum lease payments | Future minimum lease payments | Interest | Present value of minimum lease payments |
| Less than one year | $ - | - | - | 24,698 | 15,868 | 8,830 | 24,698 | 16,123 | 8,575 |
| Between one and five years | - | - | - | 98,792 | 57,807 | 40,985 | 98,792 | 58,992 | 39,800 |
| More than five years | - | - | - | 321,071 | 96,963 | 224,108 | 333,421 | 103,648 | 229,773 |
| Subtotal | $ - | - | - | 444,561 | 170,638 | 273,923 | 456,911 | 178,763 | 278,148 |
| Current | | | $ - | | | 8,830 | | | 8,575 |
| Non-current | | | - | | | 265,093 | | | 269,573 |
| | | | $ - | | | 273,923 | | | 278,148 |

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(m) Employee benefits

(i) Defined benefit plan

Subsequent to December 31, 2016, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material onetime events. Therefore, the pension cost in these interim consolidated financial statements was measured and disclosed according to the respective actuarial report for the years ended December 31, 2016 and 2015.

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

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Cost of goods sold | $ 1,901 | 2,950 | 3,844 | 5,858 |
| Operating expenses | 844 | 1,313 | 1,706 | 2,669 |
| Total | $ 2,745 | 4,263 | 5,550 | 8,527 |

(ii) Defined benefit plan

The Group's pension costs that were contributed to an account by local government were as follows:

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Cost of goods sold | $ 19,604 | 17,659 | 38,699 | 34,539 |
| Operating expenses | 12,556 | 8,333 | 26,333 | 21,769 |
| Total | $ 32,160 | 25,992 | 65,032 | 56,308 |

(n) Income tax

The components of income tax were as follows:

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Current tax expense | $ 1,504,950 | 647,101 | 1,508,728 | 646,827 |
| Deferred tax (income) expense | - | (351) | - | 142 |
| Tax expense | $ 1,504,950 | 646,750 | 1,508,728 | 646,969 |

(i) The Group's tax income recognized in other comprehensive income were as follows:

| | For the three-month periods ended June 30, 2017 | For the three-month periods ended June 30, 2016 | For the six-month periods ended June 30, 2017 | For the six-month periods ended June 30, 2016 |
|---|---|---|---|---|
| Subsequent items that may be reclassified to profit and loss: | | | | |
| Unrealized (losses) gains on available-for-sale financial assets | $ (428,840) | - | 1,232,703 | - |

(ii) The Company's income tax returns have been examined by the ROC tax authority through 2014.

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Unappropriated retained earnings in 1998 and thereafter | $ 39,570,645 | 36,296,086 | 14,744,512 |
| Imputation credit account balance | $ 1,721,050 | 240,380 | 401,954 |

| | 2016(estimated) | 2015(actual) |
|---|---|---|
| Tax deduction ratio for earnings distribution to ROC residents | 5.77 % | 1.83 % |

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

(o) Capital and other equity

Except as described below, there was no material change in equity for the six-month periods ended June 30, 2017 and 2016. Please refer to Note 6(n) of the consolidated financial statements as of and for the year ended December 31, 2016 for the related detail disclosures on equity.

(i) Common stock

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

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
### Notes to Consolidated Financial Statements

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

(ii) Capital surplus

| | | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| Change in recognized shares of associates accounted for using equity method | $ | - | - | 4,549,259 |
| Employee stock option plans | | 1,897,248 | 1,667,461 | 1,445,243 |
| Premium from exercise of employee stock options | | 9,852,246 | 9,852,246 | 9,852,246 |
| Other | | 3,300 | 3,300 | 1,374 |
| | $ | 11,752,794 | 11,523,007 | 15,848,122 |

(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) Capital surplus

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

2) Earrings distribution

Earnings distribution for 2016 and 2015 was approved in stockholders' meeting of shareholders 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 Group's shares of stock held by subsidiaries were as follows:

| | **June 30, 2017** | **December 31, 2016** | **June 30, 2017** |
|---|---|---|---|
| Numbers of shares at January 1 and December 31, | 687 | 687 | 687 |
| Ending balance as of June 30, | $ 347,533 | 347,533 | 347,533 |
| Book value per share | $ 505.46 | 505.46 | 505.46 |
| Price per share (dollars) | $ 54.80 | 48.30 | 39.40 |

As of June 30, 2017, December 31 and June 30, 2016, none of the Group's common shares of stock held by its subsidiary, Pei Jen Co., Ltd. has been sold.

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

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(v) Other equity (net of tax)

| | Exchange differences on translation of foreign financial statements | Unrealized gains on available-for-sale financial assets |
|---|---|---|
| Balance at January 1, 2017 | $ (16,846) | 7,805,947 |
| Exchange differences on translation of foreign financial statements, net of tax | | |
| The Company | (15,384) | - |
| Unrealized gains on available-for-sale financial assets: | | |
| The Company | - | 6,018,129 |
| The Subsidiaries | - | 2,770 |
| Balance at June 30, 2017 | $ (32,230) | 13,826,846 |
| Balance at January 1, 2016 | $ (11,588) | 7,018 |
| Exchange differences on translation of foreign financial statements, net of tax: | | |
| The Company | 9,738 | - |
| Unrealized gains Company on available for sale financial assets: | | |
| The subsidiaries | - | 5,713 |
| The Associates | - | (12,326) |
| Balance at June 30, 2016 | $ (1,850) | 405 |

(p) Share-based payment

Except as described below, there was no material change on the share-based payment transactions for the six-month periods ended June 30, 2017 and 2016. Please refer to Note 6(o) of the consolidated financial statements as of and for the year ended December 31, 2016 for related disclosures on share-based payment transactions.

(i) Relevant information of employee stock option plans

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

The Company:

| | For the six-month periods ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Weighted-average exercise (price NTD) | Number of options (Units) | Weighted-average exercise (price NTD) | Number of options (Units) |
| Outstanding at January 1, | 36.37 | 162,030 | 42.79 | 71,846 |
| Options granted | - | - | 38.00 | 97,500 |
| Options forfeited | 36.24 | (3,400) | - | - |
| Options expired | - | - | 41.98 | (258) |
| Outstanding at June 30, | 36.37 | 158,630 | 39.71 | 169,088 |
| Options exercisable at June 30, | 38.00 | 61,799 | 42.04 | 71,588 |

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
### Notes to Consolidated Financial Statements

(ii) Compensation cost

Expenses were incurred from share options granted to employees as follows:

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Compensation cost arising from share options granted to employees | $ 114,894 | 72,767 | 229,787 | 72,811 |

(q) Earnings per share

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Basic earnings per share:** | | | | |
| Net income attributable to the Company | $ 6,489,667 | 396,620 | 9,764,965 | 2,245,562 |
| Weighted-average number of ordinary shares outstanding (basic) | 2,747,878 | 2,747,878 | 2,747,878 | 2,725,021 |
| Basic earnings per share (dollars) | $ 2.36 | 0.14 | 3.55 | 0.82 |
| **Diluted earnings per share:** | | | | |
| Net income attributable to the Company (basic) | $ 6,489,667 | | 9,764,965 | |
| Effect of interest expense of convertible bonds and other gain or loss after taxes | - | | 705,506 | |
| Net income attributable to the Company (diluted) | $ 6,489,667 | | 10,470,471 | |
| Effect of potentially dilutive ordinary shares | | | | |
| Weighted-average number of ordinary shares (basic) | 2,747,878 | | 2,747,878 | |
| Effect of employee stock option | 45,085 | | 41,013 | |
| Effect of conversion of convertible bonds | - | | 271,526 | |
| Effect of employee remuneration | 6,751 | | 15,394 | |
| Weighted-average number of ordinary shares (diluted) | 2,799,714 | | 3,075,811 | |
| Diluted earnings per share (dollars) | $ 2.32 | | 3.40 | |

Because of the convertible bonds for the three-month period ended June 30, 2017 were anti-dilutive, no diluted earnings per share were calculated.

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

Because the average market price of the shares of stock if the employee stock options are exercised during the six-month ended June 30, 2016 was lower than the exercise price of the employee stock options issued by the Company the diluted earnings per share need not be disclosed.

(r) Remuneration to employees

According to the Company' s articles of incorporation, if the Company makes a profit, it should appropriate for employee remuneration to employees which is calculated based on 1% to 12% of the Company' s net income before tax before deduction of employee remuneration to employees and after offsetting accumulated deficits, if any, should be distributed as employee remuneration to employees. Employees who are entitled to receive the above mentioned employee remuneration to employees, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The estimated employee remuneration to employees which was charged to profit or loss under operating costs or expense amounted to $369,961, $25,959, $643,175 and $91,821 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively. This employee remuneration to employees was estimated based on the Company's net income before tax before deducting any employee remuneration to employees according to the earnings allocation method as stated under the Company's articles of association, If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a changes in accounting estimates and recognized through profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The estimated employee remuneration to employees which was charged to profit or loss under operating costs or expense amounted to $418,481 and $634,408 for the years ended 2016 and 2015. The Company's board of directors approved to increase its employee remuneration. The differences between the estimated amounts in the financial statements for the year ended December 31, 2016 and 2015 and the actual amounts of $41,866 and $36,620 were charged to profit or loss in 2017 and 2016, respectively. The related information can be obtained from the Market Observation Post System website.

(s) Non-operating income and expenses

(i) Other income

| | | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| Bank deposits and short-term notes | $ | 56,466 | 21,984 | 104,516 | 28,843 |
| Financial leases | | 38,493 | 45,307 | 78,756 | 92,209 |
| | $ | 94,959 | 67,291 | 183,272 | 121,052 |

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
**Notes to Consolidated Financial Statements**

(ii) Other gains and losses

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Foreign exchange losses | $ (85,575) | (69,600) | (660,389) | (404,711) |
| Financial liabilities at fair value through profit or loss, net loss | (865,176) | - | (1,127,334) | - |
| Gain on disposal of lease payable | - | - | 63,542 | - |
| Impairment loss on non-financial assets | (20,380) | - | (32,057) | - |
| Gain on disposal of available-for-sale financial assets | 4,818,673 | - | 4,819,443 | - |
| Gain on disposals of property, plant and equipment | 21 | 1,132 | 45 | 819 |
| Others | 39,604 | 45,422 | 291,429 | 92,479 |
| | $ 3,887,167 | (23,046) | 3,354,679 | (311,413) |

(iii) Finance costs

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Bank loans | $ 98,238 | 102,776 | 201,581 | 186,691 |
| Financial from entities with significant influence over the Group | 28,088 | 28,598 | 55,886 | 59,139 |
| Financing interest from other related parties | 7,171 | 50,200 | 16,752 | 105,499 |
| Lease payments | - | 4,109 | 2,700 | 8,247 |
| Amortization interest of overseas convertible bond | 58,072 | - | 101,045 | - |
| Less: Capitalization of interest | (44,325) | - | (108,730) | - |
| Others | 154 | 155 | 161 | 194 |
| | $ 147,398 | 185,838 | 269,395 | 359,770 |

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

(t) Reclassification adjustment of other comprehensive income

The reclassification adjustment of other comprehensive profit and loss was as follows:

| | For the three-month period ended June30, 2017 | For the six-month period ended June30, 2017 |
|---|---|---|
| Available- for-sale financial assets | | |
| Net change in fair value | $ (6,912,978) | 1,201,456 |
| Net change in fair value reclassified to profit or loss | 4,818,673 | 4,819,443 |
| Net change in fair value recognized in other comprehensive income | $ (2,094,305) | 6,020,899 |

(u) Financial instruments

(i) 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 |
|---|---|---|---|---|---|---|---|
| **June 30, 2017** | | | | | | | |
| Derivative financial liabilities | $ 2,346,616 | - | - | - | - | - | - |
| Non-derivative financial liabilities | | | | | | | |
| Secured bank loans | 19,966,900 | 20,569,809 | 4,962,377 | 2,526,149 | 9,853,043 | 3,228,240 | - |
| Notes and accounts payable (including related parties) | 7,114,778 | 7,114,778 | 7,114,778 | - | - | - | - |
| Other payable (inducing related parties) | 10,506,710 | 10,506,710 | 10,506,710 | - | - | - | - |
| Entities with significant influence over the Group | 8,000,000 | 8,121,944 | 60,972 | 8,060,972 | - | - | - |
| Financing from other related parties | 2,053,029 | 2,084,413 | 15,692 | 2,068,721 | - | - | - |
| Bonds payable | 14,106,793 | 15,955,418 | - | - | - | 15,955,418 | - |
| | $ 64,094,826 | 64,353,072 | 22,660,529 | 12,655,842 | 9,853,043 | 19,183,658 | - |
| **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 | - |
| Notes and accounts payable (including related parties) | 5,608,738 | 5,608,738 | 5,608,738 | - | - | - | - |
| Other payable (inducing related parties) | 5,233,815 | 5,233,815 | 5,233,815 | - | - | - | - |
| Entities with significant influence over the Group | 8,000,000 | 8,116,112 | - | 8,116,112 | - | - | - |
| Financing from other related parties | 4,742,272 | 4,811,269 | - | 4,811,269 | - | - | - |
| Finance lease liabilities | 273,923 | 444,561 | 12,349 | 12,349 | 24,698 | 74,093 | 321,072 |
| | $ 46,818,748 | 48,368,976 | 16,511,497 | 15,553,030 | 10,990,148 | 4,993,229 | 321,072 |

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
### Notes to Consolidated Financial Statements

| | Carrying amount | Contractual cash flow | Within 6 months | 6-12months | 1-2years | 2-5years | Over 5 years |
|---|---|---|---|---|---|---|---|
| June 30, 2016 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Secure bank loans | $ 19,953,100 | 20,000,000 | - | 2,400,000 | 6,400,000 | 11,200,000 | - |
| Unsecured bank loans | 200,000 | 202,710 | 201,793 | 917 | - | - | - |
| Notes and accounts payable (including related parties) | 1,907,884 | 1,907,884 | 1,907,884 | - | - | - | - |
| Other payable inducing related parties | 11,383,693 | 11,383,693 | 11,383,693 | - | - | - | - |
| Entities with significant influence over the Group | 8,000,000 | 8,117,212 | - | 8,117,212 | - | - | - |
| Financing from other related parties | 14,026,074 | 14,231,816 | - | 14,231,816 | - | - | - |
| Finance lease liabilities | 278,148 | 456,911 | 12,349 | 12,349 | 24,698 | 74,095 | 333,420 |
| | $ 55,748,899 | 56,300,226 | 13,505,719 | 24,762,294 | 6,424,698 | 11,274,095 | 333,420 |

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

(ii) Market risk

1) Exposure to currency

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

| | June 30, 2017 | | | December 31, 2016 | | | June 30, 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency (in thousands) | Exchange rate | New Taiwan Dollars | Foreign currency (in thousands) | Exchange rate | New Taiwan Dollars | Foreign currency (in thousands) | Exchange rate | New Taiwan Dollars |
| Financial assets: | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 825,787 | 30.436 | 25,133,653 | 410,185 | 32.279 | 13,240,362 | 212,314 | 32.286 | 6,854,770 |
| JPY | 2,577,690 | 0.2708 | 698,038 | 2,000,329 | 0.2768 | 553,691 | 1,999,023 | 0.3136 | 626,894 |
| EUR | 17 | 34.7536 | 591 | 85 | 33.846 | 2,877 | 177 | 35.8710 | 6,349 |
| Financial liabilities: | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 566,317 | 30.436 | 17,236,424 | 126,394 | 32.279 | 4,079,872 | 86,640 | 32.286 | 2,797,259 |
| JPY | 8,538,426 | 0.2708 | 2,312,206 | 4,127,546 | 0.2768 | 1,142,505 | 199,355 | 0.3136 | 62,518 |
| EUR | 15,513 | 34.7536 | 539,133 | 3,884 | 33.846 | 131,458 | 2,765 | 35.8710 | 99,183 |

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable and other payable which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of June 30, 2017 and 2016 would have increased the net income before tax by $57,445 and $45,291 for the six-month periods ended June 30, 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 as prior year.

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the six-month periods ended June 30, 2017 and 2016, foreign exchange loss (including realized and unrealized portions) amounted to $660,389 and $404,711, respectively.

2) Interest risk

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

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $300,199 and $421,792 for the six-month periods ended June 30, 2017 and 2016, respectively.

3) Other price risk

For the six-month periods ended June 30, 2017 and 2016, respectively, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| | For the six-month periods ended June 30, | |
|---|---|---|
| | **2017** | **2016** |
| **Prices of securities at the reporting date** | **Other comprehensive income after tax** | **Other comprehensive income after tax** |
| increase 1% | $ 345,933 | 43,867 |
| decrease 1% | (345,933) | (43,867) |

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(iii) Fair value of financial instruments

1) Types and fair value of financial instruments

The financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets were measured at recurring fair value.

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and 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 :

| | June 30, 2017 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Derivative financial assets | $ 41,639 | - | 41,639 | - | 41,639 |
| Available-for-sale financial assets: | | | | | |
| Foreign listed stock | 41,593,061 | 41,593,061 | - | - | 41,593,061 |
| Domestic listed stock | 71,048 | 71,048 | - | - | 71,048 |
| Subtotal | 41,664,109 | 41,664,109 | - | - | 41,664,109 |
| Loans and receivables： | | | | | |
| Cash and cash equivalents | 23,015,384 | - | - | - | - |
| Notes and account receivables , net | 6,605,124 | - | - | - | - |
| Other receivables | 1,827,915 | - | - | - | - |
| Lease payments receivable (including current portion) | 1,496,433 | - | - | - | - |
| Subtotal | 32,944,856 | - | - | - | - |
| Total | $ 74,650,604 | 41,664,109 | 41,639 | - | 41,705,748 |
| Financial liabilities measured at amortized cost： | | | | | |
| Derivative financial liabilities | $ 2,346,616 | - | 2,346,616 | - | 2,346,616 |
| Accounts payable (including related parties) | 7,114,778 | - | - | - | - |
| Other payables (including related parties) | 20,559,739 | - | - | - | - |
| Bonds payable | 14,106,793 | - | 15,087,125 | - | 15,087,125 |
| Long-term borrowings (including current portion) | 19,966,900 | - | - | - | - |
| Total | $ 64,094,826 | - | 17,433,741 | - | 17,433,741 |

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated 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 |
| Domestic listed stock | 68,278 | 68,278 | - | - | 68,278 |
| Subtotal | 42,951,302 | 40,950,942 | 2,000,360 | - | 42,951,302 |
| Loans and receivables | | | | | |
| Cash and cash equivalents | 9,101,654 | - | - | - | - |
| Account receivables , net | 5,768,718 | - | - | - | - |
| Other receivables | 1,694,818 | - | - | - | - |
| Lease payments receivable (including current portion) | 1,632,343 | - | - | - | - |
| Subtotal | 18,197,533 | - | - | - | - |
| Total | $ 61,148,835 | 40,950,942 | 2,000,360 | - | 42,951,302 |
| Financial liabilities measured at amortized cost : | | | | | |
| Accounts payable (including related parties) | $ 5,608,738 | - | - | - | - |
| Other payables (including related parties) | 17,976,087 | - | - | - | - |
| Long-term borrowings (including current portion) | 22,960,000 | - | - | - | - |
| Lease obligations payable (including current portion) | 273,923 | - | - | - | - |
| Total | $ 46,818,748 | - | - | - | - |

| | June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Available-for-sale financial assets: | | | | | |
| Listed stocks | $ 80,604 | 80,604 | - | - | 80,604 |
| Domestic money market fund | 4,306,069 | - | 4,306,069 | - | 4,306,069 |
| Financial assets carried at cost | 9,340 | - | - | 9,340 | 9,340 |
| Subtotal | 4,396,013 | 80,604 | 4,306,069 | 9,340 | 4,396,013 |
| Loans and receivables： | | | | | |
| Cash and cash equivalents | 15,961,401 | - | - | - | - |
| Account receivables , net (including related parties) | 3,941,162 | - | - | - | - |
| Other receivables(including related parties) | 1,360,774 | - | - | - | - |
| Investment in debt instruments without active markets | 181,280 | - | - | 181,280 | 181,280 |
| Lease payments receivable (including current portion) | 1,761,350 | - | - | - | - |
| Subtotal | 23,205,967 | - | - | 181,280 | 181,280 |
| Total | $ 27,601,980 | 80,604 | 4,306,069 | 190,620 | 4,577,293 |

(Continued)

| | June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at amortized cost: | | | | | |
| Accounts payables (including related parties) | $ 1,907,884 | - | - | - | - |
| Other account payable (including related parties) | 33,409,767 | - | - | - | - |
| Long-term loans (including current portion) | 20,153,100 | - | - | - | - |
| Lease obligations payable (including current portion) | 278,148 | - | - | - | - |
| Total | $ 55,748,899 | - | - | - | - |

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

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

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

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

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

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

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

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 six-month periods ended June 30, 2017 and 2016, respectively.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
**Notes to Consolidated Financial Statements**

(v) Financial risk management

The policies and the objectives of the Group's financial risk management are consistent with those disclosed in Note 6(t) of the consolidated financial statements for the year ended December 31, 2016.

(w) Capital management

The objectives, policies, and procedures are the same as those stated in the consolidated financial statement for the year ended December 31, 2016. There were no material changes from January 1, 2017 to June 30, 2017 for similar quantitative information adopted for capital management in the Note 6(t) consolidated financial statements for the year ended December 31, 2016.

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

| Name of related party | Relationship with the Group |
|---|---|
| Nan Ya Printed Circuit Board Corp. | The Group's other related parties |
| Mai Laio Harbor Administration Corp. | The Group's other related parties |
| Formosa Heavy Industries Corporation | The Group's other related parties |
| Formosa Sumco Technology Corporation | The Group's other related parties |
| Formosa Advanced Technologies Co., Ltd. | The Group's other related parties |
| Formosa Technologies Corporation | The Group's other related parties |
| Formosa Biomedical Technology Corp. | The Group's other related parties |
| Formosa FCFC Carpet Corporation | The Group's other related parties |
| Nan Ya Plastics Corporation | The entity with significant influence over the Group |
| Inotera Memories, Inc. | A former associate (which was no longer a related-party of the Group since December 6, 2016. Its name was changed to Micron Technology Taiwan in March 2017.) |

(b) Key management personnel compensation

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Short-term employee benefits | $ 10,449 | 10,136 | 22,367 | 22,642 |
| Share-based payment | 3,001 | 3,881 | 6,002 | 3,881 |
| | $ 13,450 | 14,017 | 28,369 | 26,523 |

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

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

(c) Significant transactions with related-parties

(i) Sales to related parties

| | Sales | | | |
|---|---|---|---|---|
| | For the three-months periods ended June 30, | | For the six-months periods ended June 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Associates | $ - | 428 | - | 1,269 |
| Other related parties | - | - | 6,023 | - |
| Total | $ - | 428 | 6,023 | 1,269 |

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

(ii) Purchase from related parties

| | Purchases | | | | Accounts payable to related parties | | |
|---|---|---|---|---|---|---|---|
| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | | | | |
| | 2017 | 2016 | 2017 | 2016 | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Entities with significant influence over the Group | $ 12,239 | 136,004 | 24,553 | 177,469 | 3,871 | 17,626 | 75,119 |
| Other related parties: | | | | | | | |
| Formosa Sumco Technology Corporation | 354,040 | 236,836 | 623,602 | 492,177 | 250,956 | 147,136 | 233,120 |
| Other related parties | 3,931 | 16,500 | 12,181 | 17,143 | 373 | 421 | 16,501 |
| Total | $ 370,210 | 389,340 | 660,336 | 686,789 | 255,200 | 165,183 | 324,740 |

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

(iii) Consigned out for processing and other payable

| | Amount | | | | Other payables to related parties | | |
|---|---|---|---|---|---|---|---|
| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | | | | |
| | 2017 | 2016 | 2017 | 2016 | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Associates | $ - | - | - | 7 | - | - | - |
| Other related parties: | | | | | | | |
| Formosa Advanced Technologies Co., | 1,368,551 | 1,389,987 | 2,757,270 | 2,879,204 | 706,049 | 931,862 | 931,145 |
| Total | $ 1,368,551 | 1,389,987 | 2,757,270 | 2,879,211 | 706,049 | 931,862 | 931,145 |

(Continued)

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

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

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

| | Other receivables due from related parties | | |
|---|---|---|---|
| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Associates | $ - | - | 6,184 |

(v) Financing to related parties

| | Other payables to related parties | | |
|---|---|---|---|
| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Entities with significant influence over the Group | $ 8,000,000 | 8,000,000 | 8,000,000 |
| Other related parties | 2,053,029 | 4,742,272 | 14,026,074 |
| | $ 10,053,029 | 12,742,272 | 22,026,074 |

Interest payables under other payables—related parties as of June 30, 2017, December 31, 2016 and June 30, 2016 amounted to $11,677, $25,239 and $26,125, respectively. Please refer to Note 6(s) for details on related interest expenses.

(vi) Property transactions

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

b) Acquisition of equipment

| | Acquisition price For the six-month periods ended June 30, | | Other payables to related parties | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Other related parties: | - | - | - | - | - |
| Entities with significant influence over the Group | $ 727,713 | - | 724,068 | - | - |
| Other related parties | 99,878 | 292,751 | 162,220 | 295,485 | 180,784 |
| Total | $ 827,591 | 292,751 | 886,288 | 295,485 | 180,784 |

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(vii) Lease contracts

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

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

| | For the three-month periods ended June 30, | | For the six-month periods ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Entities with significant influence over the Group | $ 49,982 | 50,318 | 99,964 | 100,148 |

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

(viii) Contracts with related parties

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

b) 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.

c) 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 February 28, 2017. The contract has been terminated by both parties on March 1, 2017.

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

**(8) Pledged assets:**

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

| Pledged assets | Object | | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| Property, plant and equipment | Guarantee for bank loans | $ | 32,255,455 | 34,402,371 | 29,064,408 |
| Other non-current assets | Guarantee for bank loans, importation of materials and research and development's plan | $ | 314,289 | 376,630 | 391,737 |

**(9) Commitments and contingencies:**

(a) Significant commitments

| | | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| Guarantees for importation goods provided by bank | $ | 585,000 | 585,000 | 585,000 |
| Guarantees for project plan being undertaken with the Ministry of Economic Affairs provided by bank | | 28,430 | 39,700 | - |
| Unused letters of credit | | 2,574,296 | 2,031,545 | 103,139 |
| Total | $ | 3,187,726 | 2,656,245 | 688,139 |

(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 Group has engaged counsels to properly handle it to ensure the Group's rights.

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

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**

(iii) In November 2015, North Star Innovations Inc. accused Nanya Technology Corporation and its subsidiary in U.S District Court of Delaware for patent infringement. The lawsuit has been settled in February 2017 and there were no any significant impacts on the Group's operation under the settlement conditions.

(iv) In February 2016, PLL Technologies Inc. accused Nanya Technology Corporation and its 2 subsidiaries (Nanya Technology Corporation, U.S.A and Nanya Technology Corporation, Delaware), in U.S District Court of Delaware for patent infringement. The lawsuit was been settled in February 2017 and there were no any significant impacts on the Group's operation under the settlement conditions.

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

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

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to 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 (US$27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time.

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

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events:**

For the repayment of its loan, the board of directors of PEI JEN Co., Ltd. approved to increase its common stock through issuance of shares with the amount of $105,000.

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

**(12) Other:**

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

| | For the three-month periods ended June 30, 2017 | | | For the six-month periods ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Cost of goods sold | Operating expenses | Total | Cost of goods sold | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 887,606 | 480,396 | 1,368,002 | 563,171 | 344,645 | 907,816 |
| Labor and health insurance | 38,685 | 28,533 | 67,218 | 34,504 | 26,527 | 61,031 |
| Pension expenses | 21,505 | 13,400 | 34,905 | 20,609 | 9,646 | 30,255 |
| Other personnel expenses | 14,899 | 4,940 | 19,839 | 14,266 | 4,734 | 19,000 |
| Depreciation expenses | 1,909,862 | 11,388 | 1,921,250 | 1,462,972 | 14,075 | 1,477,047 |
| Amortization expenses | 13,055 | - | 13,055 | 37,011 | - | 37,011 |

| | For the six-month periods ended June 30, 2017 | | | For the six-month periods ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Cost of goods sold | Operating expenses | Total | Cost of goods sold | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 1,680,213 | 928,753 | 2,608,966 | 1,067,977 | 680,406 | 1,748,383 |
| Labor and health insurance | 76,587 | 58,123 | 134,710 | 67,450 | 52,532 | 119,982 |
| Pension expenses | 42,543 | 28,039 | 70,582 | 40,397 | 24,438 | 64,835 |
| Other personnel expenses | 29,532 | 9,876 | 39,408 | 27,955 | 9,472 | 37,427 |
| Depreciation expenses | 3,430,991 | 25,124 | 3,456,115 | 2,918,235 | 28,079 | 2,946,314 |
| Amortization expenses | 80,011 | - | 80,011 | 73,342 | - | 73,342 |

(b) Seasonality of operations

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

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six-month periods ended June 30, 2017.

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):

| 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 | |
| Pei Jen Co., Ltd | Nanya Printed Circuit Board Co. | Other related parties | Non-current available-for-sale financial assets | 2,770 | 71,048 | 0.43 % | 71,048 | - |
| The Company | Micron Technology, Inc. | - | Non-current available-for-sale financial assets | 45,766 | 41,593,061 | 4.14 % | 41,593,061 | - |
| The Company | Memoright (Cayman) Co., LTD | - | Investment in debt securities with no active market and Financial assets carried at cost | - | - | - | - | - |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300,000 or 20% of the capital stock:

| Name of company | Category and name of security | Account name | Name of counter-party | Relationship with the company | Beginning Balance | | Purchases | | Sales | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Price | Cost | Gain (loss) on disposal | Shares | Amount |
| The Company | Yuanta Wan Tai Money Market | Current available-for-sale financial assets | - | - | 133,262 | 2,000,360 | - | - | 133,262 | 2,000,770 | 2,000,000 | 770 | - | - |
| The Company | Micron Technology, Inc. | Non-current available-for-sale financial assets | - | - | 57,780 | 40,882,664 | - | - | 12,014 | 11,359,468 | 6,540,795 | 4,818,673 | 45,766 | 1,593,061 |

(v) Acquisition of individual real estate with amount exceeding the lower of $300,000 or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300,000 or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100,000 or 20% of the capital stock:

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase /Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Nanya Technology Corp., U.S.A. | Parent company | (Sale) | (1,636,998) | (6.72)% | O/A,60~90Days | - | | 619,372 | 9.03% | (Note) |
| The Company | Nanya Technology Corp., H.K. | Parent company | (Sale) | (149,176) | (0.61)% | O/A,60~90Days | - | | 71,671 | 1.04% | (Note) |
| The Company | Nanya Technology Corp., Japan | Parent company | (Sale) | (1,723,734) | (7.07)% | O/A,180ays | - | | 660,309 | 9.63% | (Note) |
| The Company | Nanya Technology Corp., Germany | Parent company | (Sale) | (1,368,492) | (5.62)% | O/A,60~90Days | - | | 599,733 | 8.74% | (Note) |
| The Company | Piece Makers Technology, Inc. | Parent company | (Sale) | (136,072) | (0.56)% | O/A,60~100Days | - | | 100,212 | 1.46% | (Note) |
| The Company | Formosa Sunco Technology Corp. | Other related parties | Purchase | 623,602 | 14.91 % | O/A60Days | - | | (250,956) | (3.56)% | - |

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

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of $100,000 or 20% of the capital stock:

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| The Company | Nanya Technology Corp., U.S.A. | Parent company | Account receivable 619,372 | 6.47 | - | - | 331,603 | - |
| The Company | Nanya Technology Corp., Japan | Parent company | Account receivable 660,309 | 6.21 | - | - | 208,559 | - |
| The Company | Nanya Technology Corp., Germany | Parent company | Account receivable 599,733 | 5.47 | - | - | 129,252 | - |
| The Company | Piece Makers Technology, Inc. | Parent company | Account receivable 100,212 | 2.27 | - | - | 33,778 | - |

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

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

(x) Business relationships and significant intercompany transactions:

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | Nanya Technology Corp | Nanya Technology Corp., U.S.A | 1 | Sales | 1,636,998 | On the basis of general conditions | 6.59% |
| 0 | 〃 | Nanya Technology Corp., U.S.A | 1 | Account receivable | 619,372 | On the basis of general conditions | 0.37% |
| 0 | 〃 | Nanya Technology Corp., Germany | 1 | Sales | 1,368,492 | On the basis of general conditions | 5.51% |
| 0 | 〃 | Nanya Technology Corp., Germany | 1 | Account receivable | 599,733 | On the basis of general conditions | 0.36% |
| 0 | 〃 | Nanya Technology Corp., Japan | 1 | Sales | 1,723,734 | On the basis of general conditions | 6.93% |
| 0 | 〃 | Nanya Technology Corp., Japan | 1 | Account receivable | 660,309 | On the basis of general conditions | 0.40% |

Note 1: Assigned numbers represent the following:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the six-month periods ended June 30, 2017 (excluding information on investees in Mainland China):

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2017 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2017 | December 31, 2016 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Nanya Technology Corp., U.S.A. | U.S.A | Sales of semiconductor products | 20,392 | 20,392 | 2 | 100.00 % | 121,252 | 2,072 | 2,072 | (Note) |
| The Company | Nanya Technology Corp., Delaware | U.S.A | Design of semiconductor products | 36,005 | 36,005 | - | 100.00 % | 130,637 | 7,038 | 7,038 | (Note) |
| The Company | Pei Jen Co., Ltd. | Taipei | Import/export business | 175,348 | 175,348 | 480 | 100.00 % | - | (742) | (742) | (Note) |
| The Company | Nanya Technology Corp., HK | Hong Kong | Sales of semiconductor products | 66,271 | 66,271 | 20 | 100.00 % | 43,922 | 2,312 | 2,312 | (Note) |
| The Company | Nanya Technology Corp., Japan | Japan | Sales of semiconductor products | 20,161 | 20,161 | 1 | 100.00 % | 139,665 | 3,539 | 3,539 | (Note) |
| The Company | Piece Makers Technology, Inc. | Hsinchu | Design of semiconductor products | 21,246 | 21,246 | 7,918 | 53.57 % | 81,775 | 30,789 | 16,495 | (Note) |
| Nanya Technology Corp., HK | Nanya Technology Corp., Germany | Germany | Import/export business | 30,056 | 30,056 | - | 100.00 % | 56,344 | 1,537 | 1,537 | (Note) |

Note: The transactions were written off in the consolidated interim financial statement.

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

| 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, 2016 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 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 | 29,979 (US$ 985 thousand) | (1) | 29,979 (US$ 985 thousand) | - | - | 29,979 (US$ 985 thousand) | (249) | 100.00% | (249) | 15,404 | - |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of June 30, 2017 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| 29,979 (US$ 985 thousand) | 29,979 (US$ 985 thousand) | 58,452,142 |

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 June 30, 2017 was USD1 : TWD 30.436.

Note 3 : 60% of net equity.

(iii) Significant transactions: None

**(14) Segment information:**

The Group's operating segments information and reconciliation are as follows:

| For the three-month periods ended June 30, 2017 | Japanese division | Manufacturing division | Others divisions | Adjustments and eliminated | Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| From external customers | $ 996,944 | 9,538,961 | 2,089,597 | - | 12,625,502 |
| From sales among intersegments | 661 | 2,839,371 | 85,821 | (2,925,853) | - |
| Total revenue | $ 997,605 | 12,378,332 | 2,175,418 | (2,925,853) | 12,625,502 |
| Reportable segment profit or loss | $ 7,968 | 7,991,924 | 23,876 | (22,248) | 8,001,520 |

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

| For the six-month periods ended June 30, 2017 | Japanese division | Manufacturing division | Others divisions | Adjustments and eliminated | Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| From external customers | $ 1,773,006 | 19,351,464 | 3,731,606 | - | 24,856,076 |
| From sales among intersegments | 661 | 5,014,471 | 159,229 | (5,174,361) | - |
| Total revenue | $ 1,773,667 | 24,365,935 | 3,890,835 | (5,174,361) | 24,856,076 |
| Reportable segment profit or loss | $ 3,538 | 11,267,222 | 47,941 | (30,713) | 11,287,988 |

(Continued)

# NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
## Notes to Consolidated Financial Statements

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

| | Japanese division | Manufacturing division | Others divisions | Adjustments and eliminated | Total |
|---|---|---|---|---|---|
| Reportable segment assets | | | | | |
| June 30, 2017 | $ 807,493 | 166,391,252 | 2,243,968 | (2,695,499) | 166,747,214 |
| December 31, 2016 | $ 599,033 | 136,709,336 | 1,758,911 | (2,090,138) | 136,977,142 |
| June 30, 2016 | $ 690,257 | 117,901,852 | 1,820,077 | (2,025,934) | 118,386,252 |

| | Japanese division | Manufacturing division | Others divisions | Adjustments and eliminated | Total |
|---|---|---|---|---|---|
| Reportable segment liabilities | | | | | |
| June 30, 2017 | $ 661,332 | 68,971,015 | 1,826,594 | (2,248,818) | 69,210,123 |
| December 31, 2016 | $ 453,227 | 51,166,518 | 1,378,046 | (1,665,796) | 51,331,995 |
| June 30, 2016 | $ 635,181 | 57,376,035 | 1,440,885 | (1,712,559) | 57,739,542 |