NANYA TECHNOLOGY CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2015
(With Independent Auditors' Report Thereon)

Representation Letter

The entities to be included in the consolidated financial statements of affiliates which is required of Nanya Technology Corporation as of and for the year ended December 31, 2015, in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same entities included in the consolidated financial statements for the same period of Nanya Technology Corporation and its subsidiaries prepared in conformity with the International Accounting Standards No.10 as endorsed by the ROC Financial Supervisory Commission (FSC). In addition, the information required to be disclosed in the above-mentioned consolidated financial statements of affiliates is also included in the said consolidated financial statements of parent company and its subsidiary. Therefore, Nanya Technology Corporation and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

NANYA TECHNOLOGY CORPORATION

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Jia-Zhao, Wu

Chairman

March 15, 2016

KPMG

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Independent Auditors' Report

The Board of Directors
Nanya Technology Corporation

We have audited the accompanying consolidated statements of financial position of Nanya Technology Corporation (the "Company") and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statement of subsidiaries included in the 2014 consolidated financial statements of the Company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors. Total assets of these subsidiaries amounted to NT$642,091 thousand and representing 0.61 percent of the related consolidated total assets as of December 31, 2014, and their operating revenues were NT$3,252,970 thousand, representing 6.62 percent of the related consolidated operating revenues in 2014.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China (ROC). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the audit reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nanya Technology Corporation and its subsidiaries as of December 31, 2014 and 2015 and the results of their consolidated operations and their consolidated cash flows for the years ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations, as endorsed by Financial Supervisory Commission, ROC.

KPMG

Because of the significant DRAM industry decline in previous years, the Company's current liabilities exceeded its current assets by NT$17,406,978 thousand as of December 31, 2015, which exposes the Company to liquidity risk. The management's plans on this matter are described in Note 12(2) of the consolidated financial statements. The consolidated financial statements described in the first paragraph above do not include any adjustments that might result from the outcome of this uncertainty.

We have also audited the parent company only financial statements of Nanya Technology Corporation as of and for the years ended December 31, 2014 and 2015 and have expressed a modified unqualified opinion thereon.

KPMG

Taipei, Taiwan (the Republic of China)
March 15, 2016

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with International Financial Reporting Standards, International Accounting Standards, and IFRIC interpretations and SIC interpretations, as endorsed by Financial Supervisory Commission, in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and original Chinese version or any difference in the interpretation of the two versions, the independent auditors' report and consolidated financial statements in Chinese shall prevail.

NANYA TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2015
(Expressed in thousands of New Taiwan Dollars)

		DECEMBER 31, 2014 (Adjusted)		DECEMBER 31, 2015	
	Assets				
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 7,267,855	7	3,103,705	3
1170	Notes and accounts receivable, net (Note 6(4))	6,025,292	6	5,442,511	5
1180	Accounts receivable due from related parties, net (Notes 6(4) and 7)	19,825	-	-	-
1200	Other receivables (Note 6(4))	1,660,987	2	1,486,388	1
1210	Other receivable－related parties (Notes 6(4) (10) and 7)	248,012	-	263,588	-
130x	Inventories (Note 6(5))	5,148,407	5	5,949,340	6
1470	Other current assets	891,640	-	1,577,089	2
	Total current assets	21,262,018	20	17,822,621	17
	Non-current assets:				
1523	Available-for-sale financial assets－ non-current (Note 6(2))	115,366	-	92,930	-
1543	Financial assets carried at cost－non-current (Note 6(3))	-	-	9,340	-
1546	Debt investments without active market –non-current (Note 6(3))	-	-	181,280	-
1550	Investments accounted for using equity method, net (Notes 6(7)and 7)	28,345,200	27	32,833,967	32
1600	Property, plant and equipment (Notes 6(9), 7 and 8)	51,175,927	49	49,763,526	48
1780	Intangible assets	537,136	1	406,193	-
1840	Deferred income tax assets (Note 6(15))	846,648	1	876,064	1
1935	Lease receivable－long-term (Note 6(10))	1,883,806	2	1,632,343	2
1990	Other non-current assets (Notes 6(1) and 8)	386,211	-	387,773	-
	Total non-current assets	83,290,294	80	86,183,416	83
	Total assets	104,552,312	100	$ 104,006,037	100

		DECEMBER 31, 2014 (Adjusted)		DECEMBER 31, 2015	
	Liabilities and Equity				
	Current liabilities：				
2100	Short-term loans (Note 6(11))	$ -	-	3,306,000	3
2170	Notes and accounts payable	1,075,345	1	1,384,780	2
2180	Accounts payable－related parties (Note 7)	133,595	-	175,430	-
2220	Other payables－related parties (Notes 6(13) and 7)	41,099,884	39	26,646,915	26
2322	Current portion of long-term loans (Note 6(12))	3,900,000	4	500,000	-
2399	Other current liabilities	2,970,922	3	3,216,474	3
	Total current liabilities	49,179,746	47	35,229,599	34
	Non-current liabilities:				
2540	Long-term loans (Note 6(12))	12,480,000	12	12,685,000	12
2570	Deferred income tax liabilities (Note 6(15))	276	-	7,558	-
2613	Lease payables－long-term (Note 6(13))	282,250	-	273,923	-
2640	Accrued pension liabilities (Note 6(14))	634,563	1	755,860	1
2670	Other non-current liabilities	298,419	-	199,722	-
	Total non-current liabilities	13,695,508	13	13,922,063	13
	Total liabilities	62,875,254	60	49,151,662	47
	Equity (Notes 6(7)(8)(15)(16)):				
3110	Common stock	24,095,278	23	24,285,658	23
3140	Capital received in advance	653,565	1	-	-
3200	Additional paid-in capital	6,377,936	6	7,812,701	8
3310	Legal reserve	-	-	1,077,812	1
3300	Accumulated profit	10,816,268	10	21,913,621	21
3400	Other equity	5,939	-	(4,570)	-
3500	Treasury stock	(347,533)	-	(347,533)	-
	Equity attributable to owners of the Company	41,601,453	40	54,737,689	53
36xx	Non-controlling interest	75,605	-	116,686	-
	Total equity	41,677,058	40	54,854,735	53
	Total Liabilities and Equity	$ 104,552,312	100	104,006,037	100

See accompanying notes to CONSOLIDATED financial statements.

NANYA TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015
(Expressed in thousands of New Taiwan Dollars, except for per share amounts)

		2014 (Adjusted)		2015	
		Amounts	%	Amounts	%
4000	**Operating revenues (Notes 6(19) and 7)**	$ 49,107,622	100	43,875,905	100
5000	**Cost of goods sold (Notes 6(5)(14)(17)(20) and 7)**	26,938,594	55	26,567,909	61
	Gross profit	22,169,028	45	17,307,996	39
	Operating expenses (Notes 6(14)(17)(20) and7)：				
6100	Selling and distribution expenses	588,584	1	660,729	2
6200	Administrative and general expenses	1,398,348	3	1,206,219	3
6300	Research and development expenses	1,377,524	3	1,953,662	4
	Total operating expenses	3,364,456	7	3,820,610	9
	Operating income	18,804,572	38	13,487,386	30
	Non-operating income and expenses：				
7010	Other income	261,829	1	226,050	1
7020	Other gains and losses (Notes 6(21) and 7)	571,459	1	419,496	1
7050	Finance expenses (Note 6(21))	(1,199,818)	(2)	(860,427)	(2)
7060	Share of profit of associate accounted for using equity method (Note 6(7))	13,294,654	27	4,404,923	10
	Net non-operating activities	12,928,124	27	4,190,042	10
7900	**Income before income tax**	31,732,696	65	17,677,428	40
7950	**Income tax expense (Note 6(15))**	2,481,199	5	506,028	1
8000	**Profit from continuing operations**	29,251,497	60	17,171,400	39
8100	**Loss from discontinued operations (Note 12(3))**	(1,056,131)	(2)	-	-
	Net income	28,195,366	58	17,171,400	39
8300	**Other comprehensive income (loss)**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Remeasurement of the net defined benefit assets	(59,408)	-	(132,255)	-
8320	Recognized shares of other comprehensive income of associates accounted for using equity methods – may not be reclassified subsequently to profit or loss	(1,811)	-	(2,835)	-
8349	Income tax expense related to items that may not be reclassified to profit or loss (Note 6(15))	-	-	22,484	-
	Total amount of items that may be reclassified subsequently to income or loss	57,597	-	(112,606)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences arising on translation foreign operations	(3,777)	-	11,928	-
8362	Unrealized gain on available-for-sale financial assets	12,050	-	(22,437)	-
8399	Income tax expense related to items that may be reclassified to profit or loss (Note 6(15))	-	-	-	-
8300	**Other comprehensive loss**	65,870	-	(123,115)	-
8500	**Total comprehensive income**	**$ 28,261,236**	**58**	**17,048,285**	**39**
	Profit attributable to:				
	Owners of the Company				
	Profit from continuing operations	$ 29,238,438	59	17,141,167	-
	Loss from discontinued operations	(996,121)	(2)	-	-
8610	**Profit attributable to owners of the Company**	**$ 28,242,317**	**57**	**17,141,167**	-
	Non-controlling interests				
	Profit from continuing operations	$ 13,059	-	30,233	-
	Loss from discontinued operations	(60,010)	-	-	-
8620	**Income (loss) attributable to non-controlling interests**	**$ (46,951)**	-	**30,233**	-
	Total comprehensive (loss) income attributable to:				
	Owners of the Company				
	Comprehensive income from continuing operations	$ 29,304,308	60	17,018,052	39
	Comprehensive loss from discontinued operations	(996,121)	(2)	-	-
8710	**Total comprehensive income attributable to owners of the Company**	**$ 28,308,187**	**58**	**17,018,052**	**39**
	Non-controlling interests				
	Comprehensive income from continuing operations	$ 13,059	-	30,233	-
	Comprehensive loss from discontinued operations	(60,010)	-	-	-
8720	**Total comprehensive income (loss) attributable to non-controlling interests**	**$ (46,951)**	-	**30,233**	-
9750	**Basic earnings per share (Unit: TWD) (Note 6(18))**				
9710	Basic earnings per share from continuing operations	$ 12.19		7.07	
9720	Basic loss per share from discontinued operations	$ (0.42)		-	
	Basic earnings per share	**$ 11.77**		**7.07**	
9810	**Diluted earnings per share(Unit: TWD) (Note 6(18))**				
	Diluted earnings per share from continuing operations	$ 12.18		7.02	
	Diluted loss per share from discontinued operations	$ (0.42)		-	
	Diluted earnings per share	**$ 11.76**		**7.02**	

See accompanying notes to consolidated financial statements.

NANYA TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015
(Expressed in thousands of New Taiwan Dollars)

	Attributable to owners of the Company										
				Retained earnings		Other equity items					
	Common stock	Capital received in advance	Capital surplus	Legal reserve	Unappropriated retained earnings (accumulated deficit)	Exchange difference on translation of foreign financial statements	Unrealized (losses) gains on available-for-sale financial assets	Treasury stock	Total equity attributable to owners of parent	Non-controlling interest	Total Equity
Balance at January 1, 2014	$ 239,608,511	-	3,696,784	-	(233,081,650)	(19,739)	17,405	(347,533)	9,873,778	131,359	10,005,137
Effect of the retrospective application of accounting principle or adjustment	-	-	-	-	(20,241)	-	-	-	(20,241)	-	(20,241)
Adjusted balance as of January 1, 2014	239,608,511	-	3,696,784	-	(233,101,891)	(19,739)	17,405	(347,533)	9,853,537	131,359	9,984,896
Net income	-	-	-	-	28,242,317	-	-	-	28,242,317	(46,951)	28,195,366
Other comprehensive income (loss)	-	-	-	-	57,597	(3,777)	12,050	-	65,870	-	65,870
Total comprehensive income	-	-	-	-	28,299,914	(3,777)	12,050	-	28,308,187	(46,951)	28,261,236
Change in other capital surplus:											
Change in recognized shares of associates accounted for using equity methods	-	-	2,200,117	-	-	-	-		2,200,117	-	2,200,117
Difference between the actual disposal of subsidiary shares price and book value	-	-	(835)	-	-	-	-	-	(835)	22,939	22,104
Acquisition of ownership interests in subsidiaries from non-controlling interests	-	-	(36,311)	-	(23,652)	-	-	-	(59,963)	(9,787)	(69,750)
Recognized compensation costs on employee stock options	-	-	18,129	-	-	-	-	-	18,129	149	18,278
Due to recognition of equity component of employee stock options issued	135,840	653,565	500,052	-	(7,176)	-	-	-	1,282,281	-	1,282,281
Cash dividend distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	-	(22,104)	(22,104)
Capital reduction to offset accumulated deficits	(215,649,073)	-	-	-	215,649,073	-	-	-	-	-	-
Balance as of December 31, 2014	24,095,278	653,565	6,377,936	-	10,816,268	(23,516)	29,455	(347,533)	41,601,453	75,605	41,677,058
Net income	-	-	-	-	17,141,167	-	-	-	17,141,167	30,233	17,171,400
Other comprehensive income (loss)	-	-	-	-	(112,606)	11,928	(22,437)	-	(123,115)	-	(123,115)
Total comprehensive income	-	-	-	-	17,028,561	11,928	(22,437)	-	17,018,052	30,233	17,048,285
Legal capital reserve	-	-	-	1,077,812	(1,077,812)	-	-	-	-	-	-
Common stock dividends	-	-	-	-	(4,853,396)	-	-	-	(4,853,396)	-	(4,853,396)
Change in other capital surplus:											
Change in equity of associates accounted for using equity method	-	-	86,316	-	-	-	-	-	86,316	-	86,316
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	-	1,374	-	-	-	-	-	1,374	-	1,374
Change in equity of subsidiaries accounted for using equity method	-	-	(3,159)	-	-	-	-	-	(3,159)	3,159	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	7,300	7,300
Recognized compensation costs on employee stock options by the Company	-	-	2,924	-	-	-	-	-	2,924	-	2,924
Recognized compensation costs on employee stock options by subsidiaries	-	-	893	-	-	-	-	-	893	389	1,282
Due to recognition of equity component of employee stock options issued	190,380	(653,565)	856,818	-	-	-	-	-	393,633	-	393,633
Capital received in advance – exercise of employee stock options	-	-	489,599	-	-	-	-	-	489,599	-	489,599
Balance as of December 31, 2015	$ 24,285,658	-	7,812,701	1,077,812	21,913,621	(11,588)	7,018	(347,533)	54,737,689	116,686	54,854,375

See accompanying notes to consolidated financial statements.

NANYA TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015
(Expressed in thousands of New Taiwan Dollars)

	For the years ended December 31, 2014 (Adjusted)	2015
Cash flows from operating activities:		
Net income from continuing operations before tax	$ 31,732,696	17,677,428
Net loss from discontinued operations before tax	(1,056,131)	-
Net income before tax	30,676,565	17,677,428
Adjustments for:		
Income and expenses not affecting cash flows		
Depreciation expense	5,416,077	5,669,957
Amortization of deferred charges	191,434	129,408
Interest expenses	1,207,899	860,427
Interest income	(262,270)	(226,050)
Dividend revenue	-	(3,601)
Compensation costs arising from share-based payments	18,278	493,805
Share of profit of associate accounted for using equity method	(13,294,654)	(4,404,923)
Loss (gain) on disposal of property, plant and equipment	(53,604)	1,745
Property, plant and equipment reclassified to expense	13,005	-
Impairment loss on non-financial assets	395,254	4,204
Unrealized foreign currency exchange gain, net	(173,335)	(40,223)
Discount amortization of financial liabilities	14,000	5,000
Income and expenses not affecting cash flows	(6,527,916)	2,489,749
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	759,103	682,725
Decrease (increase) in other receivables	239,897	12,548
Decrease (increase) in inventories	2,568,251	(800,933)
Decrease (increase) in other current assets	234,812	(707,583)
Decrease in accounts payable	(692,932)	(90,925)
Increase (decrease) in other current liabilities	939,046	(29,897)
Decrease in accrued pension liabilities	(145,482)	(10,958)
Decrease in other non-current liabilities	(23,798)	(15,773)
Total change in operating assets and liabilities	3,878,897	(960,796)
Cash generated from operating activities	28,027,546	19,206,381
Interest received	261,069	227,576
Dividend received	-	3,601
Interest paid	(1,242,110)	(882,399)
Income tax paid	(35,602)	(32,918)
Net cash provided by operating activities	27,010,903	18,522,241
Cash flows from investing activities:		
Purchase of debt investments without active market	-	(181,280)
Purchases of financial assets carried at cost	-	(9,340)
Proceeds from disposal of non-current assets classified as held for sale	1,700,000	-
Purchases of property, plant and equipment	(5,795,646)	(3,841,842)
Proceeds from disposal of property, plant and equipment	77,976	2,928
Purchase of intangible asset	(291,163)	(111,196)
Decrease in lease receivables	429,330	429,330
Increase in other non-current assets	(361,681)	(1,563)
Acquisition of ownership interests in subsidiaries from non-controlling interests	(69,750)	-
Net cash used in investing activities	(4,310,934)	(3,712,963)
Cash flows from financing activities:		
Increase in short-term loans	90,600	3,600,600
Repayments of short-term loans	(180,600)	(300,000)
Increase in long-term loans	11,975,000	500,000
Repayments of long-term loan	(7,300,000)	(3,700,000)
Decrease in other payable-related parties	(25,373,682)	(14,487,626)
Decrease in lease payables－related parties	(7,404)	(7,853)
Cash dividends paid by subsidiaries	(22,104)	-
Exercise of employee stock options	1,282,281	393,633
Proceeds from sale of subsidiary shares of stock (without losing control)	22,104	-
Increase in non-controlling interests	-	7,300
Cash dividends paid	-	(4,852,022)
Net cash used in financing activities	(19,513,805)	(18,840,568)
Effect of foreign currency exchange translation	86,189	(132,860)
Increase (decrease) in cash and cash equivalents	3,272,353	(4,164,150)
Cash and cash equivalents at beginning of year	3,995,502	7,267,855
Cash and cash equivalents at end of year	$ 7,267,855	3,103,705

See accompanying notes to consolidated financial statements.

NANYA TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2015
(All amounts are expressed in thousands of New Taiwan Dollars, except for per share information or unless otherwise specified)

1. Organization and Principal Activities

Nanya Technology Corporation (the "Company") was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at 669, Fuhsing 3rd Road, Hwa-Ya Technology Park, Kueishan District, Taoyuan City, Taiwan. The main operating activities of the Company and its subsidiary (the "Group") are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

2. Financial Statements Issuance Procedures

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 15, 2016.

3. Application of New and Revised Standards and Interpretations

(1) Impact of adoption of new and amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Group adopted the 2013 version of the IFRSs endorsed by the FSC (excluding IFRS 9 Financial Instruments) in preparing the stand-alone financial statements commencing from 2015. Related new, revised and amended standards and interpretations are listed below:

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First time Adopters"	July 1, 2010
Amendments to IFRS 7 "Disclosures–Transfers of Financial Assets"	July 1, 2011
Amendments to IFRS 7 "Disclosures–Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (Investment entity-took effect on effective January 1, 2014)
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amendment to IAS 19 "Employee Benefits"	January 1, 2013

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
Amendment to IAS 27 “Separate Financial Statements”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014

Except for the following items, the Group believes that the adoption of the aforementioned 2013 version of the IFRSs endorsed by the FSC did not have any significant effect on the Company’s stand-alone financial statements.

(a) Amendments to IAS 1 “Presentation of Financial Statements”

The amendments to IAS 1 require the Group to classify other comprehensive income as items presented, should be shown separated for each of the two categories: (a) items that could not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments also require the tax associated with items of other comprehensive income which presented before tax to be shown separately. Accordingly, the Group has amended the presentation of the statements of comprehensive income, and restated the comparative-period amounts.

(b) IFRS 12 “Disclosure of Interests in Other Entities”

The Group has increased its disclosures on information related to associates and joint ventures according to this standard. (Please refer to Note 6(7) for details.)

(c) IFRS 13 “Fair Value Measurement”

Thise standard has changed the definition of fair value, provided a framework for fair value measurement, and prescribed specific guidance for fair value measurement disclosures. Accordingly, the Group has increased related disclosures on fair value measurements. In accordance with the transitional provision of this standard, the required additional disclosure for comparative information is no longer required. Although this standard has been postponed for adoption commencing 2015, management is not expecting that the adoption thereof will have significant influences on the fair value of the Group’s assets and liabilities.

(d) Amendments to IAS 19 “Employee Benefits”

The amendments to IAS 19 require the Group to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on plan assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when incurred, and instead require companies to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, is expensed immediately when incurred and is no longer amortized over the average period before meeting vesting conditions on a straight-line basis. In

(Continued)

addition, instead of recognizing liability and expense only when a demonstrable benefit commitment is made, the amendments require the Group to recognize liability and expense for termination benefits on (1) the date when the Group can no longer withdraw the offer of the benefit; or (2) the date when the Group recognizes related restructuring expense, whichever date is earlier. Moreover, the amendments also require a broader disclosure for defined benefit plans.

The Group has changed the accounting policy related to the measurement and expression of net defined benefit assets, pension cost, and actuarial gains or losses. With the elimination of the corridor approach, the Group has fully recognized the unrecognized actuarial gains or losses, and retrospectively adjusted the accumulated deficit as follows:

Consolidated statement of financial position:

	Reporting balances under 2010 version of IFRSs	Effect of IFRSs upgrade	Reporting balances under 2013 version of IFRSs
December 31, 2014:			
Investments accounted for using equity method	$ 28,347,485	(2,285)	28,345,200
Current defined benefit liabilities	674,994	(40,431)	634,563
Accumulated earnings	10,778,122	38,146	10,816,268

Consolidated statement of comprehensive income:

	Reporting balances under 2010 version of IFRSs	Effect of IFRSs upgrade	Reporting balances under 2013 version of IFRSs
For the year ended December 31, 2014:			
Operating costs	$ (26,939,061)	467	(26,938,594)
Advertising expense	(588,624)	40	(588,584)
Management expense	(1,398,471)	123	(1,398,348)
R&D expense	(1,377,610)	86	(1,377,524)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	13,294,580	74	13,294,654
Net income	28,194,576	790	28,195,366

(Continued)

(2) The IFRSs issued by IASB but not yet endorsed by FSC

New, revised and amended standards and interpretations for IFRSs issued by the IASB but not yet endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Not yet announced by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leasehold"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements Cycle 2010-2012 and 2011-2013	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRIC Interpretation 21 "Levies"	January 1, 2014

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

(Continued)

4. Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying consolidated financial statements. Except for the changes in accounting policies described in Note 3, the significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(1) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the “Regulations”) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations (hereinafter referred to IFRS as endorsed by the FSC).

(2) Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the statement of financial position.

(i) Available-for-sale financial assets measured at fair value.

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

Functional and presentation currency

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

(3) Basis of consolidation

1) The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total profit or loss of subsidiary applicable to the non-controlling interests is allocated to the non-controlling interests even if it results in the non-controlling interests to having a deficit balance.

(Continued)

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2) List of subsidiaries included in the consolidated financial statements:

			Shareholdings	
Investor	**The name of subsidiaries**	**Business activity**	**December 31, 2014**	**December 31, 2015**
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00%	100.00%
The Company	PEI JEN Co., Ltd.	Investment in enterprise	100.00%	100.00%
The Company	PIECEMAKERS TECHNOLOGY CORP.	Product design and sells	58.34%	55.26%
The Company	SUMPRO ELECTRONICS CORP.	Manufacture and sale of electronic components	100.00%	100.00%
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Germany	Sales of semiconductor products	100.00%	100.00%
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzen	Sales of semiconductor products	100.00%	100.00%

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

(4) Foreign currency

1. Foreign currency transactions

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

Foreign currency-denominated non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency-denominated non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(Continued)

2. Foreign operations

   The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

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

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

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

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

1. The asset is expected to be realized, or sold or consumed, during the Group's normal operating cycle;

2. The asset is held primarily for the purpose of trading;

3. The asset is expected to be realized within twelve months after the balance sheet date; or

4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

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

1. The liability is expected to be settled during the Group's normal operating cycle;

2. The liability is held primarily for the purpose of trading;

(Continued)

3. The liability is due to be settled within twelve months after the balance sheet date; or

4. The Group does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits with maturities that go beyond 3 months and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(7) Financial instruments

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

1. Financial assets

Financial assets are categorized into held-to-sold financial assets, loans and receivables.

(a) Available-for sale financial assets

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

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

(Continued)

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is recognized in other comprehensive income.

(b) Loans and Receivables

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

Interest income from receivables is recognized in other income...

(c) Impairment of financial assets

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

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

All individually significant receivables are assessed for specific impairment. Objective evidence that receivables are impaired includes historical trends of collection and increasing level of overdue receivables which are collected beyond the credit term.

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

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

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

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

(d) Derecognition of financial assets

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

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

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

(Continued)

2. Financial liabilities and equity instrument

(a) Classification of liabilities or equity instruments

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

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

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

(b) Other financial liabilities

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

(c) Derecognition of financial liabilities

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

(d) Offsetting of financial assets and liabilities

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

(8) Inventories

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

(Continued)

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

(9) Non- current assets held for sale and discontinued operations

1. Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal Group are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is initially allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that impairment loss is not allocated to assets which are within the scope of IAS 36 – Impairments. Those assets of the disposal group will continue to be measured in accordance with the Group's measurement accounting policies. Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee discontinues the use of the equity method.

2. Discontinued operations

An operation is classified as a discontinued operation if the operation is disposed or, reclassified as non- current assets held for sale. Such operation includes a separate major line of business, geographic area of operations, or a subsidiary acquired exclusively by the Group with a view of re-sale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale or held for distribution to owners, whichever comes first. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative year

(Continued)

(10) Investment in associates

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

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

The 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 their 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 an associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(11) Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of a self-constructed asset comprises material, direct labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. In additions, cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

(Continued)

(b) Subsequent cost

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

(c) Depreciation

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the straight-line method. The depreciation charge for each period is recognized in profit or loss.

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

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

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

(i) Buildings: 25 years.

(ii) Machinery and equipment: 5 to 16 years.

(iii) Miscellaneous equipment: 3 to 15years.

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

(12) Leases

(a) Lesser

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

(Continued)

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

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

(b) Lessee

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

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

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

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

(13) Intangible Assets

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

Other development expenditure is recognized as an expense when incurred.

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

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

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(14) Impairment of non-derivative financial assets

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

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

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

(15) Treasury stock

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

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

(Continued)

(16) Revenue recognition

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer usually occurs upon loading the goods onto the relevant carrier at the port. Generally for such products, the customer has no right of return. For domestic sales, transfer occurs upon receipt by the customer.

(17) Employee benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

(Continued)

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

Remeasurement of the net defined benefit liabilities (assets), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), is recognized immediately in other comprehensive income. The amounts recognized in other comprehensive income can be reclassified to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earrings in a subsequent period.

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

(c) Short-term employee benefits

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

(18) Share-based payment

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

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

(19) Income taxes

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

(Continued)

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

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

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

(b) The investments in subsidiaries, branches and associates, and interests in joint ventures where it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

   (i) The same taxable entity; or

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

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

(Continued)

(20) Earnings per share

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

(21) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainly

The consolidated financial statements are prepared in conformity with the IFRSs as endorsed by the FSC, under which, management 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods.

Information about judgments made in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is discussed below. Please refer to the Note 6(10)(13) about the classification of lease.

Significant judgment, assumptions and estimation uncertainties were applied to the following:

(1) Reliability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Management has applied subjective judgment and estimates in assessing the realization of deferred tax assets, including estimates of future revenue growth and profitability, Income Tax Holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets. Deferred tax assets of $846,648 and $876,064 have been recognized as of December 31, 2014 and 2015, respectively.

(Continued)

6. Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2014	December 31, 2015
Cash on hand－pretty cash	$ 163	171
Cash in bank－demand deposit account	3,091,133	2,952,040
Cash equivalents:		
Cash in bank－time deposits	3,808,616	-
Repurchase agreements collateralized by corporate bonds	367,943	151,494
	$ 7,267,855	3,103,705

Refer to Note 6(22) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

The Group’s certificate of time deposit and restricted bank deposit amounting to $375,900 and 376,883 which were pledged for the Group’s importation of cargo materials, research and development's plan being undertaken with the Ministry of Economic Affairs and loans payable, were reclassified to non-current assets as of December 31, 2014 and 2015, respectively.

(2) Non-current assets held for sale

(a) The non-current assets held for sale were as follows:

	December 31, 2014	December 31, 2015
Listed securities:		
Listed shares of stock	$ 115,366	92,930

(b) Sensitivity analysis－equity price risk

The impact to other comprehensive income of hypothetical changes in prices of the equity securities on the reporting date were as follows:

	For the years ended December 31	
	2014	2015
Security price on reporting date	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Increase1%	$ 1,154	1,154
Decrease1%	$ (1,154)	(1,154)

(Continued)

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

The Group purchased a two-year interest-free convertible bond of USD6,000 thousand issued by Memoright in August, 2015. The conversion rights embedded in the corporate bond are accounted for separately as the economic characteristics and risks are not specifically associated. The conversion rights of the corporate bond which are linked to unlisted preference shares of $9,340 and the corporate bonds of $181,280 were accounted for as financial assets carried at cost－non-current and investment in debt securities with no active market－non-current, respectively, as of December 31, 2015.

(4) Accounts Receivable and Other Receivables

	December 31, 2014	December 31, 2015
Accounts receivable－non-related parties	$ 21,301	-
Accounts receivable－related parties	6,032,705	5,451,688
Other receivables (including related parties)	1,908,999	1,749,976
Less : allowance for doubtful receivables	(8,889)	(9,177)
	$ 7,954,116	7,192,487

Aging analysis of notes receivable, accounts receivable and other receivables:

	Neither past due nor impaired	Past due but not impaired			total
		Within 30 days	31-60 days	over 61 days	
December 31, 2014	$ 7,806,317	146,542	1,257	-	7,954,116
December 31, 2015	7,154,949	37,538	-	-	7,192,487

Movements of the allowance for doubtful receivables were as follows:

	For the years ended December 31, 2014	2015
Balance, beginning of year	$ 9,546	8,889
Reversal of impairment	(657)	288
Balance, end of year	$ 8,889	9,177

(Continued)

(5) Inventories

	December 31, 2014	December 31, 2015
Raw materials	$ 145,517	214,271
Work in progress	2,719,794	2,723,567
In-transit inventory	2,140,021	2,998,347
Merchandise	143,072	13,155
Total	$ 5,148,407	5,949,340

Inventory cost charged to cost of goods sold amounted to $26,969,188 and $26,564,595 for the years ended December 31, 2014 and 2015, respectively. The loss from measuring inventories at net realizable value of $3,314 was also charged to cost of goods sold because the carrying value exceeded the net realizable value of inventories. As the net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved, the Group recognized a gain from recovery in the value of inventories of $30,594 for the year ended December 31, 2014, which was debited to cost of goods sold as the net realizable value exceeded the carrying value of inventories.

(6) Available-for-sale assets

On March 14, 2014, the Board of Directors of the Company and the Provisional Shareholders' Meeting of the subsidiary, named “Sumpro Electronics Corporation”, decided to sell portion of the buildings, and all of the machines and element of Sumpro, and settled them on July 1,2014.

The impairment loss of $1,980 and $405,306, resulting from measuring at lower of other carrying amounts and fair values less costs to sell, respectively, was recognized in the 2014 consolidated statements of comprehensive income under other loss and discontinued operations loss.

(7) Investments Accounted for Using Equity Method

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

	December 31, 2014	December 31, 2015
Associates	$ 28,345,200	32,833,967

(a) Associates

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

Associates	Relationship	Registration Country	Percentage of ownership	
			2014.12.31	2015.12.31
Inotera Memories, Inc	The main supplier for raw material of the Company. Its primary operating activity is producing and selling of semiconductor products.	Taiwan	24.42%	24.34%

The Group's capital surplus—equity of associates accounted for using equity method increased by $62,756 due to the recognition of compensation costs arising from employee stock options of Inotera Memories, Inc. for the year ended December 31, 2015.

On February 10, May 12, August 11 and November 11, 2015, the Company recognized capital surplus—equity of associates accounted for under the equity method amounting to $23,560 due to the increase of capital of Inotera Memories, Inc.by 22,595 thousand shares, for which the Group did not purchase additional shares in proportion to its original shareholding percentage.

The Group's capital surplus—equity of associates accounted for under the equity method increased by $62,979 due to the recognition of compensation costs arising from the employee stock options of Inotera Memories, Inc. for the year ended December 31, 2014.

The Group's capital surplus－equity of associates accounted for under the equity method increased by $2,137,138 due to the increase in capital of 71,714 thousand shares on February 13, May 8 , August 6, 2014 and November 11. Additionally, the depositary receipts of 40,000 units issued by Inotera Memories, Inc. on May 15, 2014, for which the Company did not purchase the depositary receipts in proportion to its original shareholding percentage.
The following is the aggregated financial information of the major associate that has already been modified to the associates' consolidated financial statements based on the IFRS as endorsed by FSC to reflect the fair value adjustments made at the time of acquisition and adjustment for accounting policy variations.

(Continued)

NANYA TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The financial information of Inotera Memories Inc. was summarized as follows:

	December 31, 2014	December 31, 2015
Current assets	$ 56,814,358	41,012,811
Non-current assets	80,987,748	116,871,496
Current liabilities	(17,272,884)	(12,325,004)
Non-current liabilities	(4,050,738)	(10,237,028)
Net assets	**$ 116,478,484**	**135,322,275**

	December 31, 2014	December 31, 2015
Operating income	**$ 82,570,966**	**60,762,323**
Net income	52,913,068	18,077,421
Other comprehensive income	(7,316)	(11,365)
Total comprehensive income	**$ 52,905,752**	**18,066,056**

	For the year ended December 31,	
	2014	2015
Share of the equity of the associate at January 1,	$ 12,851,698	28,345,200
Total comprehensive income allocated to the Group of investment in associate at December 31,	13,294,654	4,404,923
Share of the equity of the associate at December 31,	26,146,352	32,750,123
Add:		
Realized gain from disposal of fixed assets	540	270
Recognition of compensation costs arising from employee stock options	62,979	62,756
Capital surplus due to acquisition of shares not proportionate to-original holding ratio	2,137,138	23,560
Less:		
Others	(1,809)	(2,742)
Carrying amount of equity of the major associate	**$ 28,345,200**	**32,833,967**

(Continued)

(8) Subsidiary and acquisition of non-controlling interests

(a) Acquisition of non-controlling interests

On March 27, 2014, a subsidiary of the Company, Sumpro Electronics Corporation (Sumpro), redeemed its common shares by paying $69,750 in cash, which increased the Group's shareholding percentage in its subsidiary from 94% to 100%. On September 26, 2014, the treasury shares of stock of 15,000 thousand shares repurchased by the subsidiary were cancelled due to a resolution approved by the board of directors of Sumpro. The record date for all of these capital decrease transactions were set on September 26, 2014. These transactions resulted in the following changes to the Group's ownership interest in its subsidiaries and associates:

		For the year ended December 31, 2014
Acquisition of non-controlling interests (carrying amount)	$	9,787
Consideration paid for the non-controlling interests		(69,750)
Differences between purchase consideration and book value of the shares	**$**	**(59,963)**
Decrease in capital surplus	$	(36,311)
Decrease in retained earnings		(23,652)
	$	**(59,963)**

(b) Disposal of certain subsidiaries' shares without losing control

On March 18, 2014, the Group sold for $22,104 its ownership of 12.76 percent shares of a subsidiary, PieceMakers Technology, Inc. This resulted in the following:

		For the year ended December 31, 2014 Piecemakers Corporation
Book value of non-controlling interests disposed of.	$	22,939
Proceeds from disposal of non-controlling interests		(22,104)
Decrease in capital surplus- the difference between the actual selling price and book value of the equity shares sold	**$**	**835**

NANYA TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Property, Plant and Equipment

The cost and depreciation of the property, plant and equipment of the Group as of and for the years ended December 31, 2014 and 2015 were as follows:

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2014	$ 1,013,924	5,241,798	121,096,948	1,992,068	529,640	129,874,378
Additions	-	-	1,201,197	28,328	4,526,483	5,756,008
Disposals	-	(781)	(3,494,331)	(268,541)	-	(3,763,653)
Reclassification	-	-	1,168,672	(191,902)	(976,770)	-
Reclassification to non-current assets held for sale	-	(1,042,934)	(2,220,593)	-	-	(3,263,527)
Reclassification to prepaid expense	-	-	(83,564)	(11,580)	-	(95,144)
Effect of exchange rate change	-	(118)	950	185	-	1,017
Balance as of December 31, 2014	**$ 1,013,924**	**4,197,965**	**117,669,279**	**1,548,558**	**4,079,353**	**128,509,079**
Balance as of January 1, 2015	$ 1,013,924	4,197,965	117,669,279	1,548,558	4,079,353	128,509,079
Additions	-	83	3,977,383	17,063	271,280	4,265,809
Disposals	-	(572)	(195,366)	(121,651)	-	(317,589)
Reclassification	-	-	3,090,899	(15,469)	(3,075,430)	-
Effect of exchange rate change	-	64	1,965	(499)	-	1,530
Balance as of December 31, 2015	**$ 1,013,924**	**4,197,540**	**124,544,160**	**1,428,002**	**1,275,203**	**132,458,829**
Accumulated depreciation / impairment:						
Balance as of January 1, 2014	$ -	1,602,429	73,947,602	1,525,667	-	77,075,698
Depreciation for the period	-	180,570	5,120,870	114,637	-	5,416,077
Reversal of impairment loss	-	-	(12,986)	(19)	-	(13,005)
Impairment loss	-	-	-	973	-	973
Disposals	-	(780)	(3,485,597)	(252,364)	-	(3,738,741)
Reclassification	-	-	205,935	(205,935)	-	-
Reclassification to non-current assets held for sale	-	(640,954)	(765,287)	-	-	(1,406,241)
Reclassification to prepaid expense	-	-	(17,720)	2,374	-	(15,346)
Transferred to expense	-	-	12,985	20	-	13,005
Effect of exchange rate change	-	(10,188)	333	10,587	-	732
Balance as of December 31, 2014	**$ -**	**1,131,007**	**75,006,135**	**1,195,940**	**-**	**77,333,152**
Balance as of January 1, 2015	$ -	1,131,007	75,006,135	1,195,940	-	77,333,152
Depreciation for the period	-	160,182	5,447,674	62,101	-	5,669,957
Reversal of impairment loss	-	-	-	4,204	-	4,204
Disposals	-	(572)	(194,076)	(117,998)	-	(312,646)
Reclassification	-	-	14,843	(14,893)	-	-
Effect of exchange rate change	-	32	(246)	850	-	636
Balance as of December 31, 2015	**$ -**	**1,290,719**	**80,274,330**	**1,115,400**	**-**	**82,635,303**
Carrying amounts:						
Balance as of December 31, 2014	**$ 1,013,924**	**3,066,888**	**42,663,144**	**352,618**	**4,079,353**	**51,175,927**
Balance as of December 31, 2015	**$ 1,013,924**	**2,906,821**	**44,269,830**	**297,748**	**1,275,203**	**49,763,526**

(a) Collaterals

Please refer to Note 8 for details of the Group's property, plant and equipment pledged or collateralized as security for long-term loans or lines of credit.

(Continued)

(b) Leased Assets

Please refer to Note 6(13) for the further description of finance lease liabilities.

(c) Property, plant and equipment under construction

	For the years ended December 31,	
	2014	**2015**
Capitalized interest (charged to construction in progress)	$ -	33,587
Capitalized interest rates	-	2.10%~2.32%

(10) Lease receivables

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

(b) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the years ended December 31, 2014 and 2015, the Group recognized the interest revenue of $225,187 and $202,759, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2014			December 31, 2015		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 429,330	202,759	226,571	429,330	177,867	251,463
Between one and five years	1,552,320	544,414	1,007,906	1,387,320	444,864	942,456
More than five years	1,057,320	181,420	875,900	792,990	103,103	689,887
Sub-total	**$ 3,038,970**	**928,593**	**2,110,377**	**2,609,640**	**725,834**	**1,883,806**
Current			226,571			251,463
Non-current			1,883,806			1,632,343
Lease receivables－related parties			**$ 2,110,377**			**$ 1,883,806**

(11) Short-term Loans

Short-term borrowings consisted of the following:

	December 31, 2015
Unsecured bank loans	**$ 3,306,000**
Interest rate	**1.15%~1.6%**
Maturity date	**February 5, 2016 to 12, 2016**

(12) Long-term Loans

Long-term loans consisted of the following:

	December 31, 2014			
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	NTD	1.987%~2.092%	104~105	$ 800,000
Secured bank loans	NTD	2.093%~2.439%	104~108	15,580,000
Less: Current portion of long-term loans				(3,900,000)
Total				**$ 12,480,000**
Unused long-term of credit				**$ 10,435,000**

	December 31, 2015			
	Currency	Interest rate range	Expiration	Amount
Unsecured bank loans	NTD	1.271%~2.014%	105~106	$ 1,200,000
Secured bank loans	NTD	2.3270%	108	11,985,000
Less: Current portion of long-term loans				(500,000)
Total				**$ 12,685,000**
Unused long-term of credit				**$ 8,106,000**

(Continued)

(a) Issuance and redemption of loans

(i) The Group signed a syndicated loan agreement with Bank of Taiwan, the managing bank, and 13 other banks (here in after referred to as ‘‘the Company of banks”) for a syndicated loan with a credit line of $12,000,000 on January 2, 2014, and applied for appropriation of loans of $6,400,000 on January 28, 2014, $3,650,000 on July 28, 2014, and $1,950,000 on October 27, 2014, respectively. This loan bears interest of 90-day commercial paper rate, plus, an annual interest rate of 1.1% in monthly payments. Additionally, the first installment payment of the principal is payable on due date, with the rest payable in 5 semi-annual installments. According to the agreement, the borrower should maintain a balance of no less than 3% of the original credit limit in the specified bank account two months from the first credit approval-date.

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

I. Financing payables to related parties: not less than $35,000,000.

In July 2015, the Company signed a supplementary contract with a group of banks, agreeing to delete this financial covenant.

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

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

The Group was in compliance with all of the aforementioned covenants as of and for the years ended December 31, 2014 and 2015.

(Continued)

(ii) The Group signed a syndicated loan agreement with Bank of Taiwan, the managing bank, and 7 other banks for a credit line of $18,000,000 in the form of credit loan on November 9, 2009. According to the above syndicated loan agreement, the Group was required to comply with certain financial covenants by maintaining certain financial ratios. In the event that any of the financial covenants below is breached, the Group is required to cure the breach, no later than the end of November in the relevant calendar year, for a breach in respect of any semi-annual consolidated financial statements, and for a breach in respect of any annual consolidated financial statements, no later than the end of June of the following calendar year, or to submit a formal letter to the managing bank at least two months prior to the expiration of the Remedial Period, so that the managing bank can convene a meeting of the Banks to discuss the aforesaid breach and to resolve before the expiration of the Remedial Period on whether a waiver of the breach will be granted. These financial covenants are as follows:

I. Current Ratio (total current assets to total current liabilities): not less than one (1) to one (1).

II. Interest Coverage Ratio (EBITDA to interest expenses): shall not be less than three (3) to one (1).

III. Leverage Ratio (total liabilities, plus, contingent liabilities to tangible net worth): not higher than one and a half (1.5) to one (1).

On November 28, 2014, the syndicated banks formally agreed to further waive the Group's obligation to comply with its financial loan covenants under the syndicate loan relating to the financial statements for the six-month period ended June 30, 2014. This syndicated loan was repaid on January 28, 2015.

(b) Collaterals for bank loans

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

(13) Finance lease liabilities

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

(Continued)

(b) 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.

(c) The rental expenses from the lease of land which was treated as an operating lease amounted to $3,719 and $3,719 for the years ended December 31, 2015 and 2014, respectively. These expenses were fully paid as of December 31, 2015 and 2014.

	December 31, 2014			December 31, 2015		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	$ 24,698	16,845	7,853	24,698	16,371	8,327
Between one and five years	98,792	62,343	36,449	98,792	60,142	38,650
More than five years	370,468	124,667	245,801	345,770	110,497	235,273
Subtotal	**$ 493,958**	**203,855**	**290,103**	**469,260**	**187,010**	**282,250**
Lease payables-related parties						
Current			$ 7,853			8,327
Non-current			282,250			273,923
			$ 290,103			**282,250**

(14) Employee Benefits

(a) Defined benefit plan

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

	December 31, 2014	**December 31, 2015**
Present value of defined benefit obligations	$ 1,052,002	1,189,853
Fair value of plan assets	(417,439)	(433,993)
Net defined benefit liabilities	**$ 634,563**	**755,860**

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

(i) Composition of plan assets

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

As of December 31, 2015, the Group's pension fund with Bank of Taiwan amounted to $433,993. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

(ii) Movements in present value of the defined benefit obligations

Movements in present value of the defined benefit obligations were as follows:

	For the years ended December 31,	
	2014	**2015**
Defined benefit obligation at January 1,	$ 1,232,558	1,052,002
Current service and interest costs	2,897	26,559
Remeasurement of net defined benefit liabilities－actuarial losses arising from change in financial assumptions	(54,969)	134,821
Benefits paid	(154,494)	(23,529)
Defined benefit obligation at December 31,	**$ 1,052,002**	**1,189,853**

(iii) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2014	**2015**
Fair value of plan assets at January 1,	$ 393,104	417,439
Interest income	7,593	8,417
Remeasurement of net defined liabilities －return on plan assets (excluding interest income)	4,439	2,566
Contributions from employer	13,484	13,565
Benefits already paid by the plan	(1,181)	(7,994)
Fair value of plan assets at December 31,	**$ 417,439**	**433,993**

(Continued)

(iv) Expenses recognized in profit or loss

	For the years ended December 31,	
	2014	2015
Current service costs	$ 5,488	5,587
Net interest income of net defined benefit liabilities	23,419	20,972
Expected rate of return for the plan asset	(7,593)	(8,417)
	$ 21,314	18,142
Operating costs	$ 13,914	12,672
Expenses costs	7,400	5,470
	$ 21,314	18,142

(v) Remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income

	For the years ended December 31,	
	2014	2015
Balance of January 1	$ -	(59,408)
Recognized during the period	(59,408)	109,771
Balance of December 31	$ (59,408)	50,363

(vi) Actuarial assumptions

	For the years ended December 31,	
	2014	2015
Discount rate	2.00 %	1.50 %
Future salary increases	2.50 %	2.50 %

Based on the actuarial report, the Group is expected to make contributions of $13,563 to the defined benefit plans in 2016.

The weighted average duration of the defined benefit plan is 22 years.

(vii) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group's management use judgments and estimates in determining the related actuarial assumptions at balance sheet date, including discount rate, expected return on plan assets and future salary increases. Any changes in actuarial assumptions may significantly impact the present value of the defined benefit obligation.

(Continued)

As of December 31, 2015, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase Amount	**Decrease Amount**
December 31, 2015		
Discount rate (change 0.25%)	$ 58,570	(55,386)
Future salary increases (change 1%)	250,793	(204,793)

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

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

(b) Defined contribution plan

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

The Group’s pension costs under the contribution pension plan amounted to $121,332 and $112,567 for the years 2014 and 2015, respectively.

(15) Income Tax

(a) The Group’s income tax expense recognized for the years ended December 31, 2014 and 2015 were as follows:

	For the years ended December 31,	
	2014	**2015**
Current income tax expense	$ 76,651	505,678
Deferred income tax expense	2,404,548	- 350
Income tax expense	**$ 2,481,199**	**506,028**

(Continued)

NANYA TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group's income tax expense recognized in other comprehensive income for the years ended December 31, 2014 and 2015 were as follows:

	For the years ended December 31,	
	2014	**2015**
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ -	22,484

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

	For the years ended December 31,	
	2014	**2015**
Income tax calculated based on local tax rate	$ 5,033,870	3,021,954
Effect of foreign tax rate change	39,428	3,428
Tax effect of-five -year tax holiday	(1,025,917)	(685,630)
Tax effect of expired loss carryforward benefit	153,292	-
Tax effect of permanent differences	(2,072,666)	(764,006)
Tax effect of unrecognized changes of temporary difference	(71,508)	(2,333)
Tax effect of unrecognized current-year loss carryforward	423,102	(1,563,741)
Expired tax holiday	837,620	-
Tax effect of unrecognized current-year tax holiday	(847,181)	-
Overstatement in prior year's income tax	13,951	14,248
10% surtax on undistributed earnings	-	484,766
Other	(2,792)	(2,658)
Total	$ 2,405,504	484,691

(b) Deferred income tax assets and liabilities

(i) Unrecognized deferred income tax assets

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

	December 31, 2014	**December 31, 2015**
Deductible temporary differences	$ 61,046	500
Net operating loss carry forwards	19,390,856	17,885,328
	$ 19,451,902	17,885,828

(Continued)

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

As of December 31, 2015, under ROC Income Tax, the unused loss carry forward benefits available to the Group were as follows:

Year	Unused loss carry forward	Expiry year
2008	$ 6,607,978	2018
2009	19,737,350	2019
2010	12,439,512	2020
2011	30,344,487	2021
2012	30,123,062	2022
2013	4,422,499	2023
2014	1,526,508	2024
2015	6,417	2025
Total	**$ 105,207,813**	2026

(ii) Recognized deferred tax liabilities and assets

The changes in recognized deferred tax assets and liabilities in 2014 and 2015 were as follows:

Deferred tax liabilities：

	Unrealized foreign exchange gain	Others	Total
Balance as of January 1, 2014	$ -	183	183
Debit income statement	59	34	93
Balance as of December 31, 2014	**$ 59**	**217**	**276**
Balance as of January 1, 2015	$ 59	217	276
Debit income statement	6,838	444	7,282
Balance as of December 31, 2015	**$ 6,897**	**661**	**7,558**

(Continued)

NANYA TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets：

		Operating loss carryforwards	Others	Total
Balance as of January 1, 2014	$	3,163,111	87,992	3,251,103
Credit income statement		(2,316,349)	(88,106)	(2,404,455)
Balance as of December 31, 2014	$	846,762	(144)	846,648
Balance as of January 1, 2015	$	846,762	(144)	846,648
Credit debit income statement		(68,859)	75,791	6,932
Debit equity		-	22,484	22,484
Balance as of December 31, 2015	$	777,903	98,161	876,064

The unutilized loss carry forward benefits as of December 31, 2015 and their expiry year for which deferred tax assets were recognized were as follows:

Year		Unused loss carry forward	Expiry year
2008	$	4,575,902	2018

(iii) The Group's income tax returns have been examined by the ROC tax authority through 2013.

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

		December 31, 2014	December 31, 2015
Undistributed earnings in 1997 and prior year	$	-	-
Undistributed earnings in 1998 and thereafter		10,816,268	21,913,621
		10,816,268	21,913,621
Imputation credit account balance	$	73,483	37,556

	2014 (actual)	2015 (estimated)
Tax deduction ratio for earnings distribution to ROC residents	0.68%	0.17%

(Continued)

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

(c) As of December 31, 2015, the Group's Income Tax Holiday for five years from capital expenditures were as follows:

The stockholders approved a resolution during their meetings on August 30, 2007, and June 25, 2008, allowing the Group to avail of the Income Tax Holiday for qualifying investment projects relating to capital increase for semiconductor manufacturing under Article 9 of the Statute for Upgrading Industries. On July 7, 2010, the Group was approved by the Ministry of Finance, R.O.C. to avail of the tax holiday for five years commencing from January 1, 2011.

Capital increase for expansion	Duration of Income Tax Holiday
Capital increase for Semiconductor Manufacturing	January 2011 to December 2015

(16) Capital and other equity

As of December 31, 2014 and 2015, the Group's government registered total authorized capital both amounted to $300,000,000 with $10 par value per share, and total paid-up common stock amounted to $24,095,278, and 24,285,658 respectively. All issued shares were paid up upon issuance.

(a) Common stock

In 2015, the board of directors approved to increase the Group's common shares arising from the exercise of stock options under the Employee Stock Option Plan (ESOP). Accordingly, the Group issued 4 thousand and 19,034 thousand common shares of stock, at an issuance premium price of $81.9 and $55 per share, respectively, with total values amounting to $328 and $1,046,870, respectively. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

In 2014, the board of directors approved to increase the Group's common shares arising from the exercise of stock options under the Employee Stock Option Plan (ESOP). Accordingly, the Group issued 2,392 thousand and 11,192 thousand common shares of stock, at discounted issuance price of $5.5 per share and issuance premium price of $55 per share, with a total value amounting to $13,156 and 615,560. All issued shares were paid up upon issuance. Also, the process for the registration thereof was completed.

(Continued)

On March 22, 2012 and October 24, 2012, the board of directors approved to carry out a private placement of common shares through the issuance of 3,800,000 thousand common shares and 5,294,118 thousand common shares after reducing the Company's capital to 380,319 thousand common shares and 529,856 thousand common shares, respectively, at a discounted issuance price of $1.7 per share. This capital increase was approved by the Securities and Futures Bureau (SFB). The effective date for the capital increase was March 7, 2012 and May 28, 2013. Also, the process for the registration thereof was completed. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden, except when the transferees conform to Article 43-8 of the Securities and Exchange Act.

The movements of shares outstanding for the years ended December 31, 2014 and 2015 were as follows:

	Common Shares	
	2014	**2015**
Balance as of January 1,	$ 23,960,851	2,409,528
Exercise of employees stock options	13,584	19,038
Capital reduction	(21,564,907)	-
Balance as of December 31,	**$ 2,409,528**	**2,428,566**

(b) Capital reduction

On March 14, 2014, the board of directors approved to carry out a capital reduction to cover the deficit. The Company has covered its accumulated deficits amounting to $233,081,650 for the year ended December 31, 2013. In accordance with the relevant provisions of the company law, the Company reduced its capital amounting to $215,649,073 by cancelling its shares of stock of 21,564,907 thousand shares, to cover its accumulated losses. This capital reduction was approved by the letter No. 1030022998 issued by SFB on June 24, 2014, under which, the date of this capital reduction was set on June 27, 2014. On August 8, 2014, the board of directors of the Company adopted to set September 1, 2014, as the base date for the amendment of shareholding of each shareholder after this capital reduction. Also, the process for the registration thereof was completed.

(Continued)

(c) Capital surplus

The components of capital surplus were as follows:

	December 31, 2014	December 31, 2015
Change in recognized shares of subsidiaries and associates accounted for using equity method	$ 4,977,555	5,061,605
Employee stock option plans	879,953	1,372,476
Premium from exercise of employee stock options	520,428	1,377,246
Other	-	1,374
	$ 6,377,936	7,812,701

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

(d) Retain earning

(i) Legal reserve

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

(ii) Earnings appropriation and distribution

According to the rules of the Group's articles and Company Act in the Republic of China, the annual net income, 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. In addition, a special reserve shall also be set aside in accordance with applicable laws and regulations based on business need. 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..

(Continued)

The Group appropriates 0.1% to 15% of the distributable earnings after dividends as employees' bonuses, which are recognized as the Group's expenses in the year earnings are incurred. The people who are entitled to receive employee bonus include the employees of subsidiaries who meet certain condition set by the board of directors.

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

In accordance with the amended Company Act of May, 2015, employee bonus is no longer subject to appropriation and distribution of retained earnings commencing from 2015. The Company is yet to effect the amendments to the Company's Articles of Incorporation within the deadline that Authorities specify.

The estimated employee bonus amounted to $97,004 in 2014, which was consistent with the actual amount distributed. There was no difference between the actual amount distributed and the estimated amount of employee bonus in the consolidated financial statements in 2014.

During their meeting on June 10, 2015, the stockholders approved the appropriations of 2014 earnings as follows:

	For the year ended December 31, 2014	
	Dividends per share	Amount
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 2.00	4,853,396

Based on the resolution approved by the stockholders during their meeting on June 6, 2014, no appropriations were made of earnings in 2013 as the Company had no earnings available for appropriations but an accumulated deficit as of December 31, 2013.

(Continued)

(e) Treasury Shares

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

		December 31, 2014	December 31, 2015
Numbers of shares at January 1,		6,870	687
Capital reduction		(6,183)	-
Numbers of shares at December 31,		**687**	**687**
Amount of dollars at December 31,	**$**	**347,533**	**347,533**
Book value per share	**$**	**505.46**	**505.46**
Price per share (dollars)	**$**	**81**	**45.7**

As of December 31, 2015, none of the Group's common shares of stock held by its subsidiary, Pei Jen Co., Ltd. has been sold.

According to the Securities and Exchange Act, treasury shares of stock cannot be pledged and the shareholders' right is limited until such shares are transferred.

(f) Other Equity

		Exchange differences on translation of foreign operations	Unrealized gains on available-for-sale financial assets
Balance at January 1, 2014	$	(19,739)	17,405
Exchange differences on translation of foreign operations, net of tax:			
-the Group		(3,777)	-
Unrealized gains (losses) on available-for-sale financial assets:			
-the Group		-	12,050
Balance at December 31, 2014	**$**	**(23,516)**	**29,455**
Balance at January 1, 2015	$	(23,516)	29,455
Exchange differences on translation of foreign operations, net of tax			
-the Group		11,928	-
Unrealized gains (losses) on available-for-sale financial assets:			
-the Group		-	(22,437)
Balance at December 31, 2015	**$**	**(11,588)**	**7,018**

(Continued)

(17) Share-based Payment Transactions

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

	The 6th batch of Employee Stock Option Plan	**The 7th batch of Employee Stock Option Plan**	**The Subsidiaries' Employee Stock Option Plan**	**Capital increase hold Employee Stock Option Plan**
Grant date	2008.12.18	2011.03.21	2012.04.05	2015.12.22
Grant unit	500,000	70,000	600	32,000
Deal period	8 years	8 years	8 years	
Vested Conditions	Period of two years duration and a certain proportion	Period of two years duration and a certain proportion	Period of two years duration and a certain proportion	Immediately vested

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

	The 6th batch of Employee Stock Option Plan	**The 7th batch of Employee Stock Option Plan**	**The Subsidiaries' Employee Stock Option Plan**	**Capital increase hold Employee Stock Option Plan**
Dividend yield	-%	-%	-%	-%
Expected volatility	42.15%	53.79%	62,18%	64.00%
Risk-free rate	2.01%	0.9307%	1.0300%	0.74%
Fair value of unit stock option(dollar)	1.5	5.91	5.375	15.30
Compensation cost using equity method	48,547	262,499	505,199	489,599

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

(b) Relevant information of employee stock option plans

The details of these employee stock option plans for the years ended December 31, 2014 and 2015 were as follows:

	For the years ended December 31,			
	2014		**2015**	
	Number of options (Units)	**Weighted-average exercise price(NTD)**	**Number of options (Units)**	**Weighted-average exercise price(NTD)**
Outstanding at January 1,	114,321	$ 4.95	83,965	46.98
Options exercised	(25,467)	55.00	(7,155)	53.12
Options forfeited	(4,889)	16.16	(4,964)	73.44
Outstanding at December 31,	**83,965**	46.98	**71,846**	42.79
Options exercisable, end of period	**67,756**	47.94	**71,846**	42.79

(Continued)

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

	December 31, 2014	December 31, 2015
Range of exercise price (dollar)	43~81.9	41.5~81.9
Weighted average of remaining contractual year	0.29~4.23	1.46~3.73

(c) Compensation cost

Expenses were incurred from share options granted to employees for the years ended December 31, 2014 and 2015. These expenses were as follows:

	For the years ended December 31,		
		2014	2015
Compensation cost arising from share options granted to employees	$	18,278	4,206
Compensation cost arising from capital increase reserved for employees		-	489,599
	$	**18,278**	**493,805**

(18) Earnings Per Share

	For the years ended December 31,		
		2014	2015
Basic earnings per share：			
Net income from continuing operations	$	29,238,438	17,141,167
Net loss from discontinuing operations		(996,121)	-
Net income	**$**	**2,824,231**	**17,141,167**
Weighted-average number of ordinary shares outstanding (basic)		2,399,138	2,423,879
Basic earnings per share from continuing operations (dollars)		12.19	7.07
Basic earnings per share from discontinuing operations (dollars)		(0.42)	-
Basic earnings per share (dollars)	**$**	**11.77**	**7.07**

(Continued)

	For the years ended December 31,		
		2014	2015
Diluted earnings per share:			
Net income from continuing operations	$	29,238,438	17,141,167
Net loss from discontinuing operations		(996,121)	-
Net income	$	2,824,231	17,141,167
Effect of potentially dilutive ordinary shares			
Weighted-average number of ordinary shares (basic)		2,399,138	2,423,879
Effect of employee stock option		1,710	16,251
Weighted-average number of ordinary shares (diluted)		2,400,848	2,440,130
Diluted earnings per share from continuing operations (dollars)		12.18	7.02
Diluted earnings per share from discontinuing operations (dollars)		(0.42)	-
Diluted earnings per share (dollars)	$	11.76	7.02

(19) Revenue

For the years ended December 31, 2014 and 2015, the components of revenue were as follows:

		2014	2015
Sales revenues	$	49,107,622	43,875,905

(20) Employee Compensation

The Company's articles of incorporation were approved by the board of directors and has yet to be approved at shareholders' meeting. Under this articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net profit before tax before deduction of employee compensation. If the Company incurs accumulated deficit, the Company should first cover the said accumulated deficit.

The estimated employee compensation which was charged to profit or loss under operating costs or expense amounted to $634,408 for the year ended December 31, 2015. This employee compensation was estimated based on the Company's net income before tax before deducting employee compensation, according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amount and the estimated amount of employee compensation after the financial reports are issued, management is expecting that the difference will be treated as a change in accounting estimate and recognized through profit or loss in the period of the change.

(Continued)

(21) Results from Non-operating Activities

(a) Other gains and losses

	For the years ended December 31, 2014	2015
Foreign exchange gains, net	$ 590,435	228,514
Provision for or reversal of allowance for impairment	10,051	(4,204)
Gain (Loss) on disposal of property, plant and equipment	33,448	(1,745)
Dividend revenue	-	3,601
Others	(62,475)	193,330
	$ 571,459	**419,496**

(b) Finance expenses

	For the years ended December 31, 2014	2015
Bank borrowings	$ 333,733	357,608
Less: Capitalized of interest	-	(33,587)
Financing from entities with significant influence over the Group	373,753	168,093
Financing interest from other related parties	474,462	350,955
Lease payments	17,293	16,845
Others	577	513
	$ 1,199,818	**860,427**

(22) Financial Instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of accounts receivable represents the maximum exposure to credit risk. As of December 31, 2014 and 2015, the estimated Group’s maximum exposures to credit risk from accounts receivable were $6,045,117 and $5,442,511, respectively.

(ii) Concentration of credit risk

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

(Continued)

As of December 31, 2014 and 2015, the Group's largest customers both consisted of four customers which accounted for 39.37% and 39.04%, respectively, of notes and accounts receivable so that management believes the concentration of credit risk.

(b) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2014							
Non-derivative financial liabilities							
Secured bank loans	$ 15,580,000	16,494,206	3,750,108	144,329	288,659	12,311,110	-
Unsecured bank loans	800,000	836,636	251,342	50,676	102,900	321,080	110,638
Entities with significant influence over the Group	13,400,000	13,615,271	-	13,615,271	-	-	-
Financing from other related parties	26,615,567	27,043,146	-	27,043,146	-	-	-
Finance lease liabilities	290,103	493,958	12,349	12,349	24,698	74,094	370,648
Notes and accounts payable (including to related parties)	1,208,940	1,208,940	1,208,940	-	-	-	-
	$ 57,894,610	59,692,157	5,222,739	40,865,771	416,257	12,706,284	481,286
December 31, 2015							
Non-derivative financial liabilities							
Secured bank loans	$ 11,985,000	12,572,251	137,707	137,707	5,001,359	7,295,478	-
Unsecured bank loans	4,506,000	4,559,195	3,823,486	9,178	712,156	8,375	-
Entities with significant influence over the Group	8,800,000	8,939,150	-	8,939,150	-	-	-
Financing from other related parties	16,727,941	16,992,737	-	16,992,737	-	-	-
Finance lease liabilities	282,250	469,260	12,349	12,349	24,698	74,094	345,770
Notes and accounts payable (including to related parties)	1,560,210	1,560,210	1,560,210	-	-	-	-
	$ 43,861,401	45,092,803	5,539,752	26,091,121	57,894,610	59,692,157	345,770

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

(Continued)

(c) Currency risk

(i) Exposure to currency risk

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

	December 31, 2014			December 31, 2015		
	Foreign currency (in thousands)	Foreign rate	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 267,934	31.718	8,498,331	214,956	33.066	7,107,735
JPY	1,629,358	0.2650	431,780	2,575,126	0.2736	704,554
EUR	628	38.531	24,197	451	36.0384	16,253
Financial liabilities:						
Monetary items						
USD	$ 94,532	31.718	2,998,366	92,178	33.066	3,047,958
JPY	725,529	0.2650	192,265	156,072	0.2736	42,701
EUR	-	-	-	1,098	36.0384	39,570

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, and accounts payable which are denominated in different foreign currencies. A 1% depreciation of the NTD against the USD, EUR, and JPY as of December 31, 2014 and 2015 would have increased the net income before tax by $57,637 and $46,983 for the years ended December 31, 2014 and 2015, 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.

(d) Interest risk

The Group's exposure to interest rate risk arising from financial assets and liabilities is discussed further in the management of liquidity risk as disclosed in Note 23(a)(ii).

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $563,956 and $420,189 for the years ended December 31, 2014 and 2015, respectively.

(Continued)

(e) Fair value of financial instruments

(i) Types and fair value of financial instruments

The book value and fair value of the Group's financial assets and liabilities were as follows:

	December 31, 2014				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets					
Listed stocks	$ 115,366	115,366	-	-	115,366
Loans and receivables：					
Cash and cash equivalents	7,267,855	-	-	-	-
net amount of account receivables (including related parties)	6,045,117	-	-	-	-
Other account receivables (including related parties)	1,908,999	-	-	-	-
Lease receivable	1,883,806	-	-	-	-
Total	$ 17,105,777	-	-	-	-
Financial liabilities measured at amortized cost					
Account payables (including related parties)	$ 1,208,940	-	-	-	-
Other account payables (including related parties)	41,099,884	-	-	-	-
Long-term loans (including current portion)	15,580,000	-	-	-	-
Lease payables	282,250	-	-	-	-
Total	$ 58,171,074	-	-	-	-

	December 31, 2015				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets					
Listed stocks	$ 92,930	92,930	-	-	92,930
Financial assets carried at cost	9,340	-	-	12,320	12,320
Total	$ 102,270	92,930	-	12,320	105,250
Loans and receivables：					
Cash and cash equivalents	3,103,705	-	-	-	-
Net amount of account receivables (including related parties)	5,442,511	-	-	-	-
Other account receivables (including related parties)	1,749,976	-	-	-	-
Investment in debt securities with no active market	181,280	-	-	190,123	190,123
Lease receivable	1,632,343	-	-	-	-
Total	$ 12,212,085	92,930	-	202,443	295,373

(Continued)

	December 31, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	$ 3,300,000	-	-	-	-
Accounts payable (including current portion)	1,560,210	-	-	-	-
Other account payables (including current portion)	26,646,915	-	-	-	-
Long-term loans (including current portion)	11,985,000	-	-	-	-
Lease payables	273,923	-	-	-	-
Total	$ 43,772,048	-	-	-	-

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

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

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

(iii) Valuation techniques used in fair value determination of financial instruments

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.

(Continued)

(23) Financial Risk Management

(a) Nature and extent

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

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

Detailed discussions about the risks involved on financial instruments are disclosed in the related notes to the consolidated financial statements.

(b) Framework of risk management

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board has established the Risk Management Committee, which is responsible for developing and monitoring Group's risk management policies.

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

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

(Continued)

(c) Credit risk

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

(i) Accounts receivable

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

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

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

(ii) Investment

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

(d) Liquidity risk

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

(Continued)

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investmencopts at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused short term bank facilities for $8,106,000.

(e) Market risk

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

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

(i) Currency risk

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

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

(ii) Interest rate risk

The Group adopts a policy of entering into financial instrument transaction that fixes interest rate, such as interest rate swaps, in order to manage its interest rate exposure risks arising from the Group's long-term loans bearing floating interest rates. However, as the range of fluctuation of the interest rates during the term of agreements is acceptable, the Group believes that their interest rate risk need not be hedged.

(iii) Other market value risk

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

(24) Capital Management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings and non-controlling interests.

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

	For the years ended December 31,	
	2014	**2015**
Total Liabilities	$ 62,875,254	49,151,662
subtract: cash and cash equivalents	(7,267,855)	(3,103,705)
Net liabilities	**$ 55,607,399**	**46,047,957**
Total equity	**$ 41,677,058**	**54,854,375**
Debt-to-capital ratio	**133.42%**	**83.95%**

The Group has no plan of buying treasury shares.

The Group has not changed its capital management strategy as of December 31, 2015.

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(2) Key management personnel compensation

	For the years ended December 31,	
	2014	**2015**
Short-term employee benefits	**$ 53,999**	**55,603**

(3) Significant related-party transactions

(a) Sales to related parties

The Group's significant sales to related parties and the balance of accounts receivable were as follows:

	Sales For the years ended December 31,		Accounts receivable related parties	
	2014	2015	December 31, 2014	December 31, 2015
Associates	1,264	3,476	-	-
Other related parties	232,453	(3,120)	19,825	-
Total	$ 233,717	356	19,825	-

Note: The sales and sales discount of $57 and $3,177, respectively, to other related parties were recognized for the year ended December 31, 2015.

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

(b) Purchase from related parties

The Group's significant purchases from related parties and the balance of accounts payable were as follows:

	Purchases For the years ended December 31,		Accounts payable－related parties	
	2014	2015	December 31, 2014	December 31, 2015
Associates	75,944	(1,504)	-	-
Entities with significant influence over the Group	123,488	103,560	10,411	9,314
Other related parties	827,708	946,623	123,184	166,116
Total	$ 1,027,140	1,048,679	133,595	175,430

Note: The purchase discounts and allowances were recognized as a result of the change in the transfer price of the Group's purchases.

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

(c) Consigned out for processing and accounts payable

	Amount For the years ended December 31,		Other payables－related parties	
	2014	2015	December 31, 2014	December 31, 2015
Associates	28,707	200	38	21
Other related parties	5,463,106	6,149,891	1,006,493	1,012,250
Total	$ 5,491,813	6,150,091	1,006,531	1,012,271

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

(d) The Group's income received from related parties, such as utility income and receivables from payment on behalf of related parties were as follows:

	Other receivables－related parties	
	December 31, 2014	December 31, 2015
Associates	$ 14,091	12,125

(e) Financing to related parties

The details of the Group's lending to related parties were as follows:

	Other receivables－related parties	
	December 31, 2014	December 31, 2015
Entities with significant influence over the Group	$ 13,400,000	8,800,000
Other related parties	26,615,567	16,727,941
	$ 40,015,567	25,527,941

Interest payables under other payables—related parties as of December 31, 2014 and 2015 amounted to $57,333, and $34,347, respectively. Please refer to Note 6(21) for details on related interest expenses.

(Continued)

(f) Property transactions

(i) The Group sold land and machinery equipment to its affiliates. The downstream unrealized sales profit is realized based on the depreciation of machinery equipment over its useful life. The realized profit on disposal of assets amounted to$540 and $270 as of the years ended December 31, 2014 and 2015, respectively; and the unrealized profit on disposal of assets, which is a deduction of investment under equity method, amounted to $101,949 and $101,138 as of December 31, 2014, and 2015, respectively.

(ii) The Group purchased machinery equipment from other related parties of $85,473 for the year ended December 31, 2015, and the unpaid payables of $64,029 were accounted for under other payables－related parties as of December 31, 2015.

(iii) The Group sold its equipment to its affiliates for $695 and the profit on disposal thereof amounted to $695 for the year ended December 31, 2015. All amounts were received as of December 31, 2015.

(iv) The Group purchased machinery equipment from other related parties and its affiliates amounting to $188,305 for the year ended December 2014, and the unpaid payables of $12,600 were accounted for under payables－related parties as of December 31, 2014.

(v) The Group sold its equipment to its affiliates for $7,000 and the profit on disposal thereof amounted to $1,171 for the year ended December 31, 2014, and the unpaid payables of $7,350 were accounted for under other payables－related parties as of December 31, 2014.

(g) Lease contracts

(i) Please refer to Note 6(9) and 6(12) for the details of the Group’s long-term lease contracts with associates.

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

	Amount	
	For the year ended December 31, 2014	**For the year ended December 31, 2015**
Entities with significant influence over the Group	$ 91,082	164,114
Other related parties	-	79,348
Total	**$ 91,082**	**243,462**

(h) Contracts with related parties

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

(ii) The Group signed a Probe Tester Consignment and Service Agreement with IMI on August 6, 2013. Under this Agreement, IMI provides the services of probe test and related maintenance of testing equipment. This Prober Tester Consignment and Service Agreement took effect from the signing date to December 31, 2014, or whenever a party has notified the other party to terminate this Prober Tester Consignment and Service Agreement in accordance with the conditions stipulated in the aforementioned Agreement.

8. Pledged Properties

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

Pledged assets	Object	December 31, 2014	December 31, 2015
Property, plant and equipment	Guarantee for bank loans	$ 30,628,371	17,092,977
Other non-current assets	Guarantee for bank loans and import	$ 375,900	376,883

9. Commitments and Contingencies

(1) Significant Commitments

(a) The Group's has provided guarantees of $585,000 both as of December 31, 2014 and 2015 in connection with the hiring of foreign workers and importation of goods.

(b) As of December 31, 2014 and 2015, the Group's unused letters of credit amounted to $518,610 and $22,829, respectively.

(2) Contingent Liabilities

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

(Continued)

In November 2014, Qimonda AG accused Nanya Technology GmbH of patent infringement in Landgericht Dusseldorf Court. In June 2012, Nanya Technology Corporation and Nanya Technology GmbH (collectively "Nanya") filed a request to the Landgericht Munich Court for a declaratory relief, and the said request had been approved in August 2014. However, QimondaAG was not satisfied by the decision made by the court, and therefore, has decided to file an appeal to the Landgericht Munich Court in September 2014. In July 2015, Qimonda AG has withdrawn the prosecution and appeal so that this case has ended.

(b) 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 Nanya's rights.

10. Significant Disaster Loss: None.

11. Subsequent Event:

On January 14, 2016, the Company issued new shares of stock for cash in connection with its plan to increase its capital. This capital increase is intended to raise funds to finance the conversion of its capacities for design shrink product to 20nm. The actual number of shares of stock issued was 320,000 thousand shares of common stock at subscription price of $36.5 per share with total value amounting to $11,680,000. All payments for this capital increase were fully received.

12. Others

(1) The nature of expenses classified under cost of goods sold and operating expense were as follows:

	For the year ended December 31, 2014		
	Cost of goods sold	**Operating expenses**	**Total**
Employee benefits			
Salaries	2,357,837	1,515,811	3,873,648
Labor and health insurance	161,926	91,346	253,272
Pension expenses	86,568	56,078	142,646
Other personnel expenses	52,807	14,845	67,652
Depreciation expenses	5,283,171	132,906	5,416,077
Amortization expenses	191,434	-	191,434

	For the year ended December 31, 2015		
	Cost of goods sold	**Operating expenses**	**Total**
Employee benefits			
Salaries	2,497,646	1,543,897	4,041,543
Labor and health insurance	136,765	95,252	232,017
Pension expenses	80,186	50,523	130,709
Other personnel expenses	46,693	16,034	62,727
Depreciation expenses	5,597,498	72,459	5,669,957
Amortization expenses	129,408	-	129,408

As of December 31, 2014 and 2015, the Company had 2,414 and 2,406 employees, respectively.

(2) Future financing plans of the Group

(a) Financing plan: As of December 31, 2015, the Group has an unused credit facility of $8,106,000 thousand for long and short-term loans.

(b) To increase the rate of design shrink product production, the Company is still keeping its effort on converting the capacities of design shrink product to 30nm. When such conversion is completed, management is expecting that production output will exceed 70% of the total capacities by the end of Q2, 2016. The actual output is around 50% at the end of 2015. With more design shrink product output, die cost will be reduced; hence, the Group will become more cost-efficient.

(c) To raise the sales of value-added product：Nanya Technology will remain concentrated on the business of Low-Power and Consumer DRAM products. These two genres generated over 75% of its revenues for now and are likewise expected to exceed 80% of revenues at the end of 2016. It will focus on niche market and related application in order to raise the selling price of its products. In the future, it is aiming to create more value to its products to enhance the Company’s profitability.

(d) The Company's profitability and the operations had improved since the year 2013. The repayment of debt and decrease in current liabilities are expected to continue due to continuous cash inflow in the future.

(e) On January, 2016, the Company has completed the process for its cash capital increase in cash of $11,680,000. The proceeds from this capital increase of $11,680,000 are intended to finance the conversion of the capacities of design shrink product to 20nm.

(Continued)

(3) Discontinued operations

On July 1, 2014, the subsidiary of the Company, Sumpro Electronics Corporation, sold all of its machines, elements and main inventory because the foundry technology and equipment are limited and product lines are incomplete.

The operating result and cash flow of the discontinued operations were as follows:

	December 31, 2014
Discontinued operations income	
Operating income	$ 1,360,198
Operating cost	(1,820,679)
Gross profit	(460,481)
Operating expense	(266,490)
Non-operating income and expense	(329,160)
The loss before income tax	(1,056,131)
Income tax expense	-
Discontinued operating loss	**$ (1,056,131)**
Cash flow of the discontinued operation	
Cash flow from operating activities	$ 115,240
Cash flow from investment activities	1,233,481
Cash flow from financing activities	(1,280,573)
Increase in cash	**$ 68,148**

13. Other Disclosure Items

(1) Related information on material transaction items:

The following are the Company's significant transactions required to be disclosed in accordance with the Regulation:

(a) Financing provided: None

(b) Guarantees and endorsements for other parties: None.

(c) Information regarding securities held:

Name of company which holds securities	Category and name of securities	Relationship between issuer of security and the company which holds securities	Account name	December 31, 2015				The highest shares owned or the contribution of capital	Note
				Shares / Units (in thousands)	Carrying value	Percentage of ownership	Market value or net asset value		
Pei Jen Co., Ltd	Nanya Printed Circuit Board Co.	Other related parties	held-for-sale financial assets	2,770	92,930	0.43%	92,930	0.43%	-
Pei Jen Co., Ltd	Memoright(CAYMAN)Co.,LTD	-	Investment in debt securities with no active market and Financial assets carried at cost	-	190,620	-%	202,443	-	-

(Continued)

(d) Information regarding purchase or sales of securities for the period exceeding $300 million or 20% of the Company’s paid-in capital: None

(e) Information on acquisition of real estate for which the purchase amount exceeded $300 million or 20% of the Company’s paid-in capital: None.

(f) Information regarding receivables from disposal of real estate exceeding $300 million or 20% of the Company’s paid-in capital: None.

(g) Information regarding related-party purchases and/or sales for which the amount exceeded $100 million or 20% of the Company’s paid-in capital:

Purchasing (selling) company	Related party	Nature of relationship	Transaction details				Abnormal transaction		Accounts/notes receivable (payable)		Note
			Purchase (sale)	Amount	% to total	Payment terms	Amount	Payment terms	Ending balance	Notes/accounts receivable or (payable)	
The Company	Nanya Technology Corp., U.S.A.	Parent company	(Sale)	1,775,485	4.12%	O/A,60~90Days	-	-	136,600	2.37%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	3,034,454	7.04%	O/A,180ays	-	-	689,298	11.98%	(Note)
The Company	Nanya Technology Corp., Germany	Parent company	(Sale)	2,145,768	4.98%	O/A,60~90Days	-	-	321,322	5.58%	(Note)
The Company	Piece Makers Technology, Inc.	Parent company	(Sale)	587,577	1.36%	O/A,60~100Days	-	-	116,940	2.03%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	924,815	12.03%	O/A60Days	-	-	(166,116)	10.83%	-
The Company	Nanya Plastic Corp.	Entities with significant influence over the Group	Purchase	103,560	1.35%	On the 15th of the month following the mouth of purchase	-	-	(9,314)	0.61%	-

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

(h) Information regarding accounts receivable from related parties for which the amount exceeded $100 million or 20% of the Company’s paid-in capital:

Accounts receivable company	Related party	Nature of relationship	Amount	Turnover	Due date accounts receivable		Amounts received in subsequent periods	Allowance for bad debt
					Amount	Method		
The Company	Nanya Technology Corp., U.S.A.	Parent company	Account receivable 136,600	9.42	-	-	101,118	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 689,298	5.43	-	-	471,323	-
The Company	Nanya Technology Corp., Germany	Parent company	Account receivable 321,322	5.10	-	-	292,450	-
The Company	Piece Makers Technology, Inc.	Parent company	Account receivable 116,940	2.92	-	-	63,915	-

(i) Information regarding trading in derivative financial instruments: None.

(Continued)

(j) Intercompany relationships and significant intercompany transactions:

No.	Company name	Counter party	Relationship	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Sales	1,775,485	On the basis of general conditions	4.05%
0	〃	Nanya Technology Corp., Germany	1	Sales	2,145,768	On the basis of general conditions	4.89%
0	〃	Nanya Technology Corp., Japan	1	Sales	3,034,454	On the basis of general conditions	6.92%
0	〃	Piece Makers Technology, Inc. Ltd.	1	Sales	587,577	On the basis of general conditions	1.34%
0	〃	Nanya Technology Corp., Delaware	1	Management expense	315,442	On the basis of general conditions	0.72%
0	〃	Nanya Technology Corp., U.S.A	1	Accounts receivable	136,600	On the basis of general conditions	0.13%
0	〃	Nanya Technology Corp., Germany	1	Accounts receivable	321,322	On the basis of general conditions	0.31%
0	〃	Nanya Technology Corp., Japan	1	Accounts receivable	689,298	On the basis of general conditions	0.66%
0	〃	Piece Makers Technology, Inc. Ltd.	1	Accounts receivable	116,940	On the basis of general conditions	0.11%

Note 1: Assigned numbers represent the following:

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

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

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

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

(Continued)

(2) Information on the Company's long-term equity investments: None.

Information regarding investments in Mainland China: None.

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2015			The maximum holding or investment	Net Income (Loss) of the Investee	Equity in Net Income (Net Loss)	Note
				December 31, 2015	December 31,2014	Shares	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%	122,569	100.00%	1,787	1,787	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00%	123,599	- %	9,376	9,376	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	175,348	175,348	480	100.00%	-	100.00%	21,798	20,424	-(Note)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00%	34,448	100.00%	9,836	9,836	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00%	179,194	100.00%	22,235	22,235	(Note)
The Company	Inotera Memories, Inc.	Taoyuan	Business of electronic products	24,631,379	24,631,379	1,587,484	24.20%	32,647,944	24.30%	18,077,421	4,380,050	
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	7,918	55.26%	75,773	58.34%	70,735	38,297	(Note)
The Company	Sumpro Electronics Corporation	Taoyuan	Business of electronic products	2,591,000	2,591,000	259,100	100.00%	35,873	100.00%	(6,762)	(6,762)	(Note)
Nanya Technology Corp., HK	Nanya Technology Corp., Germany	Germany	Import/export business	30,056	30,056	-	100.00%	52,070	100.00%	4,672	4,672	(Note)
Pei Jen Co., Ltd.	Inotera Memories, Inc.	Taoyuan	Business of electronic products	143,966	143,966	9,018	0.14%	186,023	0.15%	18,077,421	24,873	

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

(3) Investment in Mainland China

(a) Relevant information about the name of investees and the main business activities was as follows:

Investee Company Name	Main Businesses and Products	Actual amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan 1, 2014	Outflow/ Inflow amount of current period		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Current income of investees	Direct and Indirect Shareholding Ratio by the Company	The maximum holding or investment	The highest shares owned or the contribution of capital	Investment income or loss	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow							
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	32,570	(Note 1)	32,570	-	-	32,570	5,667	100.00%	100.00%	5,667	15,420	-

(b) Quota for investment in Mainland China

Accumulated Outflow of Investment from Taiwan to China	Investment Amounts Authorized by the Investment Commission, MOEA	Maximum Allowable Investment Authorized by the Investment Commission, MOEA
32,570 (USD985)	32,570 (USD985)	32,842,613

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, 2015 was USD1：TWD 33.066.
Note 3：Amount was recognized based on the self-prepared financial statements.
Note 4：60% of net equity.

(c) Information on significant transactions：

Please refer to the related disclosures above captioned as “Related information on material transaction items” and “Intercompany relationships and significant intercompany transactions” for direct or indirect significant transactions between the Group and its investees in Mainland China for the year ended December 31, 2015. (The transactions were eliminated in the consolidated financial statements.)

14. Segment information

(1) General information:

The Group’s main operating activities are manufacturing and selling semiconductor products. The operating decision maker uses the geographic area information as the management framework to manage the segments. It is divided into two reporting segments: manufacturing department and Japan department. The manufacturing department manufactures semiconductor products and sells them to domestic and foreign system operators, distributors, agents and Japan department. Japan department sell the semiconductor products.

(2) The income of the reporting segment, segment assets, segment liabilities and the information of the measure basis and reconciliation.

The Group’s reportable segments are responsible for the Company's geographic area business units. The operating decision maker uses the geographic area information as the management framework to manage the segments. Most of the business units are piecemeal obtain so that the management team is kept in the each time.

No tax expenses are allocated to the reporting segment. The reportable amount is similar to that of the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in Note 4. The operating segment’s profit of the Group uses the operating income before tax as the measurement and basis of performance evaluation. The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

(Continued)

NANYA TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating segments are combined and reconciled as follows:

	December 31, 2014					
	Japanese division	**Manufacturing division**	**Discontinuing divisions**	**Others divisions**	**Adjustments and eliminated**	**Total**
Revenue:						
From external customers	$ 3,603,604	39,116,940	1,360,198	6,387,078	(1,360,198)	49,107,622
From sales among intersegments	-	9,473,010	69,923	315,978	(9,858,911)	-
Total revenue	**$ 3,603,604**	**48,589,950**	**1,430,121**	**6,703,056**	**(11,219,109)**	**49,107,622**
Interest expense	$ 170	1,191,244	14,637	8,403	(14,636)	1,199,818
Depreciation and amortization	378	5,552,428	60,168	5,372	(17,003)	5,547,343
Associates using equity methods：						
Amount of gain or loss	-	12,170,194	-	75,109	1,049,351	13,294,654
Other non-cash significant item：						
Impairment loss	-	10,051	690,000	-	(690,000)	10,051
Reportable segment profit or loss	**$ 136,737**	**30,647,821**	**(1,056,131)**	**145,305**	**1,858,964**	**31,732,696**
Assets:						
Investments under equity method	$ -	28,679,484	-	161,083	(495,367)	28,345,200
Capital expenditure of non-current assets	1,268	51,157,114	-	17,545	-	51,175,927
Reportable segments assets	**$ 636,993**	**104,021,970**	**82,212**	**2,010,235**	**(2,199,098)**	**104,552,312**
Reportable segments liabilities	**$ 615,903**	**62,288,417**	**39,577**	**1,732,694**	**(1,801,337)**	**62,875,254**

	December 31, 2015					
	Japanese division	**Manufacturing division**	**Discontinuing divisions**	**Others divisions**	**Adjustments and eliminated**	**Total**
Revenue:						
From external customers	$ 3,166,034	35,439,802	-	5,270,069	-	43,875,905
From sales among intersegments	-	7,682,075	-	370,443	(8,052,518)	-
Total revenue	**$ 3,166,034**	**43,121,877**	**-**	**5,640,512**	**(8,052,518)**	**43,875,905**
Interest expense	$ -	851,732	-	8,696	(1)	860,427
Depreciation and amortization	1,454	5,789,618	-	8,293	-	5,799,365
Associates using equity methods：						
Amount of gain or loss	-	4,475,243	-	24,873	(95,195)	4,404,921
Other non-cash significant item：						
Impairment loss	-	(4,204)	-	-	-	(4,204)
Reportable segment profit or loss	**$ 26,157**	**17,619,097**	**-**	**130,948**	**(98,774)**	**17,677,428**
Assets:						
Investments under equity method	$ -	33,219,278	-	186,023	(571,334)	32,833,967
Capital expenditure of non-current assets	6,050	49,722,671	-	34,805	-	49,763,526
Reportable segments assets	**$ 882,900**	**103,550,296**	**-**	**1,620,261**	**(2,047,420)**	**104,006,037**
Reportable segments liabilities	**$ 701,548**	**48,776,856**	**-**	**1,261,340**	**(1,588,082)**	**49,151,662**

(Continued)

(3) Types of products and service:

Products and service		2014	2015
DRAM	$	48,964,419	43,727,648
Others		143,203	148,257
Total	**$**	**49,107,622**	**43,875,905**

(4) Geographic area information

The Group’s revenue from continuing operations from external customers by location of operations and information concerning the location of its non-current assets were as follows:

District		2014	2015
From external clients:			
Taiwan	$	20,605,485	18,834,167
USA		771,987	644,466
Japan		1,715,857	1,183,890
Mainland China		21,266,018	18,777,614
Other countries		4,748,275	4,435,768
	$	**49,107,622**	**43,875,905**
Non-current assets:			
Taiwan	$	51,700,746	50,139,084
Other countries		12,317	30,635
Total	**$**	**51,713,063**	**50,169,719**

Non-current assets included property, plant and equipment, investing properties, intangible asset and other assets, excluding financial instruments, defer tax assets, retirement benefit assets and equity non-current assets generated from insurance contracts.

(5) Major clients

Sales exceeding 10% of the Group's sales revenue were as follows：

		2014	2015
KINGSTONE TECHNOLOGY CO,LTD	$	6,381,074	7,745,598
ADATA TECHNOLOGY CORPORTION		5,110,037	3,094,531
Total	**$**	**11,491,111**	**10,840,129**