

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

**NANYA TECHNOLOGY CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**September 30, 2017 and 2016  
(With Independent Accountants' Review Report Thereon)**

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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.

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## 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 September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, changes in equity and cash flows for the nine-month periods ended September 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 nine-month periods ended September 30, 2017 and 2016 were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT\$2,725,672 thousand and NT\$2,339,973 thousand, representing 1.70% and 2.00%, of the Company's consolidated total assets as of September 30, 2017 and 2016, respectively; and the total liabilities amounted to NT\$212,137 thousand and NT\$684,792 thousand, representing 0.45% and 1.24% of the Company's consolidated total liabilities as of September 30, 2017 and 2016, respectively; and their comprehensive income (loss) amounted to a net income of NT\$24,395 thousand and a net income of NT\$355 thousand, as well as a net income of NT\$69,403 thousand and a net loss of NT\$131,795 thousand, representing 0.37% and 0.03%; as well as 0.31% and (3.63)% of the Company's consolidated total comprehensive income for the three-month and nine-month periods ended September 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 No.34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)

November 10, 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 International Accounting Standard No.34 “Interim Financial Reporting” 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 generally accepted auditing standards**

**Nanya Technology Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

**For the three-month and nine-month periods ended September 30, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		For the three-month period ended September 30,				For the nine-month period ended September 30,			
		2017		2016		2017		2016	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Note 7)	\$ 13,293,362	100	10,203,896	100	\$ 38,149,438	100	29,534,545	100
5000	Operating costs (Notes 6(n)(q)(s) and 7)	<u>7,411,838</u>	<u>56</u>	<u>7,032,718</u>	<u>69</u>	<u>21,823,471</u>	<u>57</u>	<u>20,427,823</u>	<u>69</u>
	Gross profit from operations	<u>5,881,524</u>	<u>44</u>	<u>3,171,178</u>	<u>31</u>	<u>16,325,967</u>	<u>43</u>	<u>9,106,722</u>	<u>31</u>
	Operating expenses (Notes 6(m)(n)(q)(s) and 7):								
6100	Selling expenses	243,104	2	169,797	2	595,164	2	495,166	2
6200	Administrative expenses	367,238	3	272,030	2	1,031,066	3	729,682	2
6300	Research and development expenses	<u>1,025,684</u>	<u>8</u>	<u>1,030,140</u>	<u>10</u>	<u>2,434,807</u>	<u>6</u>	<u>1,899,191</u>	<u>7</u>
	Total operating expenses	<u>1,636,026</u>	<u>13</u>	<u>1,471,967</u>	<u>14</u>	<u>4,061,037</u>	<u>11</u>	<u>3,124,039</u>	<u>11</u>
	Net operating income	<u>4,245,498</u>	<u>31</u>	<u>1,699,211</u>	<u>17</u>	<u>12,264,930</u>	<u>32</u>	<u>5,982,683</u>	<u>20</u>
	Non-operating income and expenses (Notes 6(g)(i)(m)(t)):								
7010	Other income	75,706	1	67,038	1	258,978	1	188,090	1
7020	Other gains and losses, net	4,343,926	33	(390,304)	(4)	7,698,605	20	(701,717)	(3)
7050	Finance costs	(106,353)	(1)	(187,320)	(2)	(375,748)	(1)	(547,090)	(2)
7060	Share of profit (loss) of associates accounted for using equity method, net	-	-	214,579	2	-	-	(622,023)	(2)
	Total non-operating income and expenses	<u>4,313,279</u>	<u>33</u>	<u>(296,007)</u>	<u>(3)</u>	<u>7,581,835</u>	<u>20</u>	<u>(1,682,740)</u>	<u>(6)</u>
7900	Profit before tax	8,558,777	64	1,403,204	14	19,846,765	52	4,299,943	14
7950	Tax expense (Note 6(o))	<u>10,419</u>	<u>-</u>	<u>1,890</u>	<u>-</u>	<u>1,519,147</u>	<u>4</u>	<u>648,859</u>	<u>2</u>
	Profit	<u>8,548,358</u>	<u>64</u>	<u>1,401,314</u>	<u>14</u>	<u>18,327,618</u>	<u>48</u>	<u>3,651,084</u>	<u>12</u>
8300	Other comprehensive income (Note 6(u)):								
8360	Items that may be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	344	-	(6,564)	-	(15,041)	-	3,174	-
8362	Unrealized (losses) gains on valuation of available-for-sale financial assets	(2,458,122)	(18)	(15,407)	-	4,795,481	13	(22,020)	-
8399	Income tax related to items that may be reclassified to profit or loss (Note 6(o))	<u>417,245</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>(815,458)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
	Total amount of items that may be reclassified subsequently to profit or loss	<u>(2,040,533)</u>	<u>(15)</u>	<u>(21,971)</u>	<u>-</u>	<u>3,964,982</u>	<u>10</u>	<u>(18,846)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 6,507,825</u>	<u>49</u>	<u>1,379,343</u>	<u>14</u>	<u>22,292,600</u>	<u>58</u>	<u>3,632,238</u>	<u>12</u>
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	\$ 8,545,521	64	1,401,674	14	18,310,486	48	3,647,236	12
8620	Profit, attributable to non-controlling interests	<u>2,837</u>	<u>-</u>	<u>(360)</u>	<u>-</u>	<u>17,132</u>	<u>-</u>	<u>3,848</u>	<u>-</u>
		<u>\$ 8,548,358</u>	<u>64</u>	<u>1,401,314</u>	<u>14</u>	<u>18,327,618</u>	<u>48</u>	<u>3,651,084</u>	<u>12</u>
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 6,504,988	49	1,379,703	14	22,275,468	58	3,628,390	12
8720	Comprehensive income, attributable to non-controlling interests	<u>2,837</u>	<u>-</u>	<u>(360)</u>	<u>-</u>	<u>17,132</u>	<u>-</u>	<u>3,848</u>	<u>-</u>
		<u>\$ 6,507,825</u>	<u>49</u>	<u>1,379,343</u>	<u>14</u>	<u>22,292,600</u>	<u>58</u>	<u>3,632,238</u>	<u>12</u>
	Earnings per share (Note 6(r))								
9750	Basic earnings per share	\$ <u>3.09</u>		<u>0.51</u>		<u>6.65</u>		<u>1.33</u>	
9810	Diluted earnings per share	<u>\$ 3.00</u>				<u>6.48</u>			

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 nine-month-periods ended September 30, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent												Total other equity interest		
	Retained earnings														
	Share capital	Equity attributable to owners of parent						Total other equity interest							
	Ordinary share	Certificate of entitlement to new shares from convertible bond	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on valuation of available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2016</b>	\$ 24,285,658	-	24,285,658	7,812,701	1,077,812	-	21,913,621	22,991,433	(11,588)	7,018	(4,570)	(347,533)	54,737,689	116,686	54,854,375
Net profit for the nine-month periods ended September 30, 2016	-	-	-	-	-	-	3,647,236	3,647,236	-	-	-	-	3,647,236	3,848	3,651,084
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	3,174	(22,020)	(18,846)	-	(18,846)	-	(18,846)
Total comprehensive income (loss)	-	-	-	-	-	-	3,647,236	3,647,236	3,174	(22,020)	(18,846)	-	3,628,390	3,848	3,632,238
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	-	1,714,117	-	(1,714,117)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	4,570	(4,570)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(7,695,984)	(7,695,984)	-	-	-	-	(7,695,984)	-	(7,695,984)
Issuance of shares	3,200,000	-	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	-	-	-	(513,063)	-	-	-	-	-	-	-	-	(513,063)	-	(513,063)
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	-	1,926	-	-	-	-	-	-	-	-	1,926	-	1,926
Recognized compensation costs on employee stock options by the company	-	-	-	183,483	-	-	-	-	-	-	-	-	183,483	-	183,483
Recognized compensation costs on employee stock options by subsidiaries	-	-	-	41	-	-	-	-	-	-	-	-	41	3	44
<b>Balance at September 30, 2016</b>	\$ 27,485,658	-	27,485,658	15,960,088	2,791,929	4,570	16,146,186	18,942,685	(8,414)	(15,002)	(23,416)	(347,533)	62,017,482	120,537	62,138,019
<b>Balance at January 1, 2017</b>	\$ 27,485,658	-	27,485,658	11,523,007	2,791,929	4,570	36,296,086	39,092,585	(16,846)	7,805,947	7,789,101	(347,533)	85,542,818	102,329	85,645,147
Net profit for the nine-month periods ended September 30, 2017	-	-	-	-	-	-	18,310,486	18,310,486	-	-	-	-	18,310,486	17,132	18,327,618
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(15,041)	3,980,023	3,964,982	-	3,964,982	-	3,964,982
Total comprehensive income (loss)	-	-	-	-	-	-	18,310,486	18,310,486	(15,041)	3,980,023	3,964,982	-	22,275,468	17,132	22,292,600
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)	-	(4,122,848)
Reversal of special reserve	-	-	-	-	-	(4,570)	4,570	-	-	-	-	-	-	-	-
Conversion of convertible bonds	24,884	1,317,617	1,342,501	8,304,615	-	-	-	-	-	-	-	-	9,647,116	-	9,647,116
Other changes in capital surplus:															
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	-	1,031	-	-	-	-	-	-	-	-	1,031	-	1,031
Recognized compensation costs on employee stock options	-	-	-	344,680	-	-	-	-	-	-	-	-	344,680	-	344,680
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	230	230
<b>Balance at September 30, 2017</b>	\$ 27,510,542	1,317,617	28,828,159	20,173,333	5,164,057	-	48,116,166	53,280,223	(31,887)	11,785,970	11,754,083	(347,533)	113,688,265	119,691	113,807,956

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 nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the nine-month period ended September 30,	
	2017	2016
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 19,846,765	4,299,943
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	5,584,274	4,424,258
Amortization expense	105,447	111,419
Net loss on financial assets or liabilities at fair value through profit or loss	8,098,329	-
Interest expense	375,748	547,090
Interest income	(258,978)	(188,090)
Dividend income	(2,216)	(2,770)
Share-based payments	344,680	183,527
Amortization costs of issuing bonds	5,739	-
Share of loss of associates accounted for using equity method	-	622,023
Gain on disposal of property, plant and equipment	(3,073)	(1,127)
Gain on disposal of financial assets in available-for-sale	(15,984,688)	(9,615)
Gain on disposal of lease payable	(63,542)	-
Impairment loss on non-financial assets	32,057	-
Unrealized foreign exchange (gain) loss	(670,339)	41,041
Total adjustments to reconcile (loss) profit	(2,436,562)	5,727,756
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable	(1,283,514)	1,006,256
Other receivable	744,282	(40,363)
Inventories	(1,098,523)	169,605
Other current assets	40,998	(26,025)
Notes and accounts payable (including related parties)	(896,294)	483,684
Other payable (including related parties)	1,214,371	(2,750)
Other current liabilities	(231,406)	297,233
Net defined benefit liability	(8,478)	(5,202)
Other non-current liabilities	(35,345)	10,570
Total changes in operating assets and liabilities	(1,553,909)	1,893,008
Cash inflow generated from operations	15,856,294	11,920,707
Interest received	137,510	188,027
Interest paid	(258,399)	(557,195)
Income taxes paid	(1,900,333)	(382,948)
Net cash flows provided by operating activities	13,835,072	11,168,591
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	-	(8,100,000)
Proceeds from disposal of available-for-sale financial assets	34,137,571	8,109,615
Acquisition of property, plant and equipment	(26,529,950)	(7,345,788)
Proceeds from disposal of property, plant and equipment	3,130	1,127
Increase in refundable deposits	(1,517)	-
Acquisition of intangible assets	-	(83,095)
Decrease in lease receivables	321,997	321,997
Decrease (increase) in other non-current assets	125,579	(9,352)
Dividends received	2,216	2,770
Net cash flows provided by (used in) investing activities	8,059,026	(7,102,726)
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	-	17,342,400
Decrease in short-term loans	-	(18,473,700)
Proceeds from issuing convertible bonds	15,604,577	-
Proceeds from long-term debt	-	7,964,000
Repayments of long-term debt	(5,400,000)	(1,200,000)
Increase in guarantee deposits received	16,301	-
Decrease in other payables to related parties	(12,643,550)	(3,497,821)
Decrease in lease payable	(4,138)	(6,200)
Proceeds from issuing shares	-	11,675,000
Change in non-controlling interests	230	-
Cash dividends paid	(4,121,817)	(7,694,058)
Net cash flows (used in) provided by financing activities	(6,548,397)	6,109,621
Effect of exchange rate changes on cash and cash equivalents	92,555	(31,183)
Net increase in cash and cash equivalents	15,438,256	10,144,303
Cash and cash equivalents at beginning of period	9,101,632	3,103,705
Cash and cash equivalents at end of period	\$ 24,539,888	13,248,008

See accompanying notes to consolidated interim financial statements.



(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)  
AS OF SEPTEMBER 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**

**September 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 nine months ended September 30, 2017 and 2016 were reported and issued by the Board of Directors on November 10, 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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

(Continued)

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IAS 39 “Financial instruments-Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

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 IFRSs 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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 Group has not yet revised its accounting processes and internal controls related to reporting financial instruments according to the new standards. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its financial instrument positions at September 30, 2017.

1) Classification and measurement—Financial assets

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

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at September 30, 2017, would have had a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. As of September 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$26,248,657 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.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### 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.

Under IFRS 9, impairment loss 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 also choose to apply this policy for trade receivables with a significant financing component.

The Group’s preliminary assessment suggests 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.

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

- 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 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” and other interpretations related to revenue.

For the sale of semiconductor products, revenue is currently recognized based on individual terms of sales contract and the related risks and rewards of ownership transfers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The 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 under specific conditions.

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

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

- (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:

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

Those which may be relevant to the Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

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.

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

**(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.

**(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 financial statements:**

Investor	The name of subsidiaries	Business activity	Stockholder's Equity			Note
			September 30, 2017	December 31, 2016	September 30, 2016	
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 %	

(Continued)

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

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 nine-month periods ended September 30, 2017 and 2016 of all the subsidiaries enumerated above were not reviewed by independent accountants.

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

(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.

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

(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.

**(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

	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
Cash on hand — pretty cash	\$ 178	150	421
Cash in bank — demand deposit account	4,232,121	2,327,842	4,100,686
Cash equivalents:			
Time deposits	17,626,957	5,829,667	9,146,901
Commercial paper	2,280,432	694,473	-
Repurchase agreements collateralized by corporate bonds	400,200	249,500	-
	<u><u>\$ 24,539,888</u></u>	<u><u>9,101,632</u></u>	<u><u>13,248,008</u></u>

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

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Financial liabilities held-for-trading :			
Derivative instruments not used for hedging	\$ 66,522	-	-
Embedded derivative-convertible bonds	<u>5,629,248</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,695,770</u>	<u>-</u>	<u>-</u>

Remeasurement at fair value recognized in profit or loss is disclosed in Notes 6(l)(t).

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:

<u>September 30, 2017</u>				
	<u>Contract Amount (in thousand)</u>		<u>Currency</u>	<u>Maturity dates</u>
Forward exchange contract:				
Non-delivery forward purchased	US\$ 500,000		US\$ to TWD	2018.3.20~2018.3.22

(c) Available-for-sale financial assets

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Domestic money market fund	\$ -	2,000,360	-
Foreign listed stock	26,181,349	40,882,664	-
Domestic listed stock	<u>67,308</u>	<u>68,278</u>	<u>70,909</u>
	<u>\$ 26,248,657</u>	<u>42,951,302</u>	<u>70,909</u>
Current	<u>\$ -</u>	<u>2,000,360</u>	<u>-</u>
Non-Current	<u>\$ 26,248,657</u>	<u>40,950,942</u>	<u>70,909</u>

(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 September 30, 2017, December 31, 2016 and September 30, 2016.

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

(e) Notes and accounts receivable and other receivables

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	\$ 4,584	-	-
Accounts receivable	7,089,546	5,778,002	4,432,219
Other receivables (including related parties)	4,603,599	1,973,908	1,674,867
Less : allowance for doubtful receivables	<u>(9,040)</u>	<u>(9,284)</u>	<u>(10,428)</u>
	<u><u>\$ 11,688,689</u></u>	<u><u>7,742,626</u></u>	<u><u>6,096,658</u></u>

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

	Neither past due nor impaired	Past due but not impaired			
		Within 30 days	31 to 60 days	over 61 days	total
September 30, 2017	\$ 11,572,460	116,229	-	-	11,688,689
December 31, 2016	7,722,187	12,843	334	7,262	7,742,626
September 30, 2016	6,049,258	39,737	7,663	-	6,096,658

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	<u>(244)</u>
Balance as of September 30, 2017	<u><u>\$ 9,040</u></u>
Balance as of January 1, 2016	\$ 9,177
Foreign exchange loss	<u>1,251</u>
Balance as of September 30, 2016	<u><u>\$ 10,428</u></u>

(f) Inventories

	September 30, 2017	December 31, 2016	September 30, 2016
Raw materials	\$ 354,642	217,708	333,289
Work in progress	4,283,247	2,712,196	2,905,494
In-transit inventory	1,283,312	1,893,102	2,470,917
Merchandise	<u>26,814</u>	<u>26,486</u>	<u>70,035</u>
Total	<u><u>\$ 5,948,015</u></u>	<u><u>4,849,492</u></u>	<u><u>5,779,735</u></u>

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

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 nine-month periods ended September 30, 2017 and 2016, respectively.

(g) Investments accounted for using equity method

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

	September 30, 2017	December 31, 2016	September 30, 2016
Associates	\$ -	-	31,698,994

(i) Associates

The Group's capital surplus—equity of associates accounted for using equity method increased by \$11,859 due to the recognition of the costs of employee stock options of Inotera Memories, Inc. for the nine-month period ended September 30, 2016.

On February 23, May 10, and August 9, 2016 the Group's capital surplus—equity of associates accounted for using equity method decreased by \$75,456 due to the increase in capital injection of 26,179 thousand shares of Inotera Memories, Inc., without purchasing in proportion to the original shareholding percentage.

On September 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:

Associates	Relationship	Registration Country	Percentage of ownership		
			September 30, 2017	December 31, 2016	September 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:

	September 30, 2016
Inotera Memories, Inc.	\$ 44,063,453

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**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:

	<b>September 30, 2016</b>	
Current assets	\$	33,005,591
Non-current assets		121,423,475
Current liabilities		(14,101,592)
Non-current liabilities		(9,148,615)
Net asset	\$	<u>131,178,859</u>
	<b>For the three- month period ended September 30, 2016</b>	<b>For the nine- month period ended September 30, 2016</b>
Operating Revenue	\$ <u>13,891,682</u>	<u>36,288,397</u>
Profit (Loss)	\$ 885,967	(2,561,893)
Other comprehensive loss	(2,215)	(371)
Total comprehensive income (loss)	\$ <u>883,752</u>	<u>(2,562,264)</u>
Total comprehensive income (loss) distributed to the Group	\$ <u>214,579</u>	<u>(622,023)</u>
		<b>For the nine- month period ended September 30, 2016</b>
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 nine-month period ended September 30,		(622,023)
Share of the equity of the associate as of September 30,		32,211,944
Add: Realized profit on disposal of fixed assets		203
Recognition compensation costs of employee stock options		11,859
Less: Capital surplus due to acquisition of shares not proportionate to original holding ratio		(524,922)
Others		(90)
Ending carrying amount of equity of a significant associate as of September 30,	\$	<u>31,698,994</u>

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

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).

(h) Property, plant and equipment

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

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Under construction</u>	<u>Total</u>
<b>Cost:</b>						
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	-	-	640,756	41,675	25,426,918	26,109,349
Disposals	-	-	(334,624)	(21,424)	-	(356,048)
Derecognized lease assets	-	-	-	(345,636)	-	(345,636)
Reclassification	-	3,292,011	26,025,063	43,389	(29,360,463)	-
Effect of exchange rate change	-	(50)	(1,459)	1,008	-	(501)
Balance as of September 30, 2017	<u>\$ 1,013,924</u>	<u>7,489,523</u>	<u>151,545,022</u>	<u>1,150,516</u>	<u>21,640,730</u>	<u>182,839,715</u>
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	-	-	288,032	18,997	9,813,888	10,120,917
Disposals	-	-	(115,514)	(27,769)	-	(143,283)
Reclassification	-	673	212,419	4,580	(217,672)	-
Effect of exchange rate change	-	271	(1,270)	(580)	-	(1,579)
Balance as of September 30, 2016	<u>\$ 1,013,924</u>	<u>4,198,484</u>	<u>124,927,827</u>	<u>1,423,230</u>	<u>10,871,419</u>	<u>142,434,884</u>
<b>Accumulated depreciation / impairment:</b>						
Balance as of January 1, 2017	\$ -	1,450,874	86,921,615	1,142,725	-	89,515,214
Depreciation for the period	-	152,994	5,399,999	31,281	-	5,584,274
Impairment loss	-	-	32,735	(678)	-	32,057
Disposals	-	-	(334,624)	(21,367)	-	(355,991)
Derecognized lease assets	-	-	-	(136,693)	-	(136,693)
Reclassification	-	-	(38,998)	38,998	-	-
Effect of exchange rate change	-	(30)	(701)	820	-	89
Balance as of September 30, 2017	<u>\$ -</u>	<u>1,603,838</u>	<u>91,980,026</u>	<u>1,055,086</u>	<u>-</u>	<u>94,638,950</u>
Balance as of January 1, 2016	\$ -	1,290,719	80,274,330	1,130,254	-	82,695,303
Depreciation for the period	-	120,122	4,264,740	39,396	-	4,424,258
Disposals	-	-	(115,514)	(27,769)	-	(143,283)
Reclassification	-	673	267	(940)	-	-
Effect of exchange rate change	-	135	(1,794)	430	-	(1,229)
Balance as of September 30, 2016	<u>\$ -</u>	<u>1,411,649</u>	<u>84,422,029</u>	<u>1,141,371</u>	<u>-</u>	<u>86,975,049</u>
<b>Carrying amounts:</b>						
Balance as of September 30, 2017	<u>\$ 1,013,924</u>	<u>5,885,685</u>	<u>59,564,996</u>	<u>95,430</u>	<u>21,640,730</u>	<u>88,200,765</u>
Balance as of December 31, 2016	<u>\$ 1,013,924</u>	<u>2,746,688</u>	<u>38,293,671</u>	<u>288,779</u>	<u>25,574,275</u>	<u>67,917,337</u>
Balance as of September 30, 2016	<u>\$ 1,013,924</u>	<u>2,786,835</u>	<u>40,505,798</u>	<u>281,859</u>	<u>10,871,419</u>	<u>55,459,835</u>

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

(i) Property, plant and equipment under construction

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2017	2016	2017	2016
Capitalized interest amounts	\$ <u>55,171</u>	<u>-</u>	<u>163,901</u>	<u>-</u>
Capitalized interest rates	<u>1.79%~1.97%</u>	<u>-</u>	<u>1.79%~1.98%</u>	<u>-</u>

(ii) Secured

Please refer to Note 8 for details of the long-term borrowings and the amount of the guarantee as of September 30, 2017, December 31, 2016 and September 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 nine-month periods ended September 30, 2017 and 2016, the Group recognized the interest revenue of \$36,675, \$43,669, \$115,431 and \$135,878, respectively, from the amortization of unrealized interest revenue.

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

The details of lease receivables were as follows:

	September 30, 2017			December 31, 2016			September 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	127,546	301,784	429,330	150,240	279,090	429,330	157,419	271,911
Between one and five years	1,098,570	288,425	810,145	1,222,320	352,504	869,816	1,263,570	374,878	888,692
More than five years	330,413	16,567	313,846	528,660	45,223	483,437	594,743	57,659	537,084
Sub-total	<u>\$ 1,858,313</u>	<u>432,538</u>	<u>1,425,775</u>	<u>2,180,310</u>	<u>547,967</u>	<u>1,632,343</u>	<u>2,287,643</u>	<u>589,956</u>	<u>1,697,687</u>
Current			\$ 301,784			279,090			271,911
Non-current			1,123,991			1,353,253			1,425,776
			<u>\$ 1,425,775</u>			<u>1,632,343</u>			<u>1,697,687</u>

(j) Short-term borrowings

(i) Short-term borrowings consisted of the following :

	<b>September 30, 2016</b>
Unsecured short-term borrowings	<u>2,174,700</u>
Interest rate	<u>1.1%</u>

(ii) Issuance and redemption of borrowings

	<b>For the nine-month period ended September 30, 2016</b>
Balance as of January 1	\$ 3,306,000
New issuance during the period.	17,342,400
Repayments during the period.	<u>(18,473,700)</u>
Balance as of September 30	<u>\$ 2,174,700</u>
Annual interest rate	<u>1.1 %</u>
Due date	<u>October 30, 2016</u>

(k) Long-term borrowings

	September 30, 2017			
	Currency	Interest rate range	Expiration	Amount
Secured bank borrowings	TWD	1.7895%	2019~2021	\$ 17,570,350
Less: Current portion of long-term borrowings				<u>(7,188,833)</u>
Total				<u>\$ 10,381,517</u>
Unused long term of credit				<u>\$ 1,600,000</u>

(Continued)



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

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

  

<b>September 30, 2016</b>				
	<b>Currency</b>	<b>Interest rate range</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank borrowings	TWD	1.7895%~2.1924%	2019~2021	\$ 19,956,550
Less: Current portion of long-term borrowings				<u>(4,795,500)</u>
Total				<u><b>\$ 15,161,050</b></u>
Unused long term of credit				<u><b>\$ 10,040,000</b></u>

(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 September 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%.

(Continued)

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

- 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 of and 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 September 30, 2017, the application for the appropriation of loans amounted to \$12,000,000; and the Group repaid the amount of \$4,800,000 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 of and 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.

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

(1) Bonds Payable

	<b>September 30, 2017</b>
Issuance of unsecured overseas convertible bonds	\$ 15,218,000
Unamortized discount on bonds payable	(595,459)
Conversion of convertible bonds to ordinary shares	(6,605,319)
Balance at end of period	<u><u>\$ 8,017,222</u></u>

	<b>For the three- month period ended September 30, 2017</b>	<b>For the nine- month period ended September 30, 2017</b>
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included other gain and losses)	\$ <u><u>6,862,834</u></u>	<u><u>8,031,807</u></u>

<b>Item</b>	<b>The first unsecured overseas convertible bond</b>
1.Issue amount	US\$ 500,000 thousand
2.Issue par value	US\$ 200 thousand
3.Issue period	2017.1.24~2022.1.24
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).  (B)Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange.  (C)Each bondholder may redeem in advance, in whole or in part, the convertible bonds if the Company meets all the conditions on the changes in its rights of control in the contract.

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

<u>Item</u>	<u>The first unsecured overseas convertible bond</u>
9.Call option of issuer	<p>(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.</p> <p>(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.</p> <p>(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.</p>

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

(m) 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, \$930, \$620, and \$2,789 were fully paid and recognized for the three-month and nine-month periods ended September 30, 2017 and 2016, respectively.

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

- (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:

	September 30, 2017			December 31, 2016			September 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	15,996	8,702
Between one and five years	-	-	-	98,792	57,807	40,985	98,792	58,404	40,388
More than five years	-	-	-	321,071	96,963	224,108	327,246	100,285	226,961
Subtotal	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>444,561</u>	<u>170,638</u>	<u>273,923</u>	<u>450,736</u>	<u>174,685</u>	<u>276,051</u>
Current			\$ -			8,830			8,702
Non-current			-			265,093			267,349
			<u>\$ -</u>			<u>273,923</u>			<u>276,051</u>

- (n) 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 Group's pension costs recognized in period or loss were as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Cost of goods sold	\$ 2,019	2,988	5,863	8,846
Operating expenses	856	1,275	2,562	3,944
Total	<u>\$ 2,875</u>	<u>4,263</u>	<u>8,425</u>	<u>12,790</u>

(Continued)

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

(ii) Defined contribution plan

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Cost of goods sold	\$ 20,306	18,236	59,005	52,775
Operating expenses	6,943	14,907	33,276	36,676
Total	<u>\$ 27,249</u>	<u>33,143</u>	<u>92,281</u>	<u>89,451</u>

(o) Income tax

The components of income tax were as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Current tax expense (income)	\$ 1,822	1,722	8,294	(111,273)
Adjustment for prior periods	8,597	-	8,597	-
10% surtax on undistributed earnings	-	-	1,502,256	759,822
Deferred tax expense	-	168	-	310
Tax expense	<u>\$ 10,419</u>	<u>1,890</u>	<u>1,519,147</u>	<u>648,859</u>

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Subsequent items that may be reclassified to profit and loss:				
Unrealized (gains) losses on available-for-sale financial assets	<u>\$ (417,245)</u>	<u>-</u>	<u>815,458</u>	<u>-</u>

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

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated retained earnings in 1998 and thereafter	\$ <u>48,116,166</u>	<u>36,296,086</u>	<u>16,146,186</u>
Imputation credit account balance	\$ <u>1,729,647</u>	<u>240,380</u>	<u>229,666</u>
		<u>2016(actual)</u>	<u>2015(actual)</u>
Tax deduction ratio for earnings distribution to ROC residents		<u>5.77 %</u>	<u>1.83 %</u>

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.

(p) Capital and other equity

Except as described below, there was no material change in equity for the nine-month periods ended September 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) Ordinary share

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

On March 22, 2012 and October 24, 2012, the Company's board of directors approved to increase the Company's capital through carrying out a private placement of ordinary 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 ordinary shares and 529,856 thousand ordinary 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.

For the three-month periods ended September 30, 2017, the overseas convertible bondholders exercised some of their conversion rights and the Company issued 2,488 thousand ordinary shares and 131,762 thousand shares of certificates of entitlement at a par value which totaled \$1,342,501. The process for the registration of 2,488 thousand ordinary shares had been completed.

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

(ii) Capital surplus

	September 30, 2017	December 31, 2016	September 30, 2016
Change in recognized shares of associates accounted for using equity method	\$ -	-	4,548,542
Employee stock option plans	2,012,141	1,667,461	1,556,000
Premium from the issuance of stock	18,156,861	9,852,246	9,852,246
Other	<u>4,331</u>	<u>3,300</u>	<u>3,300</u>
	<u><u>\$ 20,173,333</u></u>	<u><u>11,523,007</u></u>	<u><u>15,960,088</u></u>

(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.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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2) Earnings 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:

		<b>For the year ended December 31, 2016</b>	
		<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	1.50	<u><u>4,122,848</u></u>
		<b>For the year ended December 31, 2015</b>	
		<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	2.80	<u><u>7,695,984</u></u>

(iv) Treasury shares

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

	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2017</b>
Numbers of shares at January 1 and December 31,	<u><u>687</u></u>	<u><u>687</u></u>	<u><u>687</u></u>
Ending balance as of September 30,	<u><u>\$ 347,533</u></u>	<u><u>347,533</u></u>	<u><u>347,533</u></u>
Book value per share	<u><u>\$ 505.46</u></u>	<u><u>505.46</u></u>	<u><u>505.46</u></u>
Price per share (dollars)	<u><u>\$ 86.30</u></u>	<u><u>48.30</u></u>	<u><u>39.25</u></u>

As of September 30, 2017, December 31 and September 30, 2016, none of the Company'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.

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**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	(15,041)	-
Unrealized gains on available-for-sale financial assets:		
The Company	-	3,980,992
The Subsidiaries	-	(969)
Balance at September 30, 2017	<u>\$ (31,887)</u>	<u>11,785,970</u>
Balance at January 1, 2016	\$ (11,588)	7,018
Exchange differences on translation of foreign financial statements, net of tax:		
The Company	3,174	-
Unrealized gains Company on available for sale financial assets:		
The Company	-	(1,768)
The Subsidiaries	-	(20,252)
Balance at September 30, 2016	<u>\$ (8,414)</u>	<u>(15,002)</u>

(q) Share-based payment

Except as described below, there was no material change on the share-based payment transactions for the nine-month periods ended September 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 nine-month period ended September 30,			
	2017		2016	
	Weighted- average exercise (price TWD)	Number of options (Units)	Weighted- average exercise (price TWD)	Number of options (Units)
Outstanding at January 1,	36.37	162,030	42.79	71,846
Options granted	-	-	35.33	100,000
Options forfeited	35.14	(5,180)	37.55	(502)
Outstanding at September 30,	35.33	<u>156,850</u>	36.89	<u>171,344</u>
Options exercisable at September 30,	36.90	<u>61,363</u>	39.06	<u>71,523</u>

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**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 period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Compensation cost arising from share options granted to employees	\$ <u>114,893</u>	<u>110,760</u>	<u>344,680</u>	<u>183,527</u>

(r) Earnings per share

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
<b>Basic earnings per share:</b>				
Net income attributable to the Company	\$ <u>8,545,521</u>	<u>1,401,674</u>	<u>18,310,486</u>	<u>3,647,236</u>
Weighted-average number of ordinary shares outstanding (basic)	<u>2,764,244</u>	<u>2,747,878</u>	<u>2,753,427</u>	<u>2,732,696</u>
Basic earnings per share (dollars)	\$ <u>3.09</u>	<u>0.51</u>	<u>6.65</u>	<u>1.33</u>
<b>Diluted earnings per share:</b>				
Net income attributable to the Company (basic)	\$ <u>8,545,521</u>		<u>18,310,486</u>	
Effect of potentially dilutive ordinary shares				
Weighted-average number of ordinary shares (basic)	2,764,244		2,753,427	
Effect of employee stock option	72,968		56,872	
Effect of employee remuneration	<u>12,802</u>		<u>15,227</u>	
Weighted-average number of ordinary shares (diluted)	<u>2,850,014</u>		<u>2,825,526</u>	
Diluted earnings per share (dollars)	\$ <u>3.00</u>		<u>6.48</u>	

Because of the convertible bonds for the three-month and nine-month periods ended September 30, 2017 were anti-dilutive, no diluted earnings per share were calculated.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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Because the average market price of the shares of stock if the employee stock options are exercised during the three-month and nine-month periods ended September 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.

(s) 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 \$461,650, \$46,510, \$1,104,825 and \$138,331 for the three-month and nine-month periods ended September 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.

(t) Non-operating income and expenses

(i) Other income

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Bank deposits and short-term notes	\$ 39,031	23,369	143,547	52,212
Financial leases	36,675	43,669	115,431	135,878
	<u>\$ 75,706</u>	<u>67,038</u>	<u>258,978</u>	<u>188,090</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(ii) Other gains and losses

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Foreign exchange gains (losses)	\$ 108,736	(448,352)	(551,653)	(853,063)
Financial liabilities at fair value through profit or loss, net loss	(6,970,995)	-	(8,098,329)	-
Gain on disposal of lease payable	-	-	63,542	-
Impairment loss on non-financial assets	-	-	(32,057)	-
Dividend income	2,216	2,770	2,216	2,770
Gain on disposal of available-for-sale financial assets	11,165,245	7,123	15,984,688	9,615
Gain on disposals of property, plant and equipment	3,028	308	3,073	1,127
Others	35,696	47,847	327,125	137,834
	<u>\$ 4,343,926</u>	<u>(390,304)</u>	<u>7,698,605</u>	<u>(701,717)</u>

(iii) Finance costs

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Bank loans	\$ 85,534	104,992	287,115	291,683
Financial from entities with significant influence over the Group	14,012	28,356	69,898	87,495
Financing interest from other related parties	6,105	49,758	22,857	155,257
Lease payments	-	4,077	2,700	12,324
Amortization interest of overseas convertible bond	55,896	-	156,941	-
Less: Capitalization of interest	(55,171)	-	(163,901)	-
Others	(23)	137	138	331
	<u>\$ 106,353</u>	<u>187,320</u>	<u>375,748</u>	<u>547,090</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(u) Reclassification adjustment of other comprehensive income

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

	For the three- month period ended September 30, 2017	For the nine- month period ended September 30, 2017
Available- for-sale financial assets		
Net change in fair value	\$ (13,206,121)	(12,004,665)
Net change in fair value reclassified to profit or loss	<u>11,165,245</u>	<u>15,984,688</u>
Net change in fair value recognized in other comprehensive income	<u><u>\$ (2,040,876)</u></u>	<u><u>3,980,023</u></u>

(v) 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
<b>September 30, 2017</b>							
Derivative financial liabilities	\$ 5,695,770	-	-	-	-	-	-
Non-derivative financial liabilities							
Secured bank loans	17,570,350	18,080,076	4,948,259	2,505,899	9,011,798	1,614,120	-
Accounts payable (including related parties)	4,686,727	4,686,727	4,686,727	-	-	-	-
Other payable (including related parties)	5,985,958	5,985,958	5,985,958	-	-	-	-
Financing from other related parties	98,722	101,488	1,383	100,105	-	-	-
Bonds payable	<u>8,017,222</u>	<u>9,163,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,163,908</u>	<u>-</u>
	<u><u>\$ 42,054,749</u></u>	<u><u>38,018,157</u></u>	<u><u>15,622,327</u></u>	<u><u>2,606,004</u></u>	<u><u>9,011,798</u></u>	<u><u>10,778,028</u></u>	<u><u>-</u></u>
<b>December 31, 2016</b>							
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	-
Accounts payable (including related parties)	5,608,738	5,608,738	5,608,738	-	-	-	-
Other payable (including 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	<u>273,923</u>	<u>444,561</u>	<u>12,349</u>	<u>12,349</u>	<u>24,698</u>	<u>74,093</u>	<u>321,072</u>
	<u><u>\$ 46,818,748</u></u>	<u><u>48,368,976</u></u>	<u><u>16,511,497</u></u>	<u><u>15,553,030</u></u>	<u><u>10,990,148</u></u>	<u><u>4,993,229</u></u>	<u><u>321,072</u></u>

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**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
<b>September 30, 2016</b>							
Non-derivative financial liabilities							
Secure bank loans	\$ 19,956,500	20,834,365	2,589,872	2,564,253	5,051,647	10,628,593	-
Unsecured bank loans	2,174,700	2,176,590	2,176,590	-	-	-	-
Accounts payable (including related parties)	4,812,025	4,812,025	4,812,025	-	-	-	-
Other payable (including related parties)	3,915,265	3,915,265	3,915,265	-	-	-	-
Entities with significant influence over the Group	8,000,000	8,116,112	-	8,116,112	-	-	-
Financing from other related parties	14,030,120	14,238,309	-	14,238,309	-	-	-
Finance lease liabilities	276,051	450,737	12,349	12,349	24,698	74,094	327,247
	<u>\$ 53,164,661</u>	<u>54,543,403</u>	<u>13,506,101</u>	<u>24,931,023</u>	<u>5,076,345</u>	<u>10,702,687</u>	<u>327,247</u>

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:

September 30, 2017				December 31, 2016			September 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	\$ 899,505	30.305	27,259,499	410,185	32.279	13,240,362	243,993	31.366	7,653,084
JPY	3,706,957	0.2695	999,025	2,000,329	0.2768	553,691	566,401	0.3109	176,094
EUR	23	35.8104	824	85	33.846	2,877	58	35.2519	2,045
Financial liabilities:									
Monetary items									
USD	394,277	30.305	11,948,564	126,394	32.279	4,079,872	92,689	31.366	2,907,283
JPY	2,909,899	0.2695	784,218	4,127,546	0.2768	1,142,505	904,796	0.3109	281,301
EUR	5,266	35.8104	188,578	3,884	33.846	131,458	2,102	35.2519	74,108

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable, other payable and bonds payable which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of September 30, 2017 and 2016 would have increased the net income before tax by \$153,380 and \$45,685 for the nine-month periods ended September 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.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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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 nine-month periods ended September 30, 2017 and 2016, foreign exchange loss (including realized and unrealized portions) amounted to \$551,653 and \$853,063, 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 \$176,691 and \$441,613 for the nine-month periods ended September 30, 2017 and 2016, respectively.

3) Other price risk

For the nine-month periods ended September 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 nine-month period ended September 30,	
	2017	2016
Prices of securities at the reporting date	Other comprehensive income after tax	Other comprehensive income after tax
increase 1%	\$ 217,978	709
decrease 1%	(217,978)	(709)

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(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 :

	September 30, 2017				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets:					
Foreign listed stock	\$ 26,181,349	26,181,349	-	-	26,181,349
Domestic listed stock	<u>67,308</u>	<u>67,308</u>	<u>-</u>	<u>-</u>	<u>67,308</u>
Subtotal	<u>26,248,657</u>	<u>26,248,657</u>	<u>-</u>	<u>-</u>	<u>26,248,657</u>
Loans and receivables :					
Cash and cash equivalents	24,539,888	-	-	-	-
Notes and account receivables , net	7,085,090	-	-	-	-
Other receivables	4,301,815	-	-	-	-
Lease payments receivable (including current portion)	<u>1,425,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>37,352,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 63,601,225</u>	<u>26,248,657</u>	<u>-</u>	<u>-</u>	<u>26,248,657</u>
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 5,695,770	-	5,695,770	-	5,695,770
Financial liabilities measured at amortized cost :					
Accounts payable (including related parties)	4,686,727	-	-	-	-
Other payables (including related parties)	6,084,680	-	-	-	-
Bonds payable	8,017,222	-	8,567,895	-	8,567,895
Long-term borrowings (including current portion)	<u>17,570,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>36,358,979</u>	<u>-</u>	<u>8,567,895</u>	<u>-</u>	<u>8,567,895</u>
Total	<u>\$ 42,054,749</u>	<u>-</u>	<u>14,263,665</u>	<u>-</u>	<u>14,263,665</u>

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

December 31, 2016					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets:					
Domestic money market fund	\$ 2,000,360	-	2,000,360	-	2,000,360
Foreign private equity	40,882,664	40,882,664	-	-	40,882,664
Domestic listed stock	68,278	68,278	-	-	68,278
Subtotal	<u>42,951,302</u>	<u>40,950,942</u>	<u>2,000,360</u>	<u>-</u>	<u>42,951,302</u>
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	<u>18,197,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><b>\$ 61,148,835</b></u>	<u><b>40,950,942</b></u>	<u><b>2,000,360</b></u>	<u><b>-</b></u>	<u><b>42,951,302</b></u>
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	<u><b>\$ 46,818,748</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

  

September 30, 2016					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets:					
Domestic Listed stocks	\$ 70,909	70,909	-	-	70,909
Financial assets carried at cost	9,340	-	-	9,340	9,340
Subtotal	<u>80,249</u>	<u>70,909</u>	<u>-</u>	<u>9,340</u>	<u>80,249</u>
Loans and receivables :					
Cash and cash equivalents	13,248,008	-	-	-	-
Account receivables , net (including related parties)	4,421,791	-	-	-	-
Other receivables(including related parties)	1,402,956	-	-	-	-
Investment in debt instruments without active markets	181,280	-	-	181,280	181,280
Lease payments receivable (including current portion)	1,697,687	-	-	-	-
Subtotal	<u>20,951,722</u>	<u>-</u>	<u>-</u>	<u>181,280</u>	<u>181,280</u>
Total	<u><b>\$ 21,031,971</b></u>	<u><b>70,909</b></u>	<u><b>-</b></u>	<u><b>190,620</b></u>	<u><b>261,529</b></u>

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		September 30, 2016			
		Fair Value			Total
	Book Value	Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 2,174,700	-	-	-	-
Accounts payables (including related parties)	4,812,025	-	-	-	-
Other account payable (including related parties)	25,945,385	-	-	-	-
Long-term loans (including current portion)	19,956,550	-	-	-	-
Lease obligations payable (including current portion)	276,051	-	-	-	-
Total	<u>\$ 53,164,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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- 4) There were no transfers from financial assets and liabilities for the nine-month periods ended September 30, 2017 and 2016, respectively.

(w) Financial risk management

The policies and the objectives of the Group's financial risk management are consistent with those disclosed in Note 6(u) of the consolidated financial statements for the year ended December 31, 2016.

(x) 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 September 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.

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

The Group's investing and financing activities on non-cash transactions for the nine-month periods ended September 30, 2017 and 2016 were as follows:

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

	For the nine-months period ended September 30,	
	2017	2016
Conversion of convertible bonds to ordinary shares	\$ <u>6,066,914</u>	<u>-</u>

**(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 Photonics Incorporation	The Group's other related parties
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 Petrochemical Corporation	The Group's other related parties

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

Name of related party	Relationship with the Group
Formosa Chemicals & Fibre Corporation	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa FCFC Carpet Corporation	The Group's other related parties
Formosa Heavy Industries Corp. (GZ) Ltd.	The Group's other related parties
Formosa Transportation (Ningbo) Corp.	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 period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Short-term employee benefits	\$ 20,223	21,390	42,590	44,032
Share-based payment	3,001	5,821	9,003	9,702
	<u>\$ 23,224</u>	<u>27,211</u>	<u>51,593</u>	<u>53,734</u>

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

(c) Significant transactions with related-parties

(i) Sales to related parties

	Sales			
	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
Associates	\$ -	-	-	1,269
Other related parties	-	-	6,023	-
Total	<u>\$ -</u>	<u>-</u>	<u>6,023</u>	<u>1,269</u>

The selling prices and collection terms for the sales to associates 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.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(ii) Purchases from related parties

	Purchases				Accounts payable to related parties		
	For the three-month period ended September 30,		For the nine-month period ended September 30,		September 30, 2017	December 31, 2016	September 30, 2016
	2017	2016	2017	2016			
Entities with significant influence over the Group \$	14,152	84,828	38,705	262,297	4,762	17,626	50,153
Other related parties:							
Formosa Sumco Technology Corporation	373,750	235,651	997,352	727,828	261,937	147,136	146,211
Other related parties	11,571	39	23,752	17,182	1,489	421	2,475
Total	<u>\$ 399,473</u>	<u>320,518</u>	<u>1,059,809</u>	<u>1,007,307</u>	<u>268,188</u>	<u>165,183</u>	<u>198,839</u>

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 period ended September 30,		For the nine-month period ended September 30,		September 30, 2017	December 31, 2016	September 30, 2016
	2017	2016	2017	2016			
Associates	\$ -	-	-	7	-	-	-
Other related parties:							
Formosa Advanced Technologies Co.,	1,247,306	1,372,189	4,004,576	4,251,393	725,670	931,862	919,612
Total	<u>\$ 1,247,306</u>	<u>1,372,189</u>	<u>4,004,576</u>	<u>4,251,400</u>	<u>725,670</u>	<u>931,862</u>	<u>919,612</u>

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		
	September 30, 2017	December 31, 2016	September 30, 2016
Associates	<u>\$ -</u>	<u>-</u>	<u>26,418</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(v) Financing to related parties

	<b>Other payables to related parties</b>		
	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
Entities with significant influence over the Group	\$ -	8,000,000	8,000,000
Other related parties	98,722	4,742,272	14,030,120
	<u>\$ 98,722</u>	<u>12,742,272</u>	<u>22,030,120</u>

Interest payables under other payables—related parties as of September 30, 2017, December 31, 2016 and September 30, 2016 amounted to \$1,206, \$25,239 and \$25,733, respectively. Please refer to Note 6(t) 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 \$68 and \$203 as of the three-month and nine-month periods ended September 30, 2016; and the unrealized profit on disposal of assets, which is a deduction of investment under equity method, amounted to \$100,935 as of September 30, 2016.
- b) Acquisition of equipment

	<b>Acquisition price</b>		<b>Other payables to related parties</b>		
	<b>For the nine-month period ended September 30,</b>		<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
	<b>2017</b>	<b>2016</b>			
Entities with significant influence over the Group	\$ 727,713	-	73,754	-	-
Other related parties	114,325	1,008,621	97,200	295,485	639,779
Total	<u>\$ 842,038</u>	<u>1,008,621</u>	<u>170,954</u>	<u>295,485</u>	<u>639,779</u>

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

(vii) Lease contracts

- 1) Please refer to Note 6(i) and 6(m) 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 period ended		For the nine-month period ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Entities with significant influence over the Group	\$ 49,958	50,318	149,922	150,466

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.

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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**(8) Pledged assets:**

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

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Property, plant and equipment	Guarantee for bank loans	\$ <u>31,208,250</u>	<u>34,402,371</u>	<u>28,205,749</u>
Other non-current assets	Guarantee for bank loans, importation of materials and research and development's plan	\$ <u>236,680</u>	<u>376,630</u>	<u>378,654</u>

**(9) Commitments and contingencies:**

**(a) Significant commitments**

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Guarantees for importation goods provided by bank	\$ 595,000	585,000	585,000
Guarantees for project plan being undertaken with the Ministry of Economic Affairs provided by bank	33,440	39,700	-
Unused letters of credit	<u>625,663</u>	<u>2,031,545</u>	<u>103,139</u>
Total	\$ <u>1,254,103</u>	<u>2,656,245</u>	<u>688,139</u>

**(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.

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

- (iii) In October 2016, Lone Star Silicon Innovations LLC. accused Nanya Technology Corporation and its 2 subsidiaries, Nanya Technology Corporation, U.S.A and Nanya Technology Corporation, Delaware, in U.S District Court of East Texas for patent infringement, the lawsuit has been handed over to the U.S District Court of Northern California. The Company has engaged counsels to properly handle it to ensure the Group's rights.
- (iv) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Inotera Memories, Inc. (IMI). Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:
  - 1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US\$5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of \$850,000 thousand (US\$27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of September 30, 2017, the payment amounting to \$27,000 (USD900 thousand) had been recognized by the Company.
  - 2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

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

**(11) Subsequent Events:**

For the repayment of its loan and improvement of its financial structure, PEI JEN Co., Ltd. sold the entire 687 thousand shares of the Company on October 11, 2017. Also, the process for the transaction thereof had been completed.

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**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 period ended September 30, 2017			For the three-month period ended September 30, 2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	954,921	538,745	1,493,666	646,059	409,456	1,055,515
Labor and health insurance	40,165	29,961	70,126	35,499	26,423	61,922
Pension expenses	22,325	7,799	30,124	21,224	16,182	37,406
Other personnel expenses	15,629	5,093	20,722	14,673	4,833	19,506
Depreciation expenses	2,116,985	11,174	2,128,159	1,464,460	13,484	1,477,944
Amortization expenses	25,436	-	25,436	38,077	-	38,077

	For the nine-month period ended September 30, 2017			For the nine-month period ended September 30, 2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	2,635,134	1,467,498	4,102,632	1,714,036	1,089,862	2,803,898
Labor and health insurance	116,752	88,084	204,836	102,949	78,955	181,904
Pension expenses	64,868	35,838	100,706	61,621	40,620	102,241
Other personnel expenses	45,161	14,969	60,130	42,628	14,305	56,933
Depreciation expenses	5,547,976	36,298	5,584,274	4,382,695	41,563	4,424,258
Amortization expenses	105,447	-	105,447	111,419	-	111,419

- (b) Seasonality of operations

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

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## 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 nine-month period ended September 30, 2017.

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of September 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 Corp.	Other related parties	Non-current available-for-sale financial assets	2,770	67,308	0.43 %	67,308	-
The Company	Micron Technology, Inc.	-	Non-current available-for-sale financial assets	21,966	26,181,349	1.97 %	26,181,349	-
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	-	-	35,814	35,482,042	19,498,125	15,983,918	21,966	26,181,349

(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)	(2,408,736)	(6.43)%	O/A,60-90Days	-	-	482,982	6.47%	(Note)
The Company	Nanya Technology Corp., H.K.	Parent company	(Sale)	(227,561)	(0.61)%	O/A,60-90Days	-	-	68,764	0.92%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	(2,632,406)	(7.03)%	O/A,180days	-	-	644,629	8.64%	(Note)
The Company	Nanya Technology Corp., Germany	Parent company	(Sale)	(2,095,331)	(5.59)%	O/A,60-90Days	-	-	588,546	7.89%	(Note)
The Company	Piece Makers Technology, Inc.	Parent company	(Sale)	(223,957)	(0.60)%	O/A,60-100Days	-	-	112,618	1.51%	(Note)
The Company	Formosa Sunco Technology Corp.	Other related parties	Purchase	997,352	14.9 %	O/A60Days	-	-	(261,937)	(5.64)%	-

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

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## 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 482,982	7.34	-	-	-	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 644,629	6.41	-	-	341,274	-
The Company	Nanya Technology Corp., Germany	Parent company	Account receivable 588,546	5.65	-	-	-	-
The Company	Piece Makers Technology, Inc.	Parent company	Account receivable 112,618	2.37	-	-	28,599	-

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	2,408,736	On the basis of general conditions	6.31%
0	"	Nanya Technology Corp., U.S.A	1	Account receivable	482,982	On the basis of general conditions	0.30%
0	"	Nanya Technology Corp., Germany	1	Sales	2,095,331	On the basis of general conditions	5.49%
0	"	Nanya Technology Corp., Germany	1	Account receivable	588,546	On the basis of general conditions	0.37%
0	"	Nanya Technology Corp., Japan	1	Sales	2,632,406	On the basis of general conditions	6.90%
0	"	Nanya Technology Corp., Japan	1	Account receivable	644,629	On the basis of general conditions	0.40%

Note 1: Assigned numbers represent the following:

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

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

- Represents the parent company having transaction with a subsidiary.
- Represents a subsidiary having transaction with the parent company.
- 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 nine-month period ended September 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 September 30, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 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 %	123,382	3,473	3,473	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	134,989	11,952	11,952	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	325,348	175,348	2,935	100.00 %	-	1,761	730	(Note)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	47,319	3,474	3,474	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	150,465	11,843	11,843	(Note)
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	7,918	53.57 %	81,937	36,900	19,769	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp., Germany	Germany	Import/export business	30,056	30,056	-	100.00 %	63,808	7,039	7,039	(Note)

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

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## 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 September 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	29,850 (USD 985 thousand)	(1)	29,850 (USD 985 thousand)	-	-	29,850 (USD 985 thousand)	(5,335)	100.00%	(5,335)	10,513	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
29,850 (USD 985 thousand)	29,850 (USD 985 thousand)	68,212,959

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 September 30, 2017 was USD1 : TWD 30.305.

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 period ended September 30, 2017					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	\$ 942,027	10,518,203	1,833,132	-	13,293,362
From sales among intersegments	1,636	2,573,520	107,528	(2,682,684)	-
Total revenue	<u>\$ 943,663</u>	<u>13,091,723</u>	<u>1,940,660</u>	<u>(2,682,684)</u>	<u>13,293,362</u>
Reportable segment profit or loss	<u>\$ 8,305</u>	<u>8,554,118</u>	<u>17,912</u>	<u>(21,558)</u>	<u>8,558,777</u>
For the three-month period ended September 30, 2016					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	\$ 669,451	8,380,177	1,154,268	-	10,203,896
From sales among intersegments	-	1,707,738	124,804	(1,832,542)	-
Total revenue	<u>\$ 669,451</u>	<u>10,087,915</u>	<u>1,279,072</u>	<u>(1,832,542)</u>	<u>10,203,896</u>
Reportable segment profit or loss	<u>\$ (16,263)</u>	<u>1,402,442</u>	<u>17,739</u>	<u>(714)</u>	<u>1,403,204</u>
For the nine-month period ended September 30, 2017					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	\$ 2,715,033	29,869,667	5,564,738	-	38,149,438
From sales among intersegments	2,297	7,587,991	266,757	(7,857,045)	-
Total revenue	<u>\$ 2,717,330</u>	<u>37,457,658</u>	<u>5,831,495</u>	<u>(7,857,045)</u>	<u>38,149,438</u>
Reportable segment profit or loss	<u>\$ 11,843</u>	<u>19,821,340</u>	<u>65,853</u>	<u>(52,271)</u>	<u>19,846,765</u>

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For the nine-month period ended September 30, 2016

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	\$ 2,112,333	24,286,700	3,135,512	-	29,534,545
From sales among intersegments	-	4,917,381	289,744	(5,207,125)	-
Total revenue	<u>\$ 2,112,333</u>	<u>29,204,081</u>	<u>3,425,256</u>	<u>(5,207,125)</u>	<u>29,534,545</u>
Reportable segment profit or loss	<u>\$ (159,198)</u>	<u>4,293,162</u>	<u>30,336</u>	<u>135,643</u>	<u>4,299,943</u>
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Reportable segment assets					
September 30, 2017	<u>\$ 800,148</u>	<u>160,241,538</u>	<u>2,068,848</u>	<u>(2,581,874)</u>	<u>160,528,660</u>
December 31, 2016	<u>\$ 599,033</u>	<u>136,709,336</u>	<u>1,758,911</u>	<u>(2,090,138)</u>	<u>136,977,142</u>
September 30, 2016	<u>\$ 654,586</u>	<u>116,657,539</u>	<u>1,794,216</u>	<u>(1,961,968)</u>	<u>117,144,373</u>
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Reportable segment liabilities					
September 30, 2017	<u>\$ 646,481</u>	<u>46,553,274</u>	<u>1,466,321</u>	<u>(1,945,372)</u>	<u>46,720,704</u>
December 31, 2016	<u>\$ 453,227</u>	<u>51,166,518</u>	<u>1,378,046</u>	<u>(1,665,796)</u>	<u>51,331,995</u>
September 30, 2016	<u>\$ 614,048</u>	<u>54,604,270</u>	<u>1,452,237</u>	<u>(1,664,201)</u>	<u>55,006,354</u>