

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**NANYA TECHNOLOGY CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2018 and 2017**

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

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## Independent Auditors' Review Report

To the Board of Directors of Nanya Technology Corporation :

### Introduction

We have reviewed the accompanying consolidated balance sheets of Nanya Technology Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (" IASs" ) 34, " Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$5,660,636 thousand and \$2,725,672 thousand, constituting 3.12% and 1.70% of the consolidated total assets; the total liabilities amounting to \$33,403 thousand and \$212,137 thousand, constituting 0.15% and 0.45% of the consolidated total liabilities as of September 30, 2018 and 2017, respectively; and the total comprehensive income amounting to the net income of \$61,836 thousand, \$24,395 thousand, \$67,863 thousand, and \$69,403 thousand, constituting 0.48%, 0.37%, 0.22% and 0.31% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2018 and 2017, respectively.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review reports of other independent auditor, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2018 and 2017, the consolidated financial performance for the three months and nine months ended September 30, 2018 and 2017, and of its consolidated cash flows for the nine months ended September 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of Formosa Advanced Technologies Co., Ltd., an investment in other accounted for using the equity method of the Group. The financial statements were reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., is based solely on the review report of other auditors. The aforementioned investment accounted for using the equity method amounted to \$3,067,266 thousand, constituting 1.69% of the consolidated total assets as of September 30, 2018, and the share of profit of associates accounted for using the equity method amounted to \$28,065 thousand, constituting 0.22% and 0.08% of the consolidated total profit before tax for the three months and nine months ended September 30, 2018, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 12, 2018

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in 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 auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

## Nanya Technology Corporation and Subsidiaries

## Consolidated Balance Sheets

September 30, 2018, December 31, 2017, and September 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2018		December 31, 2017		September 30, 2017	
		Amount	%	Amount	%	Amount	%
	<b>Assets</b>						
	<b>Current assets:</b>						
1100	Cash and cash equivalents (Note 6(a))	\$ 57,258,699	31	33,768,677	21	24,539,888	15
1170	Notes and accounts receivable, net (Notes 6(d)(i))	15,663,667	9	8,525,608	6	7,085,090	4
1200	Other receivables (Notes 6(e)(i))	1,154,515	1	11,601,416	8	4,603,599	3
1310	Inventories (Note 6(f))	9,326,928	5	6,888,530	5	5,948,015	4
1470	Other current assets	2,400,565	1	1,622,096	1	1,493,620	1
	<b>Total current assets</b>	<b>85,804,374</b>	<b>47</b>	<b>62,406,327</b>	<b>41</b>	<b>43,670,212</b>	<b>27</b>
	<b>Non-current assets:</b>						
1523	Non-current available-for-sale financial assets (Note 6(c))	-	-	-	-	26,248,657	16
1550	Investments accounted for using equity method (Notes 6(g) and 7)	3,067,266	2	-	-	-	-
1600	Property, plant and equipment (Notes 6(i), 7 and 8))	90,903,196	50	86,241,880	57	88,200,765	55
1780	Intangible assets	57,050	-	136,550	-	170,553	-
1840	Deferred tax assets	862,112	-	922,559	1	846,968	1
1935	Long-term lease payments receivable (Note 6(j))	919,452	1	1,043,501	1	1,123,991	1
1990	Other non-current assets (Note 8)	31,839	-	28,485	-	267,514	-
	<b>Total non-current assets</b>	<b>95,840,915</b>	<b>53</b>	<b>88,372,975</b>	<b>59</b>	<b>116,858,448</b>	<b>73</b>
	<b>Total assets</b>						
	<b>Liabilities and Equity</b>						
	<b>Current liabilities:</b>						
	Current financial liabilities at fair value through profit or loss (Notes 6(b)(i))	\$ -	-	-	-	2,238,441	1
	Accounts payable	9,115,923	5	3,072,987	2	4,418,539	3
	Accounts payable to related parties (Note 7)	350,249	-	299,746	-	268,188	-
	Other payables	8,123,588	5	6,297,730	4	5,088,128	3
	Other payables to related parties (Note 7)	975,316	1	1,065,854	1	996,552	1
	Current tax liabilities	2,483,639	1	1,726,392	1	1,722,477	1
	Long-term borrowings, current portion (Notes 6(k) and 8)	-	-	-	-	7,188,833	4
	Other current liabilities	2,921	-	1,954	-	1,837	-
	<b>Total current liabilities</b>	<b>21,051,636</b>	<b>12</b>	<b>14,703,104</b>	<b>9</b>	<b>25,380,324</b>	<b>16</b>
	<b>Non-current liabilities:</b>						
	Bonds payable (Note 6(i))	-	-	3,286,711	3	8,017,222	5
	Long-term borrowings (Notes 6(k) and 8)	-	-	-	-	10,381,517	6
	Deferred tax liabilities	580	-	63,699	-	2,418,427	2
	Net defined benefit liability, non-current	521,815	-	525,797	-	445,035	-
	Other non-current liabilities	179,802	-	84,803	-	78,179	-
	<b>Total non-current liabilities</b>	<b>702,197</b>	<b>-</b>	<b>3,961,010</b>	<b>3</b>	<b>21,340,380</b>	<b>13</b>
	<b>Total liabilities</b>	<b>21,753,833</b>	<b>12</b>	<b>18,664,114</b>	<b>12</b>	<b>46,720,704</b>	<b>29</b>
	<b>Equity (Note 6(p)):</b>						
	Ordinary share	31,014,199	17	29,639,382	20	27,510,542	17
	Certificate of entitlement to new shares from convertible bond	-	-	223,958	-	1,317,617	1
	Advance receipts for share capital	59,584	-	-	-	-	-
	Capital surplus	33,428,438	18	27,277,191	18	20,173,333	13
	Legal reserve	9,192,249	5	5,164,057	3	5,164,057	3
	Special reserve	39,163	-	-	-	-	-
	Unappropriated retained earnings	86,199,214	48	69,734,440	47	48,116,166	30
	Other equity interest	(41,391)	-	(39,163)	-	11,754,083	7
	Treasury shares	-	-	-	-	(347,533)	-
	<b>Total equity attributable to owners of parent</b>	<b>159,891,456</b>	<b>88</b>	<b>131,999,865</b>	<b>88</b>	<b>113,688,265</b>	<b>71</b>
	Non-controlling interests	-	-	115,323	-	119,691	-
	<b>Total equity</b>	<b>159,891,456</b>	<b>88</b>	<b>132,115,188</b>	<b>88</b>	<b>113,807,956</b>	<b>71</b>
	<b>Total liabilities and equity</b>	<b>\$ 181,645,289</b>	<b>100</b>	<b>\$ 150,779,302</b>	<b>100</b>	<b>\$ 160,528,660</b>	<b>100</b>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Nanya Technology Corporation and Subsidiaries**

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2018 and 2017**

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

		For the three months ended September 30,				For the nine months ended September 30,			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 6(s)(t) and 7)	\$ 24,374,586	100	13,293,362	100	67,764,242	100	38,149,438	100
5000	Operating costs (Notes 6(n)(q)(u) and 7)	10,008,492	41	7,411,838	56	30,120,068	44	21,823,471	57
	Gross profit from operations	14,366,094	59	5,881,524	44	37,644,174	56	16,325,967	43
	Operating expenses (Notes 6(n)(q)(u) and 7):								
6100	Selling expenses	218,119	1	243,104	2	667,145	1	595,164	2
6200	Administrative expenses	377,983	2	367,238	3	1,144,025	2	1,031,066	3
6300	Research and development expenses	1,335,921	5	1,025,684	8	3,569,673	5	2,434,807	6
	Total operating expenses	1,932,023	8	1,636,026	13	5,380,843	8	4,061,037	11
	Net operating income	12,434,071	51	4,245,498	31	32,263,331	48	12,264,930	32
	Non-operating income and expenses (Notes 6(h)(j)(l)(m)(v)):								
7010	Other income	246,492	1	75,706	1	681,778	1	258,978	1
7020	Other gains and losses, net	163,984	1	4,343,926	33	632,129	1	7,698,605	20
7050	Finance costs	(148)	-	(106,353)	(1)	(5,611)	-	(375,748)	(1)
7060	Share of profit of associates accounted for using equity method, net	28,065	-	-	-	28,065	-	-	-
	Total non-operating income and expenses	438,393	2	4,313,279	33	1,336,361	2	7,581,835	20
7900	Profit before tax	12,872,464	53	8,558,777	64	33,599,692	50	19,846,765	52
7950	Tax expense (Note 6(o))	379	-	10,419	-	2,191,621	4	1,519,147	4
	Profit	12,872,085	53	8,548,358	64	31,408,071	46	18,327,618	48
8300	Other comprehensive income (Notes 6(o)):								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8320	Share of other comprehensive income of associates and accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(10,803)	-	-	-	(10,803)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	2,571	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(10,803)	-	-	-	(8,232)	-	-	-
8360	Other components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(3,633)	-	344	-	8,575	-	(15,041)	-
8362	Unrealized (losses) gains on valuation of available-for-sale financial assets	-	-	(2,458,122)	(18)	-	-	4,795,481	13
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	417,245	3	-	-	(815,458)	(3)
	Components of other comprehensive (loss) income that will be reclassified to profit or loss	(3,633)	-	(2,040,533)	(15)	8,575	-	3,964,982	10
8300	Other comprehensive (loss) income, net	(14,436)	-	(2,040,533)	(15)	343	-	3,964,982	10
8500	Comprehensive income	\$ 12,857,649	53	6,507,825	49	31,408,414	46	22,292,600	58
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	\$ 12,872,085	53	8,545,521	64	31,408,846	46	18,310,486	48
8620	Profit (loss), attributable to non-controlling interests	-	-	2,837	-	(775)	-	17,132	-
		\$ 12,872,085	53	8,548,358	64	31,408,071	46	18,327,618	48
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 12,857,649	53	6,504,988	49	31,409,189	46	22,275,468	58
8720	Comprehensive income (loss), attributable to non-controlling interests	-	-	2,837	-	(775)	-	17,132	-
		\$ 12,857,649	53	6,507,825	49	31,408,414	46	22,292,600	58
	Earnings per share (Note 6(r))								
9750	Basic earnings per share	\$ 4.15		3.09		10.23		6.65	
9850	Diluted earnings per share	\$ 4.04		3.00		9.88		6.48	

See accompanying notes to consolidated financial statements.

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Nanya Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total other equity interest		
	Equity attributable to owners of parent										Total other equity interest		
	Equity attributable to owners of parent										Total other equity interest		
	Share capital	Retained earnings					Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				Treasury shares	Non-controlling interests	Total equity
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Non-controlling interests	Total equity
<b>Balance at January 1, 2017</b>	\$ 27,485,658	-	-	11,523,007	-	-	36,296,086	(16,846)	-	7,789,101	-	-	85,542,818
Net profit for the nine months ended September 30, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss) income for the nine months ended September 30, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	2,372,128	-	(2,372,128)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(4,570)	4,570	-	-	-	-	-	-
Conversion of convertible bonds	24,884	1,317,617	-	-	-	-	-	-	-	-	-	-	9,647,116
Other changes in capital surplus:	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognized compensation costs on employee stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at September 30, 2017</b>	\$ 27,510,542	1,317,617	-	20,173,333	5,164,057	-	48,116,166	(31,887)	11,785,970	11,754,083	(347,533)	119,691	113,688,265
<b>Balance at January 1, 2018</b>	\$ 29,639,382	223,958	-	27,277,191	5,164,057	-	69,734,440	(39,163)	-	(39,163)	-	-	131,929,865
Net profit (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	31,408,846	8,575	-	-	-	-	31,408,846
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	2,571	-	-	(2,228)	-	-	343
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	31,411,417	8,575	(10,803)	(2,228)	-	-	31,409,189
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	4,028,192	-	(4,028,192)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	39,163	(39,163)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	732,839	-	-	4,504,323	-	-	(10,879,288)	-	-	-	-	-	(10,879,288)
Other changes in capital surplus:	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	\$	-	-	-	-	-	-	-	-	5
Recognized compensation costs on employee stock options	-	-	-	632,071	-	-	-	-	-	-	-	-	632,071
Conversion of certificates of bonds-to-share	223,958	(223,958)	-	-	-	-	-	-	-	-	-	-	-
Exercise of employee share options	418,020	-	59,584	1,014,848	-	-	-	-	-	-	-	-	1,492,452
Disposal of subsidiaries accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-	(114,548)
<b>Balance at September 30, 2018</b>	\$ 31,014,199	-	59,584	33,428,438	9,192,249	39,163	86,199,214	(30,588)	-	(41,391)	-	-	159,891,456

See accompanying notes to consolidated financial statements.

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**Nanya Technology Corporation and Subsidiaries**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 33,599,692	19,846,765
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	8,871,715	5,584,274
Amortization expense	84,334	105,447
Net loss on financial liabilities at fair value through profit or loss	281,107	8,098,329
Interest expense	5,611	375,748
Interest income	(681,778)	(258,978)
Dividend income	-	(2,216)
Share-based payments	632,071	344,680
Amortization costs of issuing bonds	-	5,739
Share of profit of associates accounted for using equity method	(28,065)	-
Gain on disposal of property, plant and equipment	(2,966)	(3,073)
Gain on disposal of financial assets in available-for-sale	-	(15,984,688)
Gain on disposal of lease payable	-	(63,542)
Gain on disposal of a subsidiary	(497)	-
(Reversal of impairment loss) impairment loss on non-financial assets	(109,744)	32,057
Unrealized foreign exchange loss (gain)	149,817	(670,339)
<b>Total adjustments to reconcile profit (loss)</b>	<u>9,201,605</u>	<u>(2,436,562)</u>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable	(7,275,992)	(1,283,514)
Other receivable	(179,088)	744,282
Inventories	(2,575,304)	(1,098,523)
Other current assets	(781,629)	40,998
Financial liabilities held for trading	(523,136)	-
Accounts payable (including related parties)	6,258,337	(896,294)
Other payable (including related parties)	(3,947,584)	1,214,371
Other current liabilities	967	(231,406)
Net defined benefit liability	(3,982)	(8,478)
Other non-current liabilities	(16,375)	(35,345)
<b>Total changes in operating assets and liabilities</b>	<u>(9,043,786)</u>	<u>(1,553,909)</u>
Cash inflow generated from operations	33,757,511	15,856,294
Interest received	496,011	137,510
Interest paid	(569)	(258,399)
Income taxes paid	(1,435,550)	(1,900,333)
<b>Net cash flows from operating activities</b>	<u>32,817,403</u>	<u>13,835,072</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	-	34,137,571
Acquisition of investments accounted for using equity method	(3,049,999)	-
Proceeds from disposal of a subsidiary	(85,937)	-
Acquisition of property, plant and equipment	(7,680,547)	(26,529,950)
Proceeds from disposal of property, plant and equipment	11,849	3,130
Increase in refundable deposits	(4,039)	(1,517)
Decrease in other receivables	10,616,574	-
Decrease in lease and installment receivables	321,997	321,997
(Increase) decrease in other non-current assets	(4,923)	125,579
Dividends received	-	2,216
<b>Net cash flows from investing activities</b>	<u>124,975</u>	<u>8,059,026</u>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from issuing convertible bonds	-	15,604,577
Repayments of long-term debt	-	(5,400,000)
Increase in guarantee deposits received	110,069	16,301
Increase (decrease) in other payables to related parties	1,348	(12,643,550)
Decrease in lease payable	-	(4,138)
Cash dividends paid	(10,879,288)	(4,121,817)
Exercise of employee share options	1,492,452	-
Change in non-controlling interests	-	230
<b>Net cash flows used in financing activities</b>	<u>(9,275,419)</u>	<u>(6,548,397)</u>
Effect of exchange rate changes on cash and cash equivalents	(176,937)	92,555
<b>Net increase in cash and cash equivalents</b>	23,490,022	15,438,256
<b>Cash and cash equivalents at beginning of period</b>	<u>33,768,677</u>	<u>9,101,632</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 57,258,699</u>	<u>24,539,888</u>

See accompanying notes to consolidated financial statements.



**(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)**  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Nanya Technology Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**September 30, 2018 and 2017**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 12, 2018.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

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

(Continued)

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

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

The following are the nature and impacts on changing of accounting policies:

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, IAS 18 “Revenue”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period.

The following are the nature and impacts on the changing of accounting policies:

1) Sales of goods

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

2) Impacts on financial statements

The adoption of IFRS 15 would not have any material impact on its consolidated financial statements.

(ii) IFRS 9 “Financial Instruments”

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

The Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

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

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The determination of the business model within which a financial asset is held.

(Continued)

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

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

Financial Assets	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Cash and equivalents	Loans and receivables	33,768,677	Amortized cost	33,768,677
Trade and other receivables	Loans and receivables(Note)	21,170,525	Amortized cost	21,170,525
Other financial assets (Guarantee deposits paid)	Loans and receivables	5,266	Amortized cost	5,266

Note: Notes and accounts receivable, lease payment receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified as at amortized cost upon initially adoption of IFRS 9.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group's discounting rate, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses and factory facilities.

No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

#### 1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

#### 2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

(Continued)

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

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

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

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021

The Group believes that the adoption of the above IFRSs would not have any relevant impact on its consolidated financial statements.

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

- (a) Statement of compliance

The consolidated 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 consolidated financial statements, the Chinese version shall prevail.

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect 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 and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

The significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2017.

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

(b) Basis of consolidation

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

Investor	The name of subsidiaries	Business activity	Shareholding			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 2
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00 %	100.00 %	100.00 %	Note 2
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 2
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 2
The Company	PEI JEN Co., Ltd.	General import and export business	100.00 %	100.00 %	100.00 %	Note 2
The Company	PIECEMAKERS TECHNOLOGY CORP.	Design and sales of products	- %	53.56 %	53.57 %	Note 1 & Note 2
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Europe GmbH	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 2
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzhen	Sales of semiconductor products	100.00 %	100.00 %	100.00 %	Note 2

Note 1: In September 2017, the board of directors of Piece Makers Technology Corp. (Piece Makers) issued new shares for its employee stock options, resulting in the Group to decrease its shareholdings from 53.57% to 53.56%. In February 2018, the Company fully disposed all of its shares in Piece Makers, resulting in its loss of control over Piece Makers. Therefore, Piece Makers is no longer a subsidiary of the Company.

Note 2: Company is an non-significant subsidiary, its financial statements have not been reviewed by independent auditors.

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

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

Financial assets are classified into financial assets measured at amortized cost.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that there is an indication of credit risk on its financial asset if there are accounts receivable which are more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 60 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

(Continued)



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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(d) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

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

(Continued)

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

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

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

(e) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group manufactures and sells semiconductor products on the market. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(f) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

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

(Continued)

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

(g) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2017.

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

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 6 of the 2017 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Petty cash	\$ 126	156	178
Checking accounts and demand deposit	12,436,939	3,943,055	4,232,121
Cash equivalents:			
Time deposits	44,077,538	29,188,507	17,626,957
Commercial paper	312,036	302,838	2,280,432
Repurchase agreements collateralized by corporate bonds	432,060	334,121	400,200
	<u>\$ 57,258,699</u>	<u>33,768,677</u>	<u>24,539,888</u>

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

	September 30, 2018	December 31, 2017	September 30, 2017
Financial liabilities held-for-trading :			
Derivative instruments not used for hedging	\$ -	382,295	66,522
Embedded derivative-convertible bonds	-	1,856,146	5,629,248
Total	<u>\$ -</u>	<u>2,238,441</u>	<u>5,695,770</u>

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

(Continued)

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

Derivatives financial instruments are used to hedge foreign currency 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:

<b>September 30, 2018</b>			
	<b>Contract Amount (in thousand)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange contract:			
Non-delivery forward purchased	USD      -	-	-
<b>December 31, 2017</b>			
	<b>Contract Amount (in thousand)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange purchased:			
Non-delivery forward purchased	USD      500,000	USD to TWD	2018.3.20~2018.3.22
<b>September 30, 2017</b>			
	<b>Contract Amount (in thousand)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange purchased:			
Non-delivery forward purchased	USD      500,000	USD to TWD	2018.3.20~2018.3.22

(c) Available-for-sale financial assets

	<b>September 30, 2017</b>
Foreign listed stock	\$ 26,181,349
Domestic listed stock	67,308
	<b><u>\$ 26,248,657</u></b>

For the information of market risk, please refer to note 6(x).

(d) Notes and accounts receivable

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Notes receivable-measured at amortized cost	\$ 626	3,577	4,584
Accounts receivable-measured at amortized cost	15,672,071	8,530,890	7,089,546
Less : Loss allowance	(9,030)	(8,859)	(9,040)
	<b><u>\$ 15,663,667</u></b>	<b><u>8,525,608</u></b>	<b><u>7,085,090</u></b>

(Continued)

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

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on September 30, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of September 30, 2018 was determined as follows:

	Gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 15,300,427	0.03%	5,041
1 to 30 days past due	368,384	1.07%	3,942
31 to 60 days past due	3,886	1.20%	47
	<u>\$ 15,672,697</u>		<u>9,030</u>

As of December 31 and September 30, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017	September 30, 2017
1 to 30 days past due	<u>\$ 49,884</u>	<u>116,229</u>

The movement in the allowance for notes and accounts receivable was as follows:

	September 30, 2018	September 30, 2017 Individually assessed impairment	September 30, 2017 Collectively assessed impairment
<b>Balance on January 1, 2018 and 2017 per IAS 39</b>	\$ 8,859	-	9,284
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	8,859		
Foreign exchange gains (losses)	171	-	(244)
<b>Balance on September 30, 2018 and 2017</b>	<u>\$ 9,030</u>	<u>-</u>	<u>9,040</u>

(e) Other receivables

	September 30, 2018	December 31, 2017	September 30, 2017
Receivable from stock settlement	\$ -	10,616,574	3,345,242
Tax refund receivable	785,656	565,827	870,641
Interest receivable	121,380	28,347	9,508
Lease payment receivable	204,539	309,752	301,784
Others	42,940	80,916	76,424
	<u>\$ 1,154,515</u>	<u>11,601,416</u>	<u>4,603,599</u>

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

As of December 31, and September 30, 2017, no allowance for impairment was provided because all of the other receivables were still within the normal credit terms and were evaluated to be collectable.

(f) Inventories

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Raw materials	\$ 560,538	400,607	354,642
Work in progress	5,782,687	5,393,122	4,283,247
Finished goods	2,983,703	1,067,788	1,283,312
Merchandise	<u>-</u>	<u>27,013</u>	<u>26,814</u>
Total	<u><b>\$ 9,326,928</b></u>	<u><b>6,888,530</b></u>	<u><b>5,948,015</b></u>

The Group did not recognize any loss from devaluation of inventories or gain from recovery in the value of inventories for the three-month and nine-month periods ended September 30, 2018 and 2017.

(g) Investments accounted for using equity method

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

	<b>September 30, 2018</b>
Associates	<u><b>\$ 3,067,266</b></u>

On July 25, 2018, the Group acquired 19% of the shares of Formosa Advanced Technologies Co., Ltd.(FATC), by cash, amounting to \$3,049,999, which was deducted from the transaction cost, resulting in the Group to have significant influence over FATC.

The related information of the major associate to the Group was as follows:

<b>Name of Associates</b>	<b>Nature of Relationship to the Group</b>	<b>Registration Country</b>	<b>Percentage of ownership September 30, 2018</b>
Formosa Advanced Technologies Co., Ltd.(FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	19.00 %

The fair value of major associates listed on the Stock Exchange was as follows:

	<b>September 30, 2018</b>
Formosa Advanced Technologies Co., Ltd. (FATC)	<u><b>\$ 14,858,667</b></u>

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

The aggregated financial information of the major associate was as follows:

The financial information of FATC was as follows:

	<b>September 30, 2018</b>
Current assets	\$ 7,305,931
Non-current assets	5,538,894
Current liabilities	(1,196,228)
Non-current liabilities	<u>(80,466)</u>
Net asset	<u>\$ 11,568,131</u>
Net asset contributed to Formosa Advanced Technologies Co., Ltd.	<u>\$ 11,568,131</u>

  

	<b>For the three months ended September 30, 2018</b>	<b>For the nine months ended September 30, 2018</b>
Operating revenue	<u>\$ 2,281,452</u>	<u>6,556,523</u>
Profit	\$ 462,866	1,188,273
Other comprehensive income	<u>(56,861)</u>	<u>305,002</u>
Total comprehensive income	<u>\$ 406,005</u>	<u>1,493,275</u>
Comprehensive income contributed to Formosa Advanced Technologies Co., Ltd.	<u>\$ 406,005</u>	<u>1,493,275</u>

  

	<b>For the nine months ended September 30, 2018</b>
Share of net assets of the major associate at January 1	\$ -
Acquisition of share of net assets of the major associate allocated to the Group	2,162,315
Total comprehensive income contributed to the Group	35,577
Uncollected dividends beyond the collection period which are reclassified to capital surplus	<u>5</u>
Share of net assets of major associate at September 30	2,197,897
Add: Goodwill	887,684
Less: Unrealized profits on upstream sales net assets of the associates	<u>(18,315)</u>
Total carrying amount of the major associate	<u>\$ 3,067,266</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(h) Loss control over subsidiaries

The Company had disposed 53.56% of its shares in Piece Makers, with a selling price of \$132,584; therefore, it lost control over Piece Makers on February 26, 2018. The Group recognized a gain on disposal of \$497 in profit or loss, which was included in other gains and losses.

The carrying amount of assets and liabilities of Piece Makers Technology Corp on February 26, 2018 were as follow:

	<b>February 26, 2018</b>
Cash and cash equivalents	\$ 218,521
Accounts receivable and other receivables	54,228
Inventories	136,906
Other current assets	3,160
Property, plant, and equipment	3,892
Other non-current assets	666
Accounts payable and other payables	(170,752)
Other non-current liabilities	(6)
Carrying amount of net assets	<u><u>\$ 246,615</u></u>

(i) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Under construction</u>	<u>Total</u>
<b>Cost:</b>						
<b>Balance as of January 1, 2018</b>	\$ 1,013,924	7,502,631	172,719,912	1,133,770	1,778,293	184,148,530
Additions	-	-	2,014,927	18,474	11,402,563	13,435,964
Disposals	-	-	(117,149)	(64,714)	-	(181,863)
Disposal of a subsidiary	-	-	(60)	(23,771)	-	(23,831)
Reclassification	-	237,913	5,725,690	23,909	(5,987,398)	114
Effect of exchange rate change	-	35	424	1,282	-	1,741
<b>Balance as of September 30, 2018</b>	<u>\$ 1,013,924</u>	<u>7,740,579</u>	<u>180,343,744</u>	<u>1,088,950</u>	<u>7,193,458</u>	<u>197,380,655</u>
<b>Balance as of January 1, 2017</b>	\$ 1,013,924	4,197,562	125,215,286	1,431,504	25,574,275	157,432,551
Additions	-	-	640,756	41,675	25,426,918	26,109,349
Disposals	-	-	(334,624)	(21,424)	-	(356,048)
Derecognized lease assets	-	-	-	(345,636)	-	(345,636)
Reclassification	-	3,292,011	26,025,063	43,389	(29,360,463)	-
Effect of exchange rate change	-	(50)	(1,459)	1,008	-	(501)
<b>Balance as of September 30, 2017</b>	<u>\$ 1,013,924</u>	<u>7,489,523</u>	<u>151,545,022</u>	<u>1,150,516</u>	<u>21,640,730</u>	<u>182,839,715</u>
<b>Accumulated depreciation / impairment:</b>						
<b>Balance as of January 1, 2018</b>	\$ -	1,676,927	95,179,932	1,049,791	-	97,906,650
Depreciation for the period	-	225,817	8,629,424	16,474	-	8,871,715
Reversal of impairment loss	-	-	(109,744)	-	-	(109,744)
Disposals	-	-	(108,266)	(64,714)	-	(172,980)
Disposal of a subsidiary	-	-	(60)	(19,879)	-	(19,939)
Reclassification	-	-	(10,135)	10,141	-	6
Effect of exchange rate change	-	22	(312)	2,041	-	1,751
<b>Balance as of September 30, 2018</b>	<u>\$ -</u>	<u>1,902,766</u>	<u>103,580,839</u>	<u>993,854</u>	<u>-</u>	<u>106,477,459</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Balance as of January 1, 2017	\$ -	1,450,874	86,921,615	1,142,725	-	89,515,214
Depreciation for the period	-	152,994	5,399,999	31,281	-	5,584,274
Impairment loss	-	-	32,735	(678)	-	32,057
Disposals	-	-	(334,624)	(21,367)	-	(355,991)
Derecognized lease assets	-	-	-	(136,693)	-	(136,693)
Reclassification	-	-	(38,998)	38,998	-	-
Effect of exchange rate change	-	(30)	(701)	820	-	89
Balance as of September 30, 2017	<u>\$ -</u>	<u>1,603,838</u>	<u>91,980,026</u>	<u>1,055,086</u>	<u>-</u>	<u>94,638,950</u>
Carrying amounts:						
Balance as of September 30, 2018	<u>\$ 1,013,924</u>	<u>5,837,813</u>	<u>76,762,905</u>	<u>95,096</u>	<u>7,193,458</u>	<u>90,903,196</u>
Balance as of December 31, 2017	<u>\$ 1,013,924</u>	<u>5,825,704</u>	<u>77,539,980</u>	<u>83,979</u>	<u>1,778,293</u>	<u>86,241,880</u>
Balance as of September 30, 2017	<u>\$ 1,013,924</u>	<u>5,885,685</u>	<u>59,564,996</u>	<u>95,430</u>	<u>21,640,730</u>	<u>88,200,765</u>

(i) Leased assets

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

(ii) Property, plant and equipment under construction

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Capitalized interest amounts	\$ -	55,171	-	163,901
Capitalized interest rates	-	1.79%~1.97%	-	1.79%~1.98%

(iii) Secured

Please refer to Note 8 for details of the long-term borrowings and the amount of the guarantee as of September 30, 2017.

(j) Lease receivables

- (i) On June 18, 2009, the Group signed an amended long term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") 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 MTTW 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, MTTW has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

- (ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the three-month and nine-month periods ended September 30, 2018 and 2017, the Group recognized the interest revenue of \$28,912, \$36,675, \$92,736 and \$115,431, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	September 30, 2018			December 31, 2017			September 30, 2017		
	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	\$ 305,580	101,041	204,539	429,330	119,578	309,752	429,330	127,546	301,784
Between one and five years	1,057,320	203,951	853,369	1,057,320	268,124	789,196	1,098,570	288,425	810,145
More than five years	66,083	-	66,083	264,330	10,025	254,305	330,413	16,567	313,846
Sub-total	<u>\$ 1,428,983</u>	<u>304,992</u>	<u>1,123,991</u>	<u>1,750,980</u>	<u>397,727</u>	<u>1,353,253</u>	<u>1,858,313</u>	<u>432,538</u>	<u>1,425,775</u>
Current			\$ 204,539			309,752			301,784
Non-current			919,452			1,043,501			1,123,991
			<u>\$ 1,123,991</u>			<u>1,353,253</u>			<u>1,425,775</u>

- (k) Long-term borrowings

	September 30, 2017			
	Currency	Interest rate range	Expiration	Amount
Secured bank borrowings	TWD	1.7895%	108~110	\$ 17,570,350
Less: Current portion of long-term borrowings				(7,188,833)
Total				<u>\$ 10,381,517</u>
Unused long-term of credit				<u>\$ 1,600,000</u>

- (i) The Group had an unused long-term of credit with a carrying amount of \$1,100,000 and \$1,600,000 as of September 30, 2018 and December 31, 2017.

- (ii) Issuance and redemption of loans

- 1) The Group 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 appropriation of loans of \$11,000,000 as of December 31, 2017. The Group has fully repaid the syndicated loan before December, 2017.

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

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

(iii) Collaterals for bank loans

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

(l) Bonds Payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Issuance of unsecured overseas convertible bonds	\$ 14,267,000	14,924,000	15,218,000
Unamortized discount on bonds payable	-	(229,383)	(595,459)
Conversion of convertible bonds to ordinary shares	<u>(14,267,000)</u>	<u>(11,407,906)</u>	<u>(6,605,319)</u>
Balance at end of period	<u>\$ -</u>	<u>3,286,711</u>	<u>8,017,222</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included financial liabilities at fair value through profit or loss)	<u>\$ -</u>	<u>1,856,146</u>	<u>5,629,248</u>

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included other gain and losses)	<u>\$ -</u>	<u>6,862,834</u>	<u>140,266</u>	<u>8,031,807</u>

<u>Item</u>	<u>The first unsecured overseas convertible bond</u>
1. Issue amount	USD 500,000 thousand
2. Issue par value	USD 200 thousand
3. Issue period	2017.1.24~2022.1.24
4. Bond expiration	5 years
5. Coupon rate	0%
6. Conversion price	TWD 52.47 dollars

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

<b>Item</b>	<b>The first unsecured overseas convertible bond</b>
7. Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 day from the issuance date (excluding the issuance date itself).
8. Put option of bond holders	<p>(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).</p> <p>(B) Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange.</p> <p>(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.</p>
9. Call option of issuer	<p>(A) The issuer may redeem, in whole or in part, the convertible bonds at the ERA if the closing price of the Company’s shares which translated into US dollars at the prevailing rate for a period of 20 trading days in any period of 30 consecutive trading days is above 130 percent of the ERA multiplied the conversion ratio and divided by par value.</p> <p>(B) The issuer may redeem its outstanding convertible bonds at their Early Redemption Amount if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled.</p> <p>(C) The issuer may redeem, in whole or in part, or the convertible bonds at their Early Redemption Amount if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.</p>

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

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(m) Finance lease liabilities

- (i) The Group signed a long-term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") 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 lease because the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets. However, the lease of the land is treated as an operating lease.
- (ii) The lease of the building is treated as a finance lease with implicit interest rate of 5.88%. The net carrying value of leased assets and the initial total amount of lease payable for the finance lease of the building was \$345,637.
- (iii) The rental expense from the lease of land which was treated as an operating lease amounted to \$0 and \$620 for the three-month and nine-month periods ended September 30, 2017. The expense was fully paid as of September 30, 2017.
- (iv) The Company signed an agreement for termination on its lease with MTTW 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.

(n) Employee benefits

(i) Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Operating cost	\$ 1,958	2,019	5,909	5,863
Operating expenses	1,006	856	2,980	2,562
Total	<u>\$ 2,964</u>	<u>2,875</u>	<u>8,889</u>	<u>8,425</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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- (ii) The Group's expenses under the pension plan cost to the Bureau of local government were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Operating cost	\$ 21,270	20,306	63,571	59,005
Operating expenses	14,453	6,943	44,186	33,276
Total	<u>\$ 35,723</u>	<u>27,249</u>	<u>107,757</u>	<u>92,281</u>

- (o) Income tax

- (i) The Group's tax expense were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Current tax expense				
Current period	\$ 379	1,822	3,926	8,294
Adjustment for prior periods		8,597		8,597
10% surtax on undistributed earnings	-	-	2,187,695	1,502,256
Deferred tax expense	-	-	-	-
Tax expense	<u>\$ 379</u>	<u>10,419</u>	<u>2,191,621</u>	<u>1,519,147</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Items that could not be reclassified subsequently to profit or loss:				
Re-measurement of net defined benefit plan	\$ -	-	2,571	-
Items that may be reclassified subsequently to profit and loss:				
Unrealized (losses) gains on available-for-sale financial assets	\$ -	(417,245)	-	815,458

- (ii) The Company's tax returns have been examined by the ROC tax authority through 2016.

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(p) Capital and other equity

Except as described below, there was no material change in equity for the nine months ended September 30, 2018 and 2017. Please refer to Note 6(o) of the consolidated financial statements as of and for the year ended December 31, 2017 for the related detail disclosures on equity.

(i) Ordinary Share

For the nine months ended September 30, 2018, the overseas convertible bondholders exercised some of their conversion rights and the Company issued 73,284 thousand ordinary shares at a par value which totaled \$732,839. The process for the registration of 73,284 thousand ordinary shares had been completed.

In addition, 22,396 thousand shares of certificates of entitlement had been issued as of December 31, 2017; all certificates of entitlement had been transferred to ordinary shares, and the related process for the registration had been completed in the first quarter of 2018.

On August 10, 2018, the Company's board of directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 41,802 thousand ordinary shares at par value, with the issuing prices of \$34.3 and \$33.1 per share, which totaled \$418,020. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the third quarter of 2018, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 1,771 thousand ordinary shares, at issuing prices of \$34.3 and \$33.1 per share respectively, which totaled \$59,584, which was recognized as advance receipts for share capital as of September 30, 2018.

(ii) Capital surplus

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Employee stock option plans	\$ 2,759,105	2,127,034	2,012,141
Premium from the issuance of stock	30,669,328	25,150,157	18,156,861
Change in equity of associates accounted for using equity method	5	-	-
Other	-	-	4,331
	<u><u>\$ 33,428,438</u></u>	<u><u>27,277,191</u></u>	<u><u>20,173,333</u></u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(iii) Retain earning

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

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

1) Special Reserve

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

2) Earnings distribution

Earnings distribution for 2017 and 2016 was approved in the general meeting of shareholders held on May 24, 2018 and May 26, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

		<b>For the year ended December 31, 2017</b>	
		<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	3.51	<u><u>10,879,288</u></u>
		<b>For the year ended December 31, 2016</b>	
		<b>Dividends per share</b>	<b>Amount</b>
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	1.50	<u><u>4,122,848</u></u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(iv) Treasury shares

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Numbers of shares as of June 30,	<u>-</u>	<u>-</u>	<u>687</u>
Ending balance as of June 30,	<u>\$ -</u>	<u>-</u>	<u>347,533</u>
Book value per share	<u>\$ -</u>	<u>-</u>	<u>505.46</u>
Price per share (dollars)	<u>\$ -</u>	<u>-</u>	<u>86.30</u>

As of December 31, 2017, the Company's subsidiary, Pei Jen Co., Ltd., had already sold all of shares of the Company, at the Company's average market price per share.

(v) Other equity (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Unrealized gains (losses) on available- for-sale financial assets</b>
Balance as of January 1, 2018	\$ (39,163)	-	-
Exchange differences on translation of foreign financial statements, net of tax The Company	8,575	-	-
Unrealized losses from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	<u>-</u>	<u>(10,803)</u>	<u>-</u>
Balance as of September 30, 2018	<u>\$ (30,588)</u>	<u>(10,803)</u>	<u>-</u>
Balance as of January 1, 2017	\$ (16,846)	-	7,805,947
Exchange differences on translation of foreign financial statements, net of tax The Company	(15,041)	-	-
Unrealized gains (losses) on available for sale financial assets			
The Company	-	-	3,980,992
The subsidiaries	<u>-</u>	<u>-</u>	<u>(969)</u>
Balance as of September 30, 2017	<u>\$ (31,887)</u>	<u>-</u>	<u>11,785,970</u>

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

(q) Share-based payment

Except as described below, there was no material change on the share-based payment transactions for the nine months ended September 30, 2018 and 2017. Please refer to Note 6(p) of the consolidated financial statements as of and for the year ended December 31, 2017 for related disclosures on share-based payment transactions.

- (i) The company approved to distribute its cash dividends in the third quarter of 2018. As a result, the exercise price of the 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> batch of the employee stock option plan were adjusted to \$35.6 dollars, \$33.1 dollars and \$34.3 dollars respectively, in accordance with the offering and exercising terms and conditions of ESOP.
- (ii) Relevant information of employee stock option plans

The Company:

	For the nine months ended September 30,			
	2018		2017	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding at January 1,	35.34	155,374	36.37	162,030
Options forfeited	34.00	(2,122)	35.14	(5,180)
Options exercised	33.12	(43,573)	-	-
Outstanding at September 30,	34.49	<u>109,679</u>	35.33	<u>156,850</u>
Options exercisable at September 30,	35.49	<u>63,236</u>	36.90	<u>61,363</u>

(iii) Compensation cost

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Compensation cost arising from share options granted to employees	\$ <u>86,111</u>	<u>114,893</u>	<u>632,071</u>	<u>344,680</u>

(r) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
<b>Basic earnings per share:</b>				
Net profit attributable to the Company	\$ <u>12,872,085</u>	<u>8,545,521</u>	<u>31,408,846</u>	<u>18,310,486</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Weighted-average number of ordinary shares outstanding (basic)	<u>3,102,214</u>	<u>2,764,244</u>	<u>3,068,888</u>	<u>2,753,427</u>
Basic earnings per share (dollars)	<u>\$ 4.15</u>	<u>3.09</u>	<u>10.23</u>	<u>6.65</u>
<b>Diluted earnings per share:</b>				
Net profit attributable to the Company (basic)	<u>\$ 12,872,085</u>	<u>8,545,521</u>	<u>31,408,846</u>	<u>18,310,486</u>
Weighted-average number of ordinary shares (basic)	3,102,214	2,764,244	3,068,888	2,753,427
Effect of employee share option	57,273	72,968	78,959	56,872
Effect of employee remuneration	<u>28,244</u>	<u>12,802</u>	<u>31,745</u>	<u>15,227</u>
Weighted-average number of ordinary shares (diluted)	<u>3,187,731</u>	<u>2,850,014</u>	<u>3,179,592</u>	<u>2,825,526</u>
Diluted earnings per share (dollars)	<u>\$ 4.04</u>	<u>3.00</u>	<u>9.88</u>	<u>6.48</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2018			
	Japanese department	Manufacturing department	Other department	Total
Primary geographic markets:				
Taiwan	\$ 1,722	11,141,135	83,039	11,225,896
Turkey	-	-	3,778	3,778
Japan	457,358	-	-	457,358
Malaysia	-	125,915	281,502	407,417
Korea	81,957	102,232	4	184,193
China	530,851	6,015,695	3,889,011	10,435,557
USA	-	261,867	65,732	327,599
Other countries	<u>152,631</u>	<u>525,177</u>	<u>654,980</u>	<u>1,332,788</u>
	<u>\$ 1,224,519</u>	<u>18,172,021</u>	<u>4,978,046</u>	<u>24,374,586</u>
Major products/services line:				
Dynamic Random Access Memory (DRAM)	\$ 1,224,519	18,135,414	4,978,046	24,337,979
Other	<u>-</u>	<u>36,607</u>	<u>-</u>	<u>36,607</u>
	<u>\$ 1,224,519</u>	<u>18,172,021</u>	<u>4,978,046</u>	<u>24,374,586</u>

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

	For the nine months ended September 30, 2018			
	Japanese department	Manufacturing department	Other department	Total
Primary geographic markets:				
Taiwan	\$ 6,278	29,882,730	256,986	30,145,994
Turkey	-	-	427,929	427,929
Japan	1,560,005	-	1,609	1,561,614
Malaysia	-	409,310	716,352	1,125,662
Korea	206,308	436,813	2,013	645,134
China	1,302,833	20,668,052	8,593,175	30,564,060
USA	-	269,407	228,579	497,986
Other countries	294,202	1,122,377	1,379,284	2,795,863
	<u>\$ 3,369,626</u>	<u>52,788,689</u>	<u>11,605,927</u>	<u>67,764,242</u>
Major products/services line:				
Dynamic Random Access Memory (DRAM)	\$ 3,369,626	52,683,153	11,605,927	67,658,706
Other	-	105,536	-	105,536
	<u>\$ 3,369,626</u>	<u>52,788,689</u>	<u>11,605,927</u>	<u>67,764,242</u>

For details on revenue for the three months and nine months ended September 30, 2017, please refer to note 6(t).

(i) Contract balances

	September 30, 2018	January 1, 2018
Notes receivable	\$ 626	3,577
Accounts receivable	15,672,071	8,530,890
Less: allowance for impairment	(9,030)	(8,859)
Total	<u>\$ 15,663,667</u>	<u>8,525,608</u>

For details on notes receivable, accounts receivable, and loss allowance for impairment, please refer to note 6(d).

(t) Revenue

The Group's revenue for the three months and nine months ended September 30, 2017 were as follows :

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Sales of goods	\$ 13,253,347	38,038,375
Others	40,015	111,063
	<u>\$ 13,293,362</u>	<u>38,149,438</u>

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

For details of revenue for the three months and nine months ended September 30, 2018, please refer to note 6(s).

(u) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee remuneration to employees which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee remuneration to employees and after offsetting accumulated deficits, if any, should be distributed as employee remuneration to employees. Employees who are entitled to receive the above mentioned employee remuneration to employees, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The estimated employee remuneration to employees which was charged to profit or loss under operating costs or expense amounted to \$120,000, \$461,650, \$1,640,949, and \$1,104,825 for the three months and nine months ended September 30, 2018 and 2017, respectively. This employee remuneration to employees was estimated based on the Company's net income before tax before deducting any employee remuneration to employees according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a changes in accounting estimates and recognized through profit or loss in the following year.

The estimated employee remuneration to employees which was charged to profit or loss under operating costs or expense amounted to \$1,364,013 for the year ended 2017, which is same as the amount approved by the Company's board of directors.

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

(v) Non-operating income and expenses

(i) Other incomes

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Interest income				
Bank deposits and short-term notes	\$ 217,580	39,031	589,042	143,547
Financial lease	28,912	36,675	92,736	115,431
	<u>\$ 246,492</u>	<u>75,706</u>	<u>681,778</u>	<u>258,978</u>

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

(ii) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Foreign exchange gains (losses)	\$ 113,144	108,736	702,816	(551,653)
Net loss on financial liabilities at fair value through profit or loss	-	(6,970,995)	(281,107)	(8,098,329)
Gain on disposal of available-for-sale financial assets	-	11,165,245	-	15,984,688
Gain on disposal of lease payable	-	-	-	63,542
Reversal of impairment loss (Impairment loss) on non-financial assets	8,883	-	109,744	(32,057)
Dividend income	-	2,216	-	2,216
Gain on disposals of property, plant and equipment	2,920	3,028	2,966	3,073
Gain on disposals of a subsidiary	-	-	497	-
Others	39,037	35,696	97,213	327,125
	<u>\$ 163,984</u>	<u>4,343,926</u>	<u>632,129</u>	<u>7,698,605</u>

(iii) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Bank loans	\$ -	85,534	26	287,115
Financing from entities with significant influence over the Group	-	14,012	-	69,898
Amortization interest of overseas convertible bond	-	55,896	5,105	156,941
Financing from other related parties	99	6,105	334	22,857
Lease payments	-	-	-	2,700
Others	49	(23)	146	138
Less: Capitalized of interest	-	(55,171)	-	(163,901)
	<u>\$ 148</u>	<u>106,353</u>	<u>5,611</u>	<u>375,748</u>

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

(w) Reclassification adjustment of other comprehensive income

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Available- for-sale financial assets		
Net change in fair value	\$ (13,206,122)	(12,004,665)
Net change in fair value reclassified to profit or loss	<u>11,165,245</u>	<u>15,984,688</u>
Net change in fair value recognized in other comprehensive (loss) income	<u>\$ (2,040,877)</u>	<u>3,980,023</u>

(x) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2017.

(i) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
<b>September 30, 2018</b>							
Non-derivative financial liabilities							
Financing from other related parties	\$ 9,764	10,249	242	10,007	-	-	-
Accounts payable (including related parties)	9,466,172	9,466,172	9,466,172	-	-	-	-
Other payable (including related parties)	<u>9,089,140</u>	<u>9,089,140</u>	<u>9,089,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,565,076</u>	<u>18,565,561</u>	<u>18,555,554</u>	<u>10,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2017</b>							
Derivative financial liabilities							
Derivative instruments not used for hedging	\$ 382,295	382,295	382,295	-	-	-	-
Embedded derivative-convertible bonds	1,856,146	-	-	-	-	-	-
Non-derivative financial liabilities							
Financing from other related parties	8,416	8,914	249	8,665	-	-	-
Accounts payable (including related parties)	3,372,733	3,372,733	3,372,733	-	-	-	-
Other payable (including related parties)	7,355,168	7,355,168	7,355,168	-	-	-	-
Bonds payable	<u>3,286,711</u>	<u>3,759,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,759,096</u>	<u>-</u>
	<u>\$ 16,261,469</u>	<u>14,878,206</u>	<u>11,110,445</u>	<u>8,665</u>	<u>-</u>	<u>3,759,096</u>	<u>-</u>
<b>September 30, 2017</b>							
Derivative financial liabilities							
Derivative instruments not used for hedging	\$ 5,695,770	-	-	-	-	-	-
Non-derivative financial liabilities							
Secured bank borrowings	17,570,350	18,080,076	4,948,259	2,505,899	9,011,798	1,614,120	-
Accounts payable (including related parties)	4,686,727	4,686,727	4,686,727	-	-	-	-
Finances from other related parties	98,722	101,488	1,383	100,105	-	-	-
Other payable (including related parties)	5,985,958	5,985,958	5,985,958	-	-	-	-
Bonds payable	<u>8,017,222</u>	<u>9,163,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,163,908</u>	<u>-</u>
	<u>\$ 42,054,749</u>	<u>38,018,157</u>	<u>15,622,327</u>	<u>2,606,004</u>	<u>9,011,798</u>	<u>10,778,028</u>	<u>-</u>

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(ii) Currency risk

1) Exposure to currency risk

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

	September 30, 2018			December 31, 2017			September 30, 2017		
	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars
Financial assets:									
Monetary items									
USD	\$ 1,733,932	30.551	52,973,357	1,323,649	29.848	39,508,275	899,505	30.305	27,259,499
JPY	143,737	0.2692	38,694	1,542,231	0.2641	407,303	3,706,957	0.2695	999,025
EUR	17	35.5288	604	25	35.608	890	23	35.8104	824
Financial liabilities:									
Monetary items									
USD	177,032	30.551	5,408,505	587,405	29.848	17,532,864	394,277	30.305	11,948,564
JPY	4,104,067	0.2692	1,104,815	1,156,636	0.2641	305,468	2,909,899	0.2695	784,218
EUR	42,595	35.5288	1,513,349	1,567	35.608	55,798	5,266	35.8104	188,578

The Group's exposure to foreign currency risk arises from the translation of 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, JPY, EUR, as of September 30, 2018 and 2017 would have increased the net income before tax by \$449,860 and \$153,380 for the nine months ended September 30, 2018 and 2017, 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 loss on monetary items is disclosed by total amount. For the nine months ended September 30, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$702,816 and \$(551,653), respectively.

2) interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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year. The rate of change is expressed as the interest rate increases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased by 1 basis points, the Group's net income would have decreased by \$98 and \$176,691 for the nine months ended September 30, 2018 and 2017 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

- 3) The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the nine months ended September 30,	
	2018	2017
	Other comprehensive income after tax	Other comprehensive income after tax
<u>Prices of securities at the reporting date</u>		
Increase 1%	\$ -	217,978
Decrease 1%	-	(217,978)

(iii) Fair value of financial instruments

1) Types and fair value of financial instruments

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

		September 30, 2018			
		Fair Value			Total
	Book Value	Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 57,258,699	-	-	-	-
Notes and accounts receivable, net	15,663,667	-	-	-	-
Other receivables	949,976	-	-	-	-
Lease payments receivable (including current portion)	1,123,991	-	-	-	-
Total	<u>\$ 74,996,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost :					
Accounts payable (including related parties)	\$ 9,466,172	-	-	-	-
Other payables (including related parties)	9,098,904	-	-	-	-
Total	<u>\$ 18,565,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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December 31, 2017					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Loans and receivables					
Cash and cash equivalents	\$ 33,768,677	-	-	-	-
Notes and accounts receivable, net	8,525,608	-	-	-	-
Other receivables	11,291,664	-	-	-	-
Lease payments receivable (including current position)	1,353,253	-	-	-	-
Total	<u>\$ 54,939,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
Derivate financial liabilities	\$ 2,238,441	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	3,372,733	-	-	-	-
Other payables (including related parties)	7,363,584	-	-	-	-
Bonds payable	3,286,711	-	3,405,337	-	3,405,337
Subtotal	14,023,028	-	3,405,337	-	3,405,337
Total	<u>\$ 16,261,469</u>	<u>-</u>	<u>3,405,337</u>	<u>-</u>	<u>3,405,337</u>

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

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

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

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

- a) Debt Investment that has no active markets and financial liabilities measured at Amortized Cost.

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

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

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 nine months ended September 30, 2018.

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(v) of the consolidated financial statements for the year ended December 31, 2017.

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(z) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2017. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2017. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2017 for further details.

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

The Group's investing and financing activities on non-cash transactions for the nine months ended September 30, 2018 and 2017 were as follows:

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

	<b>For the nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Conversion of convertible bonds to ordinary shares	<b>\$ 3,240,750</b>	<b>6,066,914</b>

**(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 financial statements.

<b>Name of related party</b>	<b>Relationship with the Group</b>
Nan Ya Photonics Incorporation	The Group's other related parties
Formosa Technologies (Nanjing) Corporation	The Group's other related parties
Nan Ya Printed Circuit Board Corp.	The Group's other related parties
Mai Laio Harbor Administration Corp.	The Group's other related parties
Formosa Heavy Industries Corporation	The Group's other related parties
Formosa Sumco Technology Corporation	The Group's other related parties
Formosa Advanced Technologies Co., Ltd.(FATC)	The Group's associates (Note)
Formosa Technologies Corporation	The Group's other related parties
Formosa Biomedical Technology Corp.	The Group's other related parties
Formosa Petrochemical Corporation	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa Heavy Industries Corp. (GZ) Ltd.	The Group's other related parties
Formosa Transportation (Ningbo) Corp.	The Group's other related parties

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**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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Name of related party	Relationship with the Group
Formosa Waters Technology Co., Ltd.	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group

Note: FATC was the previous other related party of the Group. However, since the Company has significant influence over FATC, it became the Group's associates beginning July 25, 2018.

(b) Significant transactions with related parties

(i) Sales to related parties

	Sales			
	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Other related parties	\$ -	-	-	6,023

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

(ii) Purchase from related parties

	Purchases				Accounts payable to related parties		
	For the three months ended		For the nine months ended				
	September 30,		September 30,		September	December 31,	September
	2018	2017	2018	2017	30, 2018	2017	30, 2017
Entities with significant influence over the Group \$	32,153	14,152	61,903	38,705	10,584	4,750	4,762
Associates	-	-	4,221	-	-	-	-
Other related parties:							
Formosa Sumco Technology Corporation	440,985	373,750	1,289,575	997,352	334,242	290,134	261,937
Other related parties	30,932	11,571	81,325	23,752	5,423	4,862	1,489
Total	\$ 504,070	399,473	1,437,024	1,059,809	350,249	299,746	268,188

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to two months, which were no different from the payment terms given by other vendors.

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

(iii) Consigned out for processing

	Amount				Other payables to related parties		
	For the three months ended		For the nine months ended		September 30, 2018	December 31, 2017	September 30, 2017
	September 30,		June 30,				
	2018	2017	2018	2017			
Associates	\$ 1,491,013	-	4,345,154	-	957,634	-	-
Other related parties:							
Formosa Advanced Technologies Co., Ltd	-	1,247,306	-	4,004,576	-	889,629	725,670
Total	\$ 1,491,013	1,247,306	4,345,154	4,004,576	957,634	889,629	725,670

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) Financing from related parties

	Other payables to related parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties:			
Mai Liao Harbor Administration Corp.	\$ -	-	85,000
Formosa Heavy Industries Corp. (GZ) Ltd.	-	2,282	8,222
Formosa Transportation (Ningbo) Corp.	-	5,934	-
Formosa Technologies (Nanjing) Corp.	9,764	-	-
Other related parties	-	200	5,500
Total	\$ 9,764	8,416	98,722

Interest payables under other payables to related parties as of September 30, 2018, December 31 and September 30, 2017 amounted to \$146, \$208, and \$1,206, respectively. Please refer to Note 6(v) for details on related interest expenses.

(v) Property transactions

1) Acquisition of equipment

	<u>Acquisition price</u>		<u>Other payables to related parties</u>		
	<u>For the nine months ended</u>		<u>September</u>	<u>December</u>	<u>September</u>
	<u>September 30,</u>		<u>30, 2018</u>	<u>31, 2017</u>	<u>30, 2017</u>
	<u>2018</u>	<u>2017</u>			
Entities with significant influence over the Group	\$ 391	727,713	178	84,472	73,754
Other related parties	8,017	114,325	7,594	83,129	97,200
Total	<u>\$ 8,408</u>	<u>842,038</u>	<u>7,772</u>	<u>167,601</u>	<u>170,954</u>

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

2) Acquisition of Financial Assets

Relationship	Account	For the nine months ended September 30, 2018		
		Number of shares of transaction (in thousands)	Item of transaction	Acquisition price
Associates	Investments accounted for using equity method	84,022	Shares of Formosa Advanced Technologies Co., Ltd.	\$ <u>3,049,999</u>

(vi) Lease contracts

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Entities with significant influence over the Group	\$ <u>58,537</u>	<u>49,958</u>	<u>170,911</u>	<u>149,922</u>

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Short-term employee benefits	\$ 48,301	20,223	70,533	42,590
Share-based payment	<u>2,262</u>	<u>3,001</u>	<u>16,695</u>	<u>9,003</u>
	\$ <u>50,563</u>	<u>23,224</u>	<u>87,228</u>	<u>51,593</u>

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

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

**(8) Pledged assets:**

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

<b>Pledged assets</b>	<b>Object</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Property, plant and equipment	Bank loans	\$ <u>-</u>	<u>-</u>	<u>31,208,250</u>
Other non-current assets	Bank loans, importation of materials and research and development's plan	\$ <u>-</u>	<u>10</u>	<u>236,680</u>

**(9) Commitments and contingencies:**

**(a) Significant commitments**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Guarantees for importation goods provided by bank	\$ 435,000	595,000	595,000
Guarantees for project plan being undertaken with the Ministry of Economic Affairs provided by bank	-	33,440	33,440
Unused letters of credit	<u>1,797,359</u>	<u>113,261</u>	<u>625,663</u>
Total	\$ <u>2,232,359</u>	<u>741,701</u>	<u>1,254,103</u>

**(b) Contingent liabilities**

- (i) In 2002, Nanya Technology Corporation and its subsidiary, Nanya Technology Corporation, U.S.A. (collectively "Nanya"), and other major Dynamic Random Access Memory ("DRAM") manufacturers, were alleged to collusively manipulate DRAM's market prices in the U.S.A. which violates the Antitrust Law. The Company was able to fully comply with all the conditions stated in the agreement in 2018, therefore, the said agreement has no significant influence on the Group.
- (ii) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The Company has engaged counsels to properly handle it to ensure the Company's rights.

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

- (iii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was handed over to the US District Court of Northern California in July 2017, wherein it was denied in January 2018. Therefore, Lone Star appealed to the US Court of Appeals for the Federal Circuit on the said matter. The case is still in progress. The Group has engaged lawyers to handle the case to ensure its rights.
- (iv) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Micron Technology Taiwan. Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:
  - 1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US\$5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of \$850,000 thousand (US\$27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of September 30, 2018, the payment amounting to \$27,000 (USD900 thousand) had been recognized by the Company.
  - 2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

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

**(11) Subsequent Events:**

On November 12, 2018, the Company's board of directors approved to establish a fully owned overseas subsidiary, which engages in investment business, in British Virgin Island, within a total amount of USD 1 billion. Also, the Company's board of directors approved to repurchase 20,000 thousand shares in order to transfer to employees and 100,000 thousand shares in order to protect the Company's integrity and stockholders' equity from securities exchange market. The aforementioned shares would be repurchased from November 13, 2018 to November 28, 2018 and from November 29, 2018 to January 11, 2019, respectively, both with a repurchase price ranging from \$38 dollars to \$79 dollars per share.

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

**(12) Other:**

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

	For the three months ended June 30, 2018			For the three months ended June 30, 2017		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	734,308	530,433	1,264,741	954,921	525,953	1,480,874
Labor and health insurance	43,782	33,015	76,797	40,165	29,961	70,126
Pension expenses	23,228	15,459	38,687	22,325	7,799	30,124
Remuneration of directors	-	26,493	26,493	-	12,463	12,463
Other personnel expenses	17,273	5,732	23,005	15,629	5,093	20,722
Depreciation expenses	3,001,258	38,872	3,040,130	2,116,985	11,174	2,128,159
Amortization expenses	12,964	-	12,964	25,436	-	25,436

	For the nine months ended June 30, 2018			For the nine months ended June 30, 2017		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,313,296	1,924,721	5,238,017	2,635,134	1,444,973	4,080,107
Labor and health insurance	130,148	95,716	225,864	116,752	88,084	204,836
Pension expenses	69,480	47,166	116,646	64,868	35,838	100,706
Remuneration of directors	-	36,954	36,954	-	22,525	22,525
Other personnel expenses	50,956	16,825	67,781	45,161	14,969	60,130
Depreciation expenses	8,755,069	116,646	8,871,715	5,547,976	36,298	5,584,274
Amortization expenses	84,334	-	84,334	105,447	-	105,447

- (b) The Group's operations were not affected by seasonality or cyclicity factors.

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2018:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Information regarding purchase or sale of securities for the period exceeding \$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Security type	Account	Counter party	Relationship	Beginning		Purchases		Sales				Ending	
					Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Price	Cost	Gain (loss) on disposal	Shares (in thousand)	Amount
Formosa Advanced Technologies Co., Ltd.	Stocks	Investment accounted for using equity method	Formosa Advanced Technologies Co., Ltd.	Associates	-	-	84,022 Note	\$ 3,049,999 Note	-	-	-	-	84,022 Note	\$ 3,067,266 Note

Note: Refer to details of investments accounted for using equity method to Notes 6(g).

- (v) Acquisition of individual real estate with amount exceeding \$300 million or 20% of the Company's paid-in capital: None
- (vi) Disposal of individual real estate with amount exceeding \$300 million or 20% of the Company's paid-in capital: None
- (vii) Related-party transaction for purchases and sales for which amounts exceeding \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Parent company	(Sale)	\$ (8,084,682)	(12.00)%	O/A, 60-90Days	-		\$ 3,569,295	22.30%	(Note)
The Company	Nanya Technology Corp., H.K.	Parent company	(Sale)	\$ (166,928)	(0.25)%	O/A, 60-90Days	-		\$ 37,872	0.24%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	\$ (3,256,227)	(4.83)%	O/A, 180days	-		\$ 745,059	4.66%	(Note)
The Company	Nanya Technology Europe GmbH	Parent company	(Sale)	\$ (3,042,766)	(4.51)%	O/A, 60-90Days	-		\$ 729,355	4.56%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	\$ 1,289,575	11.76%	O/A 60Days	-		\$ (334,242)	(3.53)%	-

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

- (viii) Receivables from related parties with amounts exceeding \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance of accounts receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Parent company	\$ 3,569,295	5.25	-	-	\$ 980,610	-
The Company	Nanya Technology Corp., Japan	Parent company	\$ 745,059	5.43	-	-	\$ 427,682	-
The Company	Nanya Technology Europe GmbH	Parent company	\$ 729,355	5.04	-	-	-	-

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

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

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	\$ 8,084,682	On the basis of general conditions	11.93%
0	"	Nanya Technology Corp., Germany	1	Sales	\$ 3,042,766	On the basis of general conditions	4.49%
0	"	Nanya Technology Corp., Japan	1	Sales	\$ 3,256,227	On the basis of general conditions	4.81%
0	"	Nanya Technology Corp., U.S.A	1	Accounts receivable	\$ 3,569,295	On the basis of general conditions	1.96%
0	"	Nanya Technology Europe GmbH	1	Accounts receivable	\$ 729,355	On the basis of general conditions	0.40%
0	"	Nanya Technology Corp., Japan	1	Accounts receivable	\$ 745,059	On the basis of general conditions	0.41%

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. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to 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, didn't repeat about the purchase and account payable.

(b) Information on investees (excluding information on investees in Mainland China):

The following is the information on investees for the nine months ended September 30, 2018:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2018	December 31, 2017	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%	\$ 142,949	\$ 26,088	\$ 26,088	(Note1)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	\$ 36,005	\$ 36,005	-	100.00%	\$ 147,962	\$ 14,645	\$ 14,645	(Note1)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	\$ 325,348	\$ 325,348	2,935	100.00%	\$ 44,344	\$ 654	\$ 654	(Note1)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	\$ 66,271	\$ 66,271	20	100.00%	\$ 51,475	\$ 10,826	\$ 10,826	(Note1)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	\$ 20,161	\$ 20,161	1	100.00%	\$ 184,746	\$ 17,319	\$ 17,319	(Note1)
The Company	Piece Makers Technology, Inc	Hsinchu	Design of semiconductor products	-	\$ 21,246	-	-	\$ -	\$ (1,669)	\$ (894)	(Note1)
The Company	Formosa Advanced Technologies Co., Ltd.	Yunlin	Assembling, testing and producing modules for IC	\$ 3,049,999	-	84,022	19.00%	\$ 3,067,266	\$ 1,188,273	\$ 28,065	(Note2)
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	\$ 30,056	\$ 30,056	-	100.00%	\$ 66,310	\$ 6,941	\$ 6,941	(Note1)

Note: (1)The transactions were written off in the consolidated financial statements.

(2)Investment accounted for using equity method.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2018	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	\$ 30,093 (USD985 thousand)	(Note 1)	\$ 30,093 (USD985 thousand)	-	-	\$ 30,093 (USD985 thousand)	\$ 2,435	100.00%	\$ 2,435	\$ 9,493	-

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

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## NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 30,093 (USD985 thousand)	\$ 30,093 (USD985 thousand)	\$ 95,934,874

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

Note 2 : The exchange rate of New Taiwan dollars to US dollars on September 30, 2018 was USD1 : TWD 30.551

Note 3 : 60% of net equity.

(iii) Significant transactions: None

**(14) Segment information:**

Operating segments are combined and reconciled as follows:

For the three months ended September 30, 2018					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	1,224,519	18,192,342	4,957,725	-	24,374,586
From sales among intersegments	-	6,114,540	171,148	(6,285,688)	-
Total revenue	<u>\$ 1,224,519</u>	<u>24,306,882</u>	<u>5,128,873</u>	<u>(6,285,688)</u>	<u>24,374,586</u>
Reportable segment profit or loss	<u>\$ 40,524</u>	<u>12,872,086</u>	<u>21,691</u>	<u>(61,837)</u>	<u>12,872,464</u>
For the three months ended September 30, 2017					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	942,027	10,518,203	1,833,132	-	13,293,362
From sales among intersegments	1,636	2,573,520	107,528	(2,682,684)	-
Total revenue	<u>\$ 943,663</u>	<u>13,091,723</u>	<u>1,940,660</u>	<u>(2,682,684)</u>	<u>13,293,362</u>
Reportable segment profit or loss	<u>\$ 8,305</u>	<u>8,554,118</u>	<u>17,912</u>	<u>(21,558)</u>	<u>8,558,777</u>
For the nine months ended September 30, 2018					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	\$ 3,369,626	52,826,945	11,567,671	-	67,764,242
From sales among intersegments	-	14,572,860	331,768	(14,904,628)	-
Total revenue	<u>\$ 3,369,626</u>	<u>67,399,805</u>	<u>11,899,439</u>	<u>(14,904,628)</u>	<u>67,764,242</u>
Reportable segment profit or loss	<u>\$ 17,319</u>	<u>33,598,751</u>	<u>52,261</u>	<u>(68,639)</u>	<u>33,599,692</u>
For the nine months ended September 30, 2017					
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	\$ 2,715,033	29,869,667	5,564,738	-	38,149,438
From sales among intersegments	2,297	7,587,991	266,757	(7,857,045)	-
Total revenue	<u>\$ 2,717,330</u>	<u>37,457,658</u>	<u>5,831,495</u>	<u>(7,857,045)</u>	<u>38,149,438</u>
Reportable segment profit or loss	<u>\$ 11,843</u>	<u>19,821,340</u>	<u>65,853</u>	<u>(52,271)</u>	<u>19,846,765</u>

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

	<u>Japanese division</u>	<u>Manufacturing division</u>	<u>Others divisions</u>	<u>Adjustments and eliminated</u>	<u>Total</u>
Reportable segment assets					
Balance at September 30, 2018	\$ <u>942,805</u>	<u>181,637,711</u>	<u>4,760,676</u>	<u>(5,695,903)</u>	<u>181,645,289</u>
Balance at December 31, 2017	\$ <u>1,034,197</u>	<u>150,516,379</u>	<u>2,316,869</u>	<u>(3,088,143)</u>	<u>150,779,302</u>
Balance at September 30, 2017	\$ <u>800,148</u>	<u>160,241,538</u>	<u>2,068,848</u>	<u>(2,581,874)</u>	<u>160,528,660</u>
	<u>Japanese division</u>	<u>Manufacturing division</u>	<u>Others divisions</u>	<u>Adjustments and eliminated</u>	<u>Total</u>
Reportable segment liabilities					
Balance at September 30, 2018	\$ <u>750,424</u>	<u>21,746,254</u>	<u>4,367,581</u>	<u>(5,110,426)</u>	<u>21,753,833</u>
Balance at December 31, 2017	\$ <u>862,239</u>	<u>18,516,514</u>	<u>1,733,154</u>	<u>(2,447,793)</u>	<u>18,664,114</u>
Balance at September 30, 2017	\$ <u>646,481</u>	<u>46,553,274</u>	<u>1,466,321</u>	<u>(1,945,372)</u>	<u>46,720,704</u>