Stock Code: 2408

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017 and 2016
(With Independent Accountants' Review Report Thereon)

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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 March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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 using the equity method as of and for the three months ended March 31, 2017 and 2016 were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT$2,192,001 thousand and NT$2,220,904 thousand, representing 1.38% and 1.89% of the Company's consolidated total assets as of March 31, 2017 and 2016, respectively; total liabilities amounted to NT$381,309 thousand and NT$615,058 thousand, representing 0.62% and 1.25% of the Company's consolidated total liabilities as of March 31, 2017 and 2016, respectively; and their comprehensive income (loss) amounted to a net income of NT$15,858 thousand and a net loss of NT$71,574 thousand, representing 1.15% and (3.87)% of the Company's consolidated comprehensive income for the three months ended March 31, 2017 and 2016, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2017

Notes to Readers

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

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

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016

Nanya Technology Corporation and Subsidiaries

Consolidated Balance Sheets

March 31, 2017, December 31, 2016 and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2017		December 31, 2016		March 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (Note 6(a))	$ 20,299,894	13	9,101,632	7	14,544,633	13
1125	Current available-for-sale financial assets (Note 6(c))	-	-	2,000,360	2	3,803,599	4
1170	Notes and accounts receivable, net (including related parties) (Note 6(e))	5,782,714	3	5,768,718	4	5,088,798	4
1200	Other receivables (Notes 6(e)(i))	1,454,256	1	1,973,908	1	1,350,050	1
1210	Other receivables due from related parties (Notes 6(e) and 7)	-	-	-	-	266,237	-
1310	Inventories (Note 6(f))	4,656,170	3	4,849,492	4	5,933,499	5
1470	Other current assets	1,430,620	1	1,517,576	1	1,446,683	1
	Total current assets	33,623,654	21	25,211,686	19	32,433,499	28
	Non-current assets:						
1523	Non-current available-for-sale financial assets (Note 6(c))	50,728,048	32	40,950,942	30	94,038	-
1543	Non-current financial assets at cost (Note 6(d))	-	-	-	-	9,340	-
1546	Non-current investments in debt instrument without active market (Note 6(d))	-	-	-	-	181,280	-
1551	Investments accounted for using equity method (Notes 6(g) and 7)	-	-	-	-	32,430,482	28
1600	Property, plant and equipment (Notes 6(h), 7 and 8))	71,886,199	45	67,917,337	50	49,205,350	42
1780	Intangible assets	238,424	-	272,185	-	373,121	-
1840	Deferred tax assets	846,975	1	876,312	-	869,066	1
1935	Long-term lease payments receivable (Notes 6(i) and 7)	1,278,815	1	1,353,253	1	1,565,273	1
1990	Other non-current assets (Note 8)	323,819	-	395,427	-	389,498	-
	Total non-current	125,302,280	79	111,765,456	81	85,117,448	72
	Total assets	$ 158,925,934	100	136,977,142	100	117,550,947	100

		March 31, 2017		December 31, 2016		March 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	$ 1,439,801	1	-	-	-	-
2100	Short-term borrowings (Note 6(j))	-	-	-	-	6,000	-
2170	Accounts payable	5,328,595	3	5,443,555	4	1,170,124	1
2180	Accounts payable to related parties (Note 7)	192,637	-	165,183	-	181,402	-
2200	Other payables	4,039,590	3	3,991,544	3	2,487,668	3
2220	Other payables to related parties (Note 7)	10,900,041	7	13,993,373	10	23,275,032	20
2230	Current tax liabilities	2,088,872	1	2,138,229	2	490,467	-
2322	Long-term borrowings, current portion (Notes 6(k) and 8)	7,186,625	5	7,786,000	6	2,600,000	2
2399	Other current liabilities (Notes 6(m) and 7)	1,033	-	192,023	-	225,295	-
	Total current liabilities	31,177,194	20	33,709,907	25	30,435,988	26
	Non-Current liabilities:						
2530	Bonds payable (Note 6(l))	14,002,436	9	-	-	-	-
2540	Long-term borrowings (Notes 6(k) and 8)	12,776,825	8	15,174,000	11	17,550,650	15
2570	Deferred tax liabilities	3,264,513	2	1,631,924	1	703	-
2613	Non-current lease obligations payable (Notes 6(m) and 7)	-	-	265,093	-	271,764	-
2640	Net defined benefit liability, non-current	449,279	-	453,513	-	755,423	1
2670	Other non-current liabilities	117,927	-	97,558	-	179,778	-
	Total non-current liabilities	30,610,980	19	17,622,088	12	18,758,318	16
	Total liabilities	61,788,174	39	51,331,995	37	49,194,306	42
	Equity (Notes 6(o)(p)):						
3110	Ordinary share	27,485,658	17	27,485,658	20	27,485,658	23
3200	Capital surplus	11,637,900	7	11,523,007	8	16,263,491	14
3310	Legal reserve	2,791,929	2	2,791,929	2	1,077,812	1
3320	Special reserve	4,570	-	4,570	-	-	-
3350	Unappropriated retained earnings	39,571,384	25	36,296,086	27	23,762,563	20
3400	Other equity interest	15,883,901	10	7,789,101	6	2,105	-
3500	Treasury shares	(347,533)	-	(347,533)	-	(347,533)	-
	Total equity attributable to owners of parent:	97,027,809	61	85,542,818	63	68,244,096	58
36xx	Non-controlling interests	109,951	-	102,329	-	112,545	-
	Total equity	97,137,760	61	85,645,147	63	68,356,641	58
	Total liabilities and equity	$ 158,925,934	100	136,977,142	100	117,550,947	100

See accompanying notes to consolidated interim financial statements.

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

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

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2017 and 2016

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

		For the three months ended March 31,			
		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (Note 7)	$ 12,230,574	100	10,397,555	100
5000	Operating costs (Notes 6(n)(q)(s) and 7)	7,330,057	60	6,998,729	67
	Gross profit from operations	4,900,517	40	3,398,826	33
	Operating expenses (Notes 6(n)(q)(s) and 7):				
6100	Selling expenses	173,460	1	156,168	2
6200	Administrative expenses	347,654	3	231,716	2
6300	Research and development expenses	526,763	4	378,127	4
	Total operating expenses	1,047,877	8	766,011	8
	Net operating income	3,852,640	32	2,632,815	25
	Non-operating income and expenses (Notes 6(g)(m)(t)):				
7010	Other income	88,313	-	53,761	1
7020	Other gains and losses, net	(532,488)	(4)	(288,367)	(3)
7050	Finance costs	(121,997)	(1)	(173,932)	(2)
7060	Share of profit (loss) of associates accounted for using equity method, net	-	-	(379,260)	(3)
	Total non-operating income and expenses	(566,172)	(5)	(787,798)	(7)
7900	**Profit before tax**	3,286,468	27	1,845,017	18
7950	Tax expense (Note 6(o))	3,778	-	219	-
	Profit	3,282,690	27	1,844,798	18
8300	**Other comprehensive income:**				
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(20,404)	-	2,600	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	9,776,747	80	4,075	-
8399	Income tax related to items that may be reclassified to profit or loss (Note 6(o))	(1,661,543)	(14)	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	8,094,800	66	6,675	-
8500	**Total comprehensive income**	$ 11,377,490	93	1,851,473	18
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	$ 3,275,298	27	1,848,942	18
8620	Profit, attributable to non-controlling interests	7,392	-	(4,144)	
		$ 3,282,690	27	1,844,798	18
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 11,370,098	93	1,855,617	18
8720	Comprehensive income, attributable to non-controlling interests	7,392	-	(4,144)	-
		$ 11,377,490	93	1,851,473	18
	Earnings per share (Note 6(r))				
9750	Basic earnings per share	$	1.19		0.68
9850	Diluted earnings per share	$	1.01		

See accompanying notes to consolidated interim financial statements.

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

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Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings			Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on valuation of available-for-sale financial assets	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 24,285,658	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(347,533)	54,737,689	116,686	54,854,375
Net income for the three months ended March 31, 2016	-	-	-	-	1,848,942	-	-	-	1,848,942	(4,144)	1,844,798
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	2,600	4,075	-	6,675	-	6,675
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	1,848,942	2,600	4,075	-	1,855,617	(4,144)	1,851,473
Issuance of shares	3,200,000	8,475,000	-	-	-	-	-	-	11,675,000	-	11,675,000
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	(24,251)	-	-	-	-	-	-	(24,251)	-	(24,251)
Recognized compensation costs on employee stock options	-	41	-	-	-	-	-	-	41	3	44
Balance at March 31, 2016	$ 27,485,658	16,263,491	1,077,812	-	23,762,563	(8,988)	11,093	(347,533)	68,244,096	112,545	68,356,641
Balance at January 1, 2017	$ 27,485,658	11,523,007	2,791,929	4,570	36,296,086	(16,846)	7,805,947	(347,533)	85,542,818	102,329	85,645,147
Net income for the three months ended March 31, 2017	-	-	-	-	3,275,298	-	-	-	3,275,298	7,392	3,282,690
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	(20,404)	8,115,204	-	8,094,800	-	8,094,800
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	3,275,298	(20,404)	8,115,204	-	11,370,098	7,392	11,377,490
Other changes in capital surplus:											
Recognized compensation costs on employee stock options	-	114,893	-	-	-	-	-	-	114,893	-	114,893
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	230	230
Balance at March 31, 2017	$ 27,485,658	11,637,900	2,791,929	4,570	39,571,384	(37,250)	15,921,151	(347,533)	97,027,809	109,951	97,137,760

See accompanying notes to consolidated interim financial statements.

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

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

Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the three months ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2017	2016
Cash flows from operating activities:		
Profit before tax	$ 3,286,468	1,845,017
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	1,534,865	1,469,267
Amortization expense	70,406	36,331
Net loss on financial assets or liabilities at fair value through profit or loss	262,158	-
Interest expense	121,997	173,932
Interest income	(88,313)	(53,761)
Share-based payments	114,893	44
Amortization costs of issuing bonds	(70,684)	-
Share of loss of associates accounted for using equity method	-	379,260
(Gain) loss on disposal of property, plant and equipment	(24)	313
Gain on disposal of available-for-sale financial assets	(770)	-
Gain on disposal of lease payable	(63,542)	-
Impairment loss (gain) on non-financial assets	11,677	(708)
Unrealized foreign exchange (gain) loss	(206,229)	335,978
Total adjustments to reconcile profit	1,686,434	2,340,656
Changes in operating assets and liabilities:		
(Increase) decrease in and notes and accounts receivable	(87,476)	233,420
Decrease in other receivable	519,652	96,408
Decrease in inventories	193,322	15,841
Decrease in other current assets	83,662	130,331
Increase (decrease) in notes and accounts payable	33,864	(251,043)
Increase in other payable to related parties	120,650	-
(Decrease) increase in other current liabilities	(235,302)	164,708
Decrease in net defined benefit liability	(4,234)	(437)
(Decrease) increase in other non-current liabilities	(10,450)	6,335
Total changes in operating assets and liabilities	613,688	395,563
Cash inflow generated from operations	5,586,590	4,581,236
Interest received	26,698	50,779
Interest paid	(106,345)	(181,928)
Income taxes paid	(8,823)	(725)
Net cash flows provided by operating activities	5,498,120	4,449,362
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(6,300,000)
Proceeds from disposal of available-for-sale financial assets	2,000,771	2,499,368
Acquisition of property, plant and equipment	(6,147,471)	(866,375)
Proceeds from disposal of property, plant and equipment	80	327
Increase in refundable deposits	(1,899)	-
Acquisition of intangible assets	-	(29,953)
Decrease in long-term lease and installment receivables	107,332	107,333
Decrease (increase) in other non-current assets	72,297	(2,294)
Net cash flows from investing activities	(3,968,890)	(4,591,594)
Cash flows from financing activities:		
Increase in short-term loans	-	6,000
Decrease in short-term loans	-	(3,306,000)
Proceeds from issuing convertible bonds	15,681,000	-
Proceeds from long-term debt	-	7,964,000
Repayments of long-term debt	(3,000,000)	(1,000,000)
Decrease in guarantee deposits received	30,494	-
Decrease in other payables to related parties	(2,696,964)	(3,509,220)
Decrease in lease payable	(4,138)	(2,036)
Proceeds from issuing shares	-	11,675,000
Change in non-controlling interests	230	-
Net cash flows provided by financing activities	10,010,622	11,827,744
Effect of exchange rate changes on cash and cash equivalents	(341,590)	(244,584)
Net increase in cash and cash equivalents	11,198,262	11,440,928
Cash and cash equivalents at beginning of period	9,101,632	3,103,705
Cash and cash equivalents at end of period	$ 20,299,894	14,544,633

See accompanying notes to consolidated interim financial statements.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Interim Financial Statements

March 31, 2017 and 2016

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

(1) Company history

Nanya Technology Corporation (the " Company") was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at 669, Fuhsing 3rd Road, Hwa Ya Technology Park, Kueishan District, Taoyuan City, Taiwan. The main operating activities of the Company and its subsidiary (the " Group") are researching, developing, manufacturing and selling semiconductor products, and the import and export 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 three months ended March 31, 2017 and 2016 were reported and issued by the Board of Directors on May 12, 2017.

(3) New standards, amendments and interpretations adopted:

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

The Group required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "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)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Financial Instrument-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 2012-2014 cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group' s financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

(4) Summary of significant accounting policies:

(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 consolidated interim financial statements are the same as those used for 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.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(i) List of subsidiaries included in the consolidated interim financial statements:

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

Note1: SUMPRO ELECTRONICS CORP. was no longer a subsidiary of the Group when it was liquidated progress on November 8, 2016.

Note2: The interim financial statements as of and for the three months ended March 31, 2017 and 2016 of all the subsidiaries enumerated above were not reviewed by independent accountants.

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

(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.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(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, are recognized in profit or loss.

(d) Income taxes

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

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

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

(e) Employee benefits

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

(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.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand—pretty cash	$ 186	150	218
Cash in bank—demand deposit account	2,443,545	2,327,842	6,517,839
Cash equivalents:			
Time deposits	17,463,343	5,829,667	6,393,497
Commercial paper	-	694,473	-
Repurchase agreements collateralized by corporate bonds	392,820	249,500	1,633,079
	$ 20,299,894	9,101,632	14,544,633

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

	March 31, 2017
Financial liabilities held-for-trading:	
Derivative instruments not used for hedging	$ 106,534
Embedded derivative-convertible bonds	1,333,267
Total	$ 1,439,801

Re-measurement at fair value recognized in profit or loss is disclosed in notes 6(l)(t).

Derivative 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:

	March 31, 2017		
	Contract Amount (in thousand)	Currency	Maturity dates
Non-delivery forward purchased	US$ 500,000	US$ to TWD	2018.3.20~2018.3.22

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Available-for-sale financial assets

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic money market fund	$ -	2,000,360	3,803,599
Foreign private equity	50,656,448	40,882,664	-
Domestic listed stock	71,600	68,278	94,038
	$ 50,728,048	42,951,302	3,897,637
Current	$ -	2,000,360	3,803,599
Non-Current	$ 50,728,048	40,950,942	94,038

(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 March 31, 2017, December 31, 2016 and March 31, 2016.

(e) Notes and accounts receivable and other receivables

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable	$ 11,978	-	2,124
Accounts receivable (including related parties)	5,779,819	5,778,002	5,096,264
Other receivables (including related parties)	1,454,256	1,973,908	1,616,287
Less : allowance for doubtful receivables	(9,083)	(9,284)	(9,590)
	$ 7,236,970	7,742,626	6,705,085

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
March 31, 2017	$ 7,160,249	69,423	7,298	-	7,236,970
December 31, 2016	7,722,187	12,843	334	7,262	7,742,626
March 31, 2016	6,640,861	64,224	-	-	6,705,085
	$ 21,523,297	146,490	7,632	7,262	21,684,681

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	Collectively assessed impairment loss
Balance as of January 1, 2017	$ 9,284
Foreign exchange gain	(201)
Balance as of March 31, 2017	$ 9,083
Balance as of January 1, 2016	$ 9,177
Foreign exchange loss	413
Balance as of March 31, 2016	$ 9,590

(f) Inventories

	March 31, 2017	December 31, 2016	March 31, 2016
Raw materials	$ 294,006	217,708	251,833
Work in progress	2,780,669	2,712,196	2,590,745
In-transit inventory	1,568,000	1,893,102	3,022,042
Merchandise	13,495	26,486	68,879
Total	$ 4,656,170	4,849,492	5,933,499

The Group did not recognize any loss from devaluation of inventories or gain from recovery in the value of inventories for the three months ended March 31, 2017 and 2016, respectively.

(g) Investments accounted for using equity method

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

	March 31, 2017	December 31, 2016	March 31, 2016
Associates	$ -	-	32,430,482

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(i) Associates

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

		Registration	percentage of ownership		
Associates	**Relationship**	**Country**	**March 31, 2017**	**December 31, 2016**	**March 31, 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	- %	- %	24.14 %

In December 2016, Micron Semiconductor Co. (MST) completed its share-swap with Inotera Memories, Inc. (Inotera). 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).

Summary of shares of profit or loss of associates attributable to the Group were as follows:

	For the three months ended March 31,	
	2017	**2016**
Share of profit of associate	$ -	379,260

(h) Property, plant and equipment

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

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2017	$ 1,013,924	4,197,562	125,215,286	1,431,504	25,574,275	157,432,551
Additions	-	-	89,029	6,171	5,630,291	5,725,491
Disposals	-	-	(41,574)	(359,120)	-	(400,694)
Reclassification	-	-	8,521,534	43,505	(8,565,039)	-
Effect of exchange rate change	-	(42)	(2,493)	(141)	-	(2,676)
Balance as of March 31, 2017	$ 1,013,924	4,197,520	133,781,782	1,121,919	22,639,527	162,754,672

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
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	-	-	61,299	4,466	845,658	911,423
Disposals	-	-	(2,577)	(10,811)	-	(13,388)
Reclassification	-	673	77,114	6,531	(84,318)	-
Effect of exchange rate change	-	120	(123)	216	-	213
Balance as of March 31, 2016	$ 1,013,924	4,198,333	124,679,873	1,428,404	2,036,543	133,357,077
Accumulated depreciation / impairment:						
Balance as of January 1, 2017	$ -	1,450,874	86,921,615	1,142,725	-	89,515,214
Depreciation for the period	-	40,025	1,483,335	11,505	-	1,534,865
Impairment loss	-	-	12,355	(678)	-	11,677
Disposals	-	-	(41,575)	(150,120)	-	(191,695)
Reclassification	-	-	(39,390)	39,390	-	-
Effect of exchange rate change	-	(24)	(1,394)	(170)	-	(1,588)
Balance as of March 31, 2017	$ -	1,490,875	88,334,946	1,042,652	-	90,868,473
Balance as of January 1, 2016	$ -	1,290,719	80,274,330	1,130,254	-	82,695,303
Depreciation for the period	-	40,038	1,416,148	13,081	-	1,469,267
Reversal of impairment loss	-	-	-	(708)	-	(708)
Disposals	-	-	(2,577)	(10,103)	-	(12,680)
Reclassification	-	673	(1,684)	1,011	-	-
Effect of exchange rate change	-	72	(453)	926	-	545
Balance as of March 31, 2016	$ -	1,331,502	81,685,764	1,134,461	-	84,151,727
Carrying amounts:						
Balance as of March 31, 2017	$ 1,013,924	2,706,645	45,446,836	79,267	22,639,527	71,886,199
Balance as of December 31, 2016	$ 1,013,924	2,746,688	38,293,671	288,779	25,574,275	67,917,337
Balance as of March 31, 2016	$ 1,013,924	2,866,831	42,994,109	293,943	2,036,543	49,205,350

(i) Property, plant and equipment under construction

	For the three months ended March 31, 2017	2016
Capitalized interest amounts	$ 64,405	-
Capitalized interest rates	1.97%~1.98%	-

(ii) Secured

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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 months ended March 31, 2017 and 2016, the Group recognized the interest revenue of $40,263 and $46,902, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	March 31, 2017,			December 31, 2016			March 31, 2016,		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 429,330	142,871	286,459	429,330	150,240	279,090	429,330	171,228	258,102
Between one and five years	1,181,070	330,628	850,442	1,222,320	352,504	869,816	1,346,070	421,070	925,000
More than five years	462,578	34,205	428,373	528,660	45,223	483,437	726,908	86,635	640,273
Sub-total	$ 2,072,978	507,704	1,565,274	2,180,310	547,967	1,632,343	2,502,308	678,933	1,823,375
Current			$ 286,459			279,090			258,102
Non-current			1,278,815			1,353,253			1,565,273
			$ 1,565,274			1,632,343			1,823,375

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(j) Short-term borrowings

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

	March 31, 2016,
Unsecured bank loans	$ 6,000
Interest rate	1.15%

(ii) Issuance and redemption of borrowings

	For the three months ended March 31,
Balance as of January 1,	$ 3,306,000
New issuance during the period	6,000
Repayments during the period	(3,306,000)
Balance as of March 31,	$ 6,000
Annual interest rate	1.15 %
Due date	2016.3.23~2016.4.22

(k) Long-term borrowings

	March 31, 2017,			
	Currency	Interest rate range	Expiration	Amount
Secured bank loans	TWD	1.7895%~2.1676%	2019~2020	$ 19,963,450
Less: Current portion of long-term loans				(7,186,625)
Total				$ 12,776,825
Unused long term of credit				$ 1,300,000

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

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	March 31, 2016,			
	Currency	**Interest rate range**	**Expiration**	**Amount**
Unsecured bank loans	TWD	1.882%~1.956%	2017	$ 200,000
Secured bank loans	TWD	1.7895%~2.2579%	2019~2020	19,950,650
Less: Current portion of long-term loans				(2,600,000)
Total				$ 17,550,650
Unused long term of credit				$ 600,000

(i) Issuance and redemption of loans

1) The Company signed a syndicated loan agreement with Taiwan Cooperative Bank, the lead bank, and 15 other banks (hereinafter referred to as "the syndicate 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 March 31, 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 managing bank every 6 months starting from the end of year 2016 or when the managing bank deems necessary. If the borrower fails to comply with the above-mentioned financial covenants by the inspection date, it should be given a six-month grace period, commencing from the inspection date, to correct the situation by raising additional capital or other means necessary. Should the borrower successfully adhered to the stated financial covenants before the end of the grace period, it should be deemed as a non-violation of the written agreement. The required financial ratios are as follows:

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

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

The Group was in compliance with all of the aforementioned covenants as of and for the year ended December 31, 2016.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
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2) The Group signed a syndicated loan agreement with Bank of Taiwan, the managing 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 March 31, 2017, the application for the appropriation of loans amounted to $12,000,000; and the Group repaid the amount of $2,400,000 under the payment terms. This loan bears interest of 90 day commercial paper rate, plus, an annual interest rate of 1.1% in monthly payments. Additionally, the first installment payment of the principal is payable on due date, with the rest payable in 5 semiannual installments. According to the agreement, the borrower should maintain a balance of no less than 3% of the original credit limit in the specified bank account two months from the first credit approval date.

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

   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 above for the years 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.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(J) Bonds Payable

	March 31, 2017
Issuance of unsecured overseas convertible bonds	$ 15,168,000
Unamortized discount on bonds payable	(1,165,564)
Balance at end of period	$ 14,002,436

	For the three months ended March 31, 2017
Embedded Derivatives－call and put options and conversion rights re-measured at fair value through loss (included in other gains and losses)	$ (155,624)
Interest expense	$ 42,973

Item	The first unsecured overseas convertible bond
1.Issue amount	US$ 500,000 thousand
2.Issue par value	US$ 200 thousand
3.Issue period	2017.1.24～2021.1.24
4.Bond expiration	5 years
5.Coupon rate	0%
6.Conversion price	TWD 52.47 dollars
7.Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 days 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 bonds 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.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Item	The first unsecured overseas convertible bond
9.Call option of issuer	(A)The issuer may redeem, in whole or in part, the convertible bonds at 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 within 30 consecutive trading days, is above 130 percent of the ERA, multiplied by the conversion price, then divided by the par value. (B)The issuer may redeem its outstanding convertible bonds at the ERA if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled. (C)The issuer may redeem, in whole or in part, or the convertible bonds at the ERA if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.

The host contract debt instruments and derivative conversion rights instruments were included in convertible bond, the host contract are measured at an effective annual rate equal to 1.6593%; the derivative conversion rights instruments are measured at fair value recognized in profit or loss.

(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 $620 and $930 were fully paid and recognized for the three months ended March 31, 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:

	March 31, 2017			December 31, 2016			March 31, 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ -	-	-	24,698	15,868	8,830	24,698	16,249	8,449
Between one and five years	-	-	-	98,792	57,807	40,985	98,791	59,571	39,220
More than five years	-	-	-	321,071	96,963	224,108	339,595	107,051	232,544
Subtotal	$ -	-	-	444,561	170,638	273,923	463,084	182,871	280,213
Current			$ -			8,830			8,449
Non-current			-			265,093			271,764
			$ -			273,923			280,213

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

	For the three months ended March 31,	
	2017	2016
Cost of goods sold	$ 1,943	2,908
Operating expenses	862	1,356
Total	$ 2,805	4,264

(ii) Defined benefit plan

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

	For the three months ended March 31,	
	2017	2016
Cost of goods sold	$ 19,095	16,880
Operating expense	13,777	13,436
Total	$ 32,872	30,316

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(o) Income tax

The components of income tax were as follows:

	For the three months ended March 31,	
Current tax expense	$ 3,778	(274)
Deferred tax expense	-	493
Tax expense	$ 3,778	219

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

	For the three months ended March 31,	
	2017	2016
Subsequent items that may be reclassified to profit and loss:		
Unrealized gains on available-for-sale financial assets	$ 1,661,543	-

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated retained earnings in 1997 and prior year	$ -	-	-
Unappropriated retained earnings in 1998 and thereafter	39,571,384	36,296,086	23,762,563
	$ 39,571,384	36,296,086	23,762,563
Imputation credit account balance	$ 240,380	240,380	37,556

	2016(estimated)	2015(actual)
Tax deduction ratio for earnings distribution to ROC residents	6.41 %	1.83 %

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

(p) Capital and other equity

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

(i) Common stock

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

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

(ii) Capital surplus

		March 31, 2017	December 31, 2016	March 31, 2016
Change in recognized shares of associates accounted for using equity method	$	-	-	5,037,395
Employee stock option plans		1,782,354	1,667,461	1,372,476
Premium from exercise of employee stock options		9,852,246	9,852,246	9,852,246
Other		3,300	3,300	1,374
	$	11,637,900	11,523,007	16,263,491

(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.

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

1) Capital surplus

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

2) Earrings distribution

Earnings distribution for 2016 and 2015 was approved in the Board of Directors and stockholders' meeting of shareholders on March 9, 2017 and June 22, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	For the year ended December 31, 2016	
	Dividends per share	Amount
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 1.50	4,122,849

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

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(iv) Treasury shares

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

		March 31, 2017	December 31, 2016	March 31, 2016
Numbers of shares at January 1 and December 31,		687	687	687
Ending balance as of March 31,	$	347,533	347,533	347,533
Book value per share	$	505.46	505.46	505.46
Price per share (dollars)	$	48.40	48.30	39.95

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

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

(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		(20,404)	-
Unrealized gains on available-for-sale financial assets:			
The Company		-	8,111,880
The Subsidiaries		-	3,324
Balance at March 31, 2017	$	(37,250)	15,921,151
Balance at January 1, 2016	$	(11,588)	7,018
Exchange differences on translation of foreign financial statements, net of tax:			
The Company		2,600	-
Unrealized gains Company on available for sale financial assets:			
The subsidiaries		-	4,075
Balance at March 31, 2016	$	(8,988)	11,093

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(q) Share-based payment

Except as described below, there was no material change on the share-based payment transactions for the three months ended March 31, 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 three months ended March 31,			
	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 forfeited	36.35	(1,482)	-	-
Options expired	-	-	43.77	(97)
Outstanding at March 31,	36.37	160,548	42.04	71,749
Options exercisable at March 31,	38.00	62,383	42.04	71,749

(ii) Compensation cost

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

	For the three months ended March 31,	
	2017	2016
Compensation cost arising from share options granted to employees	$ 114,893	44

(r) Earnings per share

	For the three months ended March 31,	
	2017	2016
Basic earnings per share：		
Net income attributable to the Company	$ 3,275,298	1,848,942
Weighted-average number of ordinary shares outstanding (basic)	2,747,878	2,702,164
Basic earnings per share (dollars)	$ 1.19	0.68

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	For the three months ended March 31, 2017	2016
Diluted earnings per share:		
Net income attributable to the Company (basic)	$ 3,275,298	
Effect of interest expense of convertible bonds and other gain or loss after taxes	(222,189)	
Net income attributable to the Company(diluted)	$ **3,053,109**	
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	2,747,878	
Effect of employee stock option	36,225	
Effect of conversion of convertible bonds	222,482	
Effect of employee compensation	12,330	
Weighted-average number of ordinary shares (diluted)	3,018,915	
Diluted earnings per share (dollars)	$ **1.01**	

Because the average market price of the shares of stock if the employee stock options are exercised during the three months ended March 31, 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 employee

According to the Company' s articles of incorporation, if the Company makes a profit, it should appropriate for employee remuneration which is calculated based on 1% to 12% of the Company' s net income before tax before deduction of employee remuneration, and after offsetting accumulated deficits, if any, should be distributed as employee remunerations. Employees who are entitled to receive the above mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to $273,214 and $65,862 for the three months ended March 31, 2017 and 2016, respectively. This employee compensation was estimated based on the Company's net income before tax before deducting any employee remuneration, 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 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.

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The estimated employee remuneration 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 months ended March 31, 2017	2016
Bank deposits and short-term notes	$ 48,050	6,859
Financial leases	40,263	46,902
	$ 88,313	53,761

(ii) Other gains and losses

	For the three months ended March 31, 2017	2016
Foreign exchange losses	$ (574,814)	(335,111)
Financial liabilities at fair value through profit or loss, net loss	(262,158)	-
Gain on disposal of lease payable	63,542	-
(Impairment loss) reversal on non-financial assets	(11,677)	708
Gain on disposal of available-for-sale financial assets	770	-
Gain (losses) on disposals of property, plant and equipment	24	(313)
Others	251,825	46,349
	$ (532,488)	(288,367)

(iii) Finance costs

	For the three months ended March 31, 2017	2016
Bank loans	$ 103,343	83,915
Financial from entities with significant influence over the Group	27,798	30,541
Financing interest from other related parties	9,581	55,299
Lease payments	2,700	4,138
Amortization interests of overseas convertible bond	42,973	-
Less: capitalization of interest	(64,405)	-
Others	7	39
	$ 121,997	173,932

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(u) Financial instruments

(i) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
March 31, 2017							
Derivative financial liabilities	$ 1,439,801	54,275,000	-	54,275,000	-	-	-
Non-derivative financial liabilities							
Secured bank loans	19,963,450	20,649,469	4,968,197	2,539,012	9,899,900	3,242,360	-
Notes and accounts payable (including related parties)	5,521,232	5,521,232	5,521,232	-	-	-	-
Entities with significant influence over the Group	8,000,000	8,122,309	61,154	8,061,155	-	-	-
Financing from other related parties	2,045,308	2,076,713	15,702	2,061,011	-	-	-
Bonds payable	14,002,436	15,955,418	-	-	-	15,955,418	-
	$ 50,972,227	106,600,141	10,566,285	66,936,178	9,899,900	19,197,778	-
December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$ 22,960,000	24,154,581	5,656,595	2,613,300	10,965,450	4,919,136	-
Entities with significant influence over the Group	8,000,000	8,116,112	-	8,116,112	-	-	-
Financing from other related parties	4,742,272	4,811,269	-	4,811,269	-	-	-
Finance lease liabilities	273,923	444,561	12,349	12,349	24,698	74,093	321,072
Notes and accounts payable (including related parties)	5,608,738	5,608,738	5,608,738	-	-	-	-
	$ 41,584,933	43,135,261	11,277,682	15,553,030	93,519,231	95,856,739	321,072
March 31, 2016							
Non-derivative financial liabilities							
Short-term loans	$ 6,000	6,006	6,006	-	-	-	-
Secured bank loans	19,950,650	20,921,459	204,218	2,595,013	6,709,855	11,412,373	-
Unsecured bank loans	200,000	203,733	201,856	1,856	21	-	-
Entities with significant influence over the Group	8,000,000	8,118,859	-	8,118,859	-	-	-
Financing from other related parties	14,018,721	14,227,243	-	14,227,243	-	-	-
Finance lease liabilities	280,213	463,084	12,349	12,349	24,698	74,093	339,595
Notes and accounts payable (including related parties)	1,351,526	1,351,526	1,351,526	-	-	-	-
	$ 43,807,110	45,291,910	1,775,955	24,955,320	6,734,574	11,486,466	339,595

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

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(ii) Market risk

1) Exposure to currency

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

	March 31, 2017,			December 31, 2016			March 31, 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	$ 806,695	30.336	24,471,900	410,185	32.279	13,240,362	242,224	32.282	7,819,475
JPY	2,354,185	0.2708	637,513	2,000,329	0.2768	553,691	2,190,239	0.2859	626,189
EUR	-	-	-	85	33.846	2,877	322	36.432	11,731
Financial liabilities:									
Monetary items									
USD	115,312	30.336	3,498,105	126,394	32.279	4,079,872	68,835	32.282	2,222,131
JPY	5,604,540	0.2708	1,517,709	4,127,546	0.2768	1,142,505	234,923	0.2859	67,164
EUR	8,277	32.3477	267,742	3,884	33.846	131,458	372	36.4320	13,553

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable and other payable which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of March 31, 2017 and 2016 would have increased the net income before tax by $198,258 and $61,545 for the three months ended March 31, 2017 and 2016, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2017 and 2016, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $574,814 and $335,111, respectively.

2) Interest risk

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

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $300,087 and $421,754 for the three months ended March 31, 2017 and 2016, respectively.

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3) Other price risk

For the three months ended March 31, 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 three months ended March 31,	
	2017	2016
Prices of securities at the reporting date	Other comprehensive income after tax	Other comprehensive income after tax
increase 1%	$ 421,164	940
decrease 1%	(421,164)	(940)

(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 basis.

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 :

	March 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:					
Foreign private equity	$ 50,656,448	50,656,448	-	-	50,656,448
Domestic listed stock	71,600	71,600	-	-	71,600
Subtotal	50,728,048	50,728,048	-	-	50,728,048
Loans and receivables：					
Cash and cash equivalents	20,299,894	-	-	-	-
Notes and account receivables , net	5,782,714	-	-	-	-
Other receivables	1,454,256	-	-	-	-
Lease payments receivable (including current portion)	1,565,274	-	-	-	-
Subtotal	29,102,138	-	-	-	-
Total	$ 79,830,186	50,728,048	-	-	50,728,048

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	March 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost :					
Derivative financial liabilities	$ 1,439,801	-	1,439,801	-	1,439,801
Accounts payable (including related parties)	5,521,232	-	-	-	-
Other payables (including related parties)	14,939,631	-	-	-	-
Bonds payable	14,002,436	-	14,854,022	-	14,854,022
Long-term borrowings (including current portion)	19,963,450	-	-	-	-
Total	$ 55,866,550	-	16,293,823	-	16,293,823

	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:					
Domestic money market fund	$ 2,000,360	-	2,000,360	-	2,000,360
Foreign private equity	40,882,664	40,882,664	-	-	40,882,664
Domestic listed stock	68,278	68,278	-	-	68,278
Subtotal	42,951,302	40,950,942	2,000,360	-	42,951,302
Loans and receivables					
Cash and cash equivalents	9,101,654	-	-	-	-
Account receivables , net	5,768,718	-	-	-	-
Other receivables	1,694,818	-	-	-	-
Lease payments receivable (including current portion)	1,632,343	-	-	-	-
Subtotal	18,197,533	-	-	-	-
Total	61,148,835	40,950,942	2,000,360	-	42,951,302
Financial liabilities measured at amortized cost :					
Accounts payable (including related parties)	$ 5,608,738	-	-	-	-
Other payables (including related parties)	17,976,087	-	-	-	-
Long-term borrowings (including current portion)	22,960,000	-	-	-	-
Lease obligations payable (including current portion)	273,923	-	-	-	-
Total	$ 46,818,748	-	-	-	-

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	March 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:					
Domestic money market fund	$ 3,803,599	-	3,803,599	-	3,803,599
Foreign private equity	94,038	94,038	-	-	94,038
Financial assets carried at cost	9,340	-	-	9,340	9,340
Subtotal	3,906,977	94,038	3,803,599	9,340	3,906,977
Loans and receivables：					
Cash and cash equivalents	14,544,633	-	-	-	-
Account receivables , net (including related parties)	5,088,798	-	-	-	-
Other receivables(including related parties)	1,616,287	-	-	-	-
Investment in debt instruments without active markets	181,280	-	-	181,280	181,280
Lease payments receivable (including current portion)	1,565,273	-	-	-	-
Subtotal	22,996,271	-	-	181,280	181,280
Total	$ 26,903,248	94,038	3,803,599	190,620	4,088,257
Financial liabilities measured at amortized cost:					
Short-term borrowings	$ 6,000	-	-	-	-
Accounts payables (including related parties)	1,351,526	-	-	-	-
Other account payable (including related parties)	23,275,032	-	-	-	-
Long-term loans (including current portion)	20,150,650	-	-	-	-
Lease obligations payable (including current portion)	271,764	-	-	-	-
Total	$ 45,054,972	-	-	-	-

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

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

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

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

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

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

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

b) Derivative financial instruments

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

4) There were no transfers from financial assets for the three months ended March 31, 2017 and 2016, respectively.

(v) Financial risk management

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

(w) Capital management

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

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
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

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Name of related party	Relationship with the Group
Formosa FCFC Carpet Corporation	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group
Inotera Memories, Inc.	An associate (Inotera Memories, Inc. was no longer a related-party starting December 6, 2016)

(b) Key management personnel compensation

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
Short-term employee benefits	$ 11,918	12,636
Share-based payment	3,001	-
	$ 14,919	12,636

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

(c) Significant transactions with related-parties

(i) Sales to related parties

	Sales For the three months ended March 31,		Accounts receivable		
	2017	2016	March 31, 2017	December 31, 2016	March 31, 2016
Associates	$ -	841	-	-	-
Other related parties	6,023	-	-	-	-
Total	$ 6,023	841	-	-	-

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

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(ii) Purchase from related parties

	Purchases For the three months ended March 31,		Accounts payable		
	2017	2016	March 31, 2017	December 31, 2016	March 31, 2016
Entities with significant influence over the Group	$ 12,314	41,465	3,936	17,626	26,197
Other related parties:					
Formosa Sumco Technology Corporation	269,562	255,341	186,508	147,136	155,205
Other related parties	8,250	643	2,193	421	-
Total	$ 290,126	297,449	192,637	165,183	181,402

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 For the three months ended March 31,		Other payables		
	2017	2016	March 31, 2017	December 31, 2016	March 31, 2016
Associates	$ -	7	-	-	-
Other related parties:					
Formosa Advanced Technologies Co., Ltd.	1,388,719	1,489,217	703,498	931,862	942,232
Total	$ 1,388,719	1,489,224	703,498	931,862	942,232

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		
	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Associates	$ -	-	8,135

(v) Financing to related parties

	Other payables		
	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Entities with significant influence over the Group	$ 8,000,000	8,000,000	8,000,000
Other related parties	2,045,308	4,742,272	14,018,721
	$ 10,045,308	12,742,272	22,018,721

Interest payables under other payables—related parties as of March 31, 2017, December 31, and March 31, 2016 amounted to $12,027, $25,239 and $27,625, 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 as of the three months ended March 31, 2017; and the unrealized profit on disposal of assets, which is a deduction of investment under equity method, amounted to $101,070 as of March 31, 2017.

b) The Group purchased machinery equipment from other related parties of $43,665, $1,009,498 and $270,916 for the three months ended March 31, 2017, December 31, and March 31, 2016, and the unpaid payables of $139,208, $295,485 and $278,005 were accounted for under other payables—related parties as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

(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.

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

	For the three months ended March 31,	
Entities with significant influence over the Group	$ 49,982	49,830

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.

(8) Pledged assets:

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

Pledged assets	Object	March 31, 2017	December 31, 2016	March 31, 2016
Property, plant and equipment	Guarantee for bank loans	$ 33,318,291	34,402,371	29,923,595
Other non-current assets	Guarantee for bank loans, importation of materials and research and development's plan	$ 304,270	376,630	377,621

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(9) Commitments and contingencies:

(a) Significant commitments

	March 31, 2017	December 31, 2016	March 31, 2016
Guarantees for importation of goods provided by bank	$ 585,000	585,000	585,000
Guarantees for project plan being undertaken with the Ministry of Economic Affairs provided by bank	6,814	39,700	-
Unused letters of credit	213,437	2,031,545	103,139
Total	$ 805,251	2,656,245	688,139

(b) Contingent liabilities

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

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

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

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

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

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

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

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

	For the three months ended March 31, 2017			For the three months ended March 31, 2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	792,607	448,357	1,240,964	504,806	335,841	840,647
Labor and health insurance	37,902	29,590	67,492	32,955	26,005	58,960
Pension expenses	21,038	14,639	35,677	19,788	14,792	34,580
Other personnel expenses	14,633	4,936	19,569	13,689	4,738	18,427
Depreciation expenses	1,521,129	13,736	1,534,865	1,455,263	14,004	1,469,267
Amortization expenses	66,956	-	66,956	36,331	-	36,331

(b) Seasonality of operations

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

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(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 three months ended March 31, 2017:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Pei Jen Co., Ltd	Nanya Printed Circuit Board Co.	Other related parties	Non-current available-for-sale financial assets	2,770	71,600	0.43 %	71,600	-
The Company	Micron Technology, Inc.	-	Non-current available-for-sale financial assets	57,780	50,656,448	5.24 %	50,656,448	-
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	-	-

(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 million 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)	(718,939)	(6.01) %	O/A,60~90Days	-		394,258	6.57%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	(756,558)	(6.32) %	O/A,180ays	-		472,519	7.88%	(Note)
The Company	Nanya Technology Corp., Germany	Parent company	(Sale)	(558,843)	(4.67) %	O/A,60~90Days	-		404,925	6.75%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	269,562	14.17 %	O/A60Days	-		(186,508)	(3.42)%	-

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

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(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 394,258	7.32	-	-	202,170	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 472,519	6.56	-	-	186,257	-
The Company	Nanya Technology Corp., Germany	Parent company	Account receivable 404,925	5.55	-	-	196,629	-

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	718,939	On the basis of general conditions	5.88%
0	〃	Nanya Technology Corp., U.S.A	1	Account receivable	394,258	On the basis of general conditions	0.25%
0	〃	Nanya Technology Corp., Germany	1	Sales	558,843	On the basis of general conditions	4.57%
0	〃	Nanya Technology Corp., Germany	1	Account receivable	404,925	On the basis of general conditions	0.25%
0	〃	Nanya Technology Corp., Japan	1	Sales	756,558	On the basis of general conditions	6.19%
0	〃	Nanya Technology Corp., Japan	1	Management expense	472,519	On the basis of general conditions	0.30%

Note 1: Assigned numbers represent the following:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 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 March 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 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 %	118,561	1,040	1,040	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	126,422	3,254	3,254	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	175,348	175,348	480	100.00 %	-	(807)	(807)	(Note)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	38,245	879	879	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	132,703	(4,429)	(4,429)	(Note)
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	7,918	53.57 %	86,789	15,921	8,530	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp., Germany	Germany	Import/export business	30,056	30,056	-	100.00 %	52,837	1,934	1,934	(Note)

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

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(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 March 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	29,881 (US$985 thousand)	(1)	29,881 (US$985 thousand)	-	-	29,881 (US$985 thousand)	(1,492)	100.00%	(1,492)	13,884	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
29,881 (US$985 thousand)	29,881 (US$985 thousand)	58,216,685

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 March 31, 2017 was US$1 : TWD 30.336.

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 months ended March 31, 2017				
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	$ 776,062	9,812,503	1,642,009	-	12,230,574
From sales among intersegments	-	2,175,100	73,408	(2,248,508)	-
Total revenue	$ 776,062	11,987,603	1,715,417	(2,248,508)	12,230,574
Reportable segment profit or loss	$ (4,430)	3,275,298	24,065	(8,465)	3,286,468

	For the three months ended March 31, 2016				
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	$ 755,056	8,719,712	922,787	-	10,397,555
From sales among intersegments	-	1,576,025	71,238	(1,647,263)	-
Total revenue	$ 755,056	10,295,737	994,025	(1,647,263)	10,397,555
Reportable segment profit or loss	$ (56,989)	1,848,942	(14,366)	67,430	1,845,017

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	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Reportable segment assets					
March 31, 2017	$ 611,613	158,632,911	1,691,755	(2,010,345)	158,925,934
December 31, 2016	$ 599,033	136,709,336	1,758,911	(2,090,138)	136,977,142
March 31, 2016	$ 766,872	117,109,596	1,568,217	(1,893,738)	117,550,947

	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Reportable segment liabilities					
March 31, 2017	$ 473,358	61,605,101	1,304,423	(1,594,708)	61,788,174
December 31, 2016	$ 453,227	51,166,518	1,378,046	(1,665,796)	51,331,995
March 31, 2016	$ 634,249	48,829,707	1,232,361	(1,502,011)	49,194,306