Stock Code:2408

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

NANYA TECHNOLOGY CORPORATION

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the financial statements of Nanya Technology Corporation ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of Formosa Advanced Technologies Co., Ltd., an investment in other accounted for using the equity method of the Company. The financial statements were audited by another auditor, whose audit report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Formosa Advanced Technologies Co., Ltd., is based solely on the audit report of another auditor. The aformentioned investment accounted for using the equity method constituted 1.48% of the total assets as of December 31, 2018, and the share of profit of associates accounted for using the equity method constituted 0.12% of the total profit before tax for the period from July 25 to December 31, 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Please refer to Notes 4(o) and 6(r) of the financial statements for details on accounting policy on revenue recognition and related disclosures, respectively.

   Revenue recognition is one of the key audit matter for the user of financial statements and the competent authority. The Company provides a number of different sales terms to customers. Since 2018, the Company initially adopted IFRS 15 to determine its new accounting judgments and details for disclosures based on the accounting applications and policies of the new standards. Therefore, revenue recognition and the proper cut-off of revenue under the new standards have been identified as two of the key audit matters in the consolidated financial statements.

   The principal audit procedures performed to address the aforementioned key audit matters included analyzing the business operation and industry peculiarities, evaluating the appropriateness of accounting policies, testing the related manual controls in the sales and payment collection cycle, checking and reconciling the information from the sales system to the general ledger, and vouching the original documents during a selected period of time before and after the balance sheet date to evaluate the completeness and accuracy of the information used for revenue recognition and disclosures of financial statements, as well as determining whether the revenue is recorded in the appropriate period.

2. Valuation of inventories

   Please refer to Notes 4(g), 5, and 6(e) for details on accounting policy, judgments, and major sources of estimation uncertainty and disclosure information about inventory valuation, respectively.

   The Company recognizes a loss from the devaluation of inventories on a quarterly basis based on the lower of cost or net realizable value method. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the financial statements.

   The principal audit procedures performed to address the aforementioned key audit matter included understanding the basis adopted by the management in the estimate of net realizable value, and sampling to test the reasonableness of the net realizable value.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company' s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities of the investments in other entities accounted for using the equity method. We are responsible for the direction, supervision and performance of our audit. Furthermore, we remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
February 27, 2019

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China.

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

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

Nanya Technology Corporation

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 46,338,574	23	32,626,041	22
1170	Notes and accounts receivable (Notes 6(c)(r))	6,405,098	3	6,640,926	4
1180	Accounts receivable due from related parties (Notes 6(c)(r) and 7)	3,812,440	2	2,409,673	2
1200	Other receivables (Notes 6(d)(i))	1,303,960	-	11,589,575	8
1310	Inventories (Note 6(e))	12,148,352	6	6,748,226	4
1410	Prepayments	1,757,547	1	1,617,626	1
	Total current assets	71,765,971	35	61,632,067	41
	Non-current assets:				
1550	Investments accounted for using equity method (Notes 6(f) and 7)	34,242,508	18	543,137	-
1600	Property, plant and equipment (Notes 6(h) and 7)	95,339,823	47	86,218,545	57
1780	Intangible assets	45,881	-	136,442	-
1840	Deferred tax assets (Note 6(n))	860,761	-	917,703	1
1935	Long-term lease payments receivable (Note 6(i))	875,900	-	1,043,501	1
1990	Other non-current assets (Note 8)	35,194	-	24,984	-
	Total non-current assets	131,400,067	65	88,884,312	59
	Total assets	$ 203,166,038	100	150,516,379	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2120	Current financial liabilities at fair value through profit or loss (Notes 6(b)(k))	$ -	-	2,238,441	1
2170	Accounts payable	4,247,638	2	3,025,200	2
2180	Accounts payable to related parties (Note 7)	332,064	-	299,746	-
2200	Other payables	8,741,863	4	6,205,337	4
2220	Other payables to related parties (Note 7)	21,567,689	11	1,096,433	1
2230	Current tax liabilities	2,455,253	2	1,713,751	1
2399	Other current liabilities	1,568	-	1,954	-
	Total current liabilities	37,346,075	19	14,580,862	9
	Non-Current liabilities:				
2530	Bonds payable (Note 6(k))	-	-	3,286,711	2
2570	Deferred tax liabilities (Note 6(n))	-	-	63,132	-
2640	Net defined benefit liability, non-current (Note 6(m))	537,303	-	525,797	-
2670	Other non-current liabilities	375,362	-	60,012	1
	Total non-current liabilities	912,665	-	3,935,652	3
	Total liabilities	38,258,740	19	18,516,514	12
	Equity (Note 6(o)):				
3110	Ordinary share	31,032,389	15	29,639,382	20
3130	Certificate of entitlement to new shares from convertible bond	-	-	223,958	-
3140	Advance receipts for share capital	6,488	-	-	-
3200	Capital surplus	33,557,005	16	27,277,191	19
3310	Legal reserve	9,192,249	5	5,164,057	3
3320	Special reserve	39,163	-	-	-
3350	Unappropriated retained earnings	94,136,513	46	69,734,440	46
3400	Other equity interest	(273,834)	-	(39,163)	-
3500	Treasury shares	(2,782,675)	(1)	-	-
	Total equity	164,907,298	81	131,999,865	88
	Total liabilities and equity	$ 203,166,038	100	150,516,379	100

See accompanying notes to financial statements.

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

NANYA TECHNOLOGY CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(r)(s) and 7)	$ 84,269,952	100	54,086,251	100
5000	Operating costs (Notes 6(e)(m)(p)(t) and 7)	38,049,640	45	29,788,306	55
	Gross profit from operations	46,220,312	55	24,297,945	45
5910	Add: Unrealized profit (loss) from sales	(25,381)	-	(97,212)	-
5920	Realized profit (loss) on from sales	97,212	-	56,527	-
	Gross profit from operations	46,292,143	55	24,257,260	45
	Operating expenses (Notes 6(m)(p)(t) and 7):				
6100	Selling expenses	643,649	-	602,575	1
6200	Administrative expenses	1,525,170	2	1,383,184	3
6300	Research and development expenses	4,875,217	6	3,565,465	7
	Total operating expenses	7,044,036	8	5,551,224	11
	Net operating income	39,248,107	47	18,706,036	34
	Non-operating income and expenses (Notes 6(g)(h)(k)(l)(u) and 7):				
7010	Other income	1,018,622	1	385,964	1
7020	Other gains and losses, net	1,203,540	1	23,114,236	43
7050	Finance costs	(5,325)	-	(456,872)	(1)
7060	Share of profit of associates accounted for using equity method	101,594	-	43,719	-
	Total non-operating income and expenses	2,318,431	2	23,087,047	43
7900	**Profit before tax**	41,566,538	49	41,793,083	77
7950	Tax expense (Note 6(n))	2,204,913	2	1,511,156	3
	Profit	39,361,625	47	40,281,927	74
8300	**Other comprehensive income (Notes 6(m)(n)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurement of the net defined benefit	(18,096)	-	(83,545)	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(95,101)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6,190	-	14,203	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(107,007)	-	(69,342)	-
8360	**Other components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(140,573)	-	(22,317)	-
8362	Unrealized losses on valuation of available-for-sale financial assets	-	-	(9,408,293)	(17)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	1,602,346	3
	Components of other comprehensive income that will be reclassified to profit or loss	(140,573)	-	(7,828,264)	(14)
8300	**Other comprehensive loss, net**	(247,580)	-	(7,897,606)	(14)
	Comprehensive income	$ 39,114,045	47	32,384,321	60
	Earnings per share (Note 6(q))				
9750	Basic earnings per share	$	12.80		14.36
9850	Diluted earnings per share	$	12.38		13.92

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2017	$ 27,485,658	-	-	11,523,007	2,791,929	4,570	36,296,086	(16,846)	-	7,805,947	7,789,101	(347,533)	85,542,818
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	40,281,927	-	-	-	-	-	40,281,927
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	-	(69,342)	(22,317)	-	(7,805,947)	(7,828,264)	-	(7,897,606)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	40,212,585	(22,317)	-	(7,805,947)	(7,828,264)	-	32,384,321
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	2,372,128	-	(2,372,128)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(4,122,848)	-	-	-	-	-	(4,122,848)
Reversal of special reserve	-	-	-	-	-	(4,570)	4,570	-	-	-	-	-	-
Other changes in capital surplus:													
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	-	1,031	-	-	-	-	-	-	-	-	1,031
Recognized compensation costs on employee stock options	-	-	-	459,573	-	-	-	-	-	-	-	-	459,573
Conversion of convertible bonds	2,153,724	223,958	-	15,297,911	-	-	-	-	-	-	-	-	17,675,593
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	-	(4,331)	-	-	(283,808)	-	-	-	-	347,533	59,394
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(17)	-	-	-	-	-	(17)
Balance at December 31, 2017	29,639,382	223,958	-	27,277,191	5,164,057	-	69,734,440	(39,163)	-	-	(39,163)	-	131,999,865
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	39,361,625	-	-	-	-	-	39,361,625
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	-	-	(12,909)	(140,573)	(94,098)	-	(234,671)	-	(247,580)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	39,348,716	(140,573)	(94,098)	-	(234,671)	-	39,114,045
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	4,028,192	-	(4,028,192)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	39,163	(39,163)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(10,879,288)	-	-	-	-	-	(10,879,288)
Other changes in capital surplus:													
Changes in equity of associates accounted for using equity method	-	-	-	5	-	-	-	-	-	-	-	-	5
Recognized compensation costs on employee stock options	-	-	-	717,656	-	-	-	-	-	-	-	-	717,656
Conversion of convertible bonds	732,839	-	-	4,504,323	-	-	-	-	-	-	-	-	5,237,162
Conversion of certificates of bonds-to-share	223,958	(223,958)	-	-	-	-	-	-	-	-	-	-	-
Repurchase of treasury share	-	-	-	-	-	-	-	-	-	-	-	(2,782,675)	(2,782,675)
Excercise of employee share options	436,210	-	6,488	1,057,830	-	-	-	-	-	-	-	-	1,500,528
Balance at December 31, 2018	$ 31,032,389	-	6,488	33,557,005	9,192,249	39,163	94,136,513	(179,736)	(94,098)	-	(273,834)	(2,782,675)	164,907,298

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 41,566,538	41,793,083
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	11,975,216	8,418,398
Amortization expense	97,298	141,088
Net loss on financial liabilities at fair value through profit or loss	281,107	7,981,043
Interest expense	5,325	456,872
Interest income	(1,018,622)	(385,964)
Share-based payments	717,656	459,573
Share of profit of subsidiaries and associates accounted for using equity method	(101,594)	(43,719)
Gain on disposal of property, plant and equipment	(16,859)	(3,230)
Amortization costs of issuing bonds	-	5,739
Gain on disposal of financial assets in available-for-sale	-	(32,106,247)
Gain on disposal of lease payable	-	(63,542)
Gain on disposal of a subsidiary	(497)	-
(Reversal of impairment loss) impairment loss on non financial assets	(109,745)	488,988
Unrealized loss on sales	25,382	97,212
Realized profit from sales	(97,212)	(56,527)
Unrealized foreign exchange gain	(46,121)	(371,365)
Total adjustments to reconcile profit (loss)	11,711,334	(14,981,681)
Changes in operating assets and liabilities:		
Accounts receivable	(1,173,832)	(3,100,396)
Other receivable	(348,165)	1,051,537
Inventories	(5,400,126)	(2,088,574)
Other current assets	(139,921)	(69,768)
Financial liabilities held for trading	(523,136)	-
Accounts payable (including related parties)	677,569	(2,231,271)
Other payable (including related parties)	2,420,267	4,074,523
Other current liabilities	(386)	(189,974)
Net defined benefit liability	(6,590)	(11,261)
Other non-current liabilities	(1,935)	(45,033)
Total changes in operating assets and liabilities	(4,496,255)	(2,610,217)
Cash inflow generated from operations	48,781,617	24,201,185
Interest received	774,111	211,098
Interest paid	(220)	(323,903)
Income taxes paid	(1,463,411)	(1,884,652)
Net cash flows from operating activities	48,092,097	22,203,728
Cash flows (used in) from investing activities:		
Acquisition of available-for-sale financial assets	-	(1,900,000)
Proceeds from disposal of available-for-sale financial assets	-	56,846,770
Acquisition of investments accounted for using equity method	(13,221,259)	(150,000)
Proceeds from disposal of a subsidiary	176,868	-
Acquisition of property, plant and equipment	(20,418,433)	(29,390,484)
Proceeds from disposal of property, plant and equipment	25,743	3,130
(Increase) decrease in refundable deposits	(11,378)	4
Decrease in other receivables	10,616,574	-
Decrease in lease and installment receivables	429,330	429,330
(Increase) decrease in other non-current assets	(5,569)	345,298
Net cash flows (used in) from investing activities	(22,408,124)	26,184,048
Cash flows used in financing activities:		
Proceeds from issuing convertible bonds	-	15,604,577
Repayments of long-term debt	-	(23,000,000)
Increase in guarantee deposits received	317,376	13,267
Decrease in other payables to related parties	-	(12,500,000)
Decrease in lease payable	-	(4,138)
Cash dividends paid	(10,879,288)	(4,122,848)
Exercise of employee share options	1,500,528	-
Payments to acquire treasury shares	(2,782,675)	-
Net cash flows used in financing activities	(11,844,059)	(24,009,142)
Effect of exchange rate changes on cash and cash equivalents	(127,381)	(179,972)
Net increase in cash and cash equivalents	13,712,533	24,198,662
Cash and cash equivalents at beginning of period	32,626,041	8,427,379
Cash and cash equivalents at end of period	$ 46,338,574	32,626,041

See accompanying notes to financial statements.

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

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

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

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

The financial statements were authorized for issuance by the Board of Directors on February 27, 2019.

(3) New standards, amendments and interpretations adopted:

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

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

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

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

(i) IFRS 15 "Revenue from Contracts with Customers"

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

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

1) Sales of goods

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

2) Impacts on financial statements

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

(ii) IFRS 9 "Financial Instruments"

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

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

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of

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the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

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

2) Impairment of financial assets

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

3) Transition

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

· Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

· The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.

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

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

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables (Note)	$ 32,626,041	Amortized cost	$ 32,626,041
Trade and other receivables	Loans and receivables (Note)	21,683,675	Amortized cost	21,683,675
Other financial assets (Guarantee deposits paid)	Loans and receivables (Note)	2,311	Amortized cost	2,311

Note: Cash and equivalents, notes and accounts receivable (including related parties), lease payment receivable, other receivables and other financial assets (guarantee deposits paid) that were classified as loans and receivables under IAS 39 are now classified as at amortized cost upon initially adoption of IFRS 9.

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

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

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

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

(i) IFRS 16"Leases"

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

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

1) Determining whether an arrangement contains a lease

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

·IFRS 16 definition of a lease to all its contracts; or

· a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

2) Transition

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

·retrospective approach; or

·modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of right-of-use assets and lease liabilities at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified was that the Company will have to recognize the right-of-use assets and lease liabilities for the operating leases of its offices and land. The Company estimated both its right-of-use assets and lease liabilities to increase by $300,605 thousand on January 1, 2019. No significant impact is expected for the Company's finance leases. The Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company believes that the adoption above IFRSs would not be relevant to the Company.

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(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The accompanying 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").

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the balance sheet:

1) Financial liabilities are measured at fair value through profit or loss ;

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the 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 items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Company'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 Company'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 Company 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 Company disposes of only part of investment in an associate or 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.

(d) 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.

(i) The asset is expected to be realized, or intended to be sold or consumed, in the Company's normal operating cycle;

(ii) The asset is held primarily for the purpose of trading;

(iii) The asset is expected to be realized within twelve months after the reporting period; or

(iv) 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 reporting period.

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

(i) The liability is expected to be settled in the normal operating cycle;

(ii) The liability is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

(e) 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 which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(f) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

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

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

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Impairment of financial assets

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

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

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

Loss allowance for notes and accounts receivables are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

The Company considers a financial asset to be in default when the financial asset is more than 60 days past due.

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

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

·a breach of contract such as a default or being more than 60 days past due;

·the disappearance of an active market for a security because of financial difficulties.

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

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

(Continued)

3) Derecognition of financial assets

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

(ii) Financial assets (applicable before January 1, 2018)

Financial assets are categorized into loans and receivables.

1) 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 is included in other gains and losses of non-operating income and expenses.

2) 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 Company on terms that the Company 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 measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

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.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash inflow from the asset are terminated or when the Company 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.

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(iii) Financial liabilities and equity instrument

1) Classification of liabilities or equity instruments

Debt or equity instruments issued by the Company 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 Company are recognized based on the proceeds received, net of direct issue costs.

The conversion rights included in the convertible bond, which were issued by the Company and classified as derivative financial liabilities due to the settlement of shares are not exchanged to equity instruments through fixed amounts or other financial assets.

The derivative financial assets of convertible bonds were measured at fair value; the initial amounts of non-derivative financial liabilities were measured after deducting the separate embedded derivatives. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method; derivative financial liabilities are measured at fair value, and changes therein, in fair value are recognized in profit or loss.

Interest related to the financial liability is recognized in profit or loss, and included in other gains and losses of non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise accounts and other payables (including related parties), 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.

3) 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, and is included in other gains and losses of non-operating income and expenses.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Company 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.

(iv) Derivative financial instruments (applicable before January 1, 2018)

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in non-operating income or expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(g) 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.

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

(h) Investment in associates

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

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

The financial statements include the Company'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 Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company'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 Company'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 Company has an obligation or has made payments on behalf of the investee.

(Continued)

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Subsidiaries

The Company accounts for investee companies in which it has a controlling interest using the equity method. The net income, other comprehensive income, and shareholders' equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Company in the consolidated financial reports should be the same.

The Company accounts for changes in owners' equity of subsidiaries as equity transactions between the two parties of the transaction, provided that control is still exists.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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. 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.

(ii) 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 Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value on a straight-line basis.

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:

1) Buildings: 25 years.

2) Machinery and equipment: 5 to 16 years.

3) Other 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.

(k) Leases

(i) 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.

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.

(ii) Lessee

Leases in which the Company 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.

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.

Other leases are operating leases and are not recognized in the Company's balance sheets.

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.

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

(l) 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.

(m) Impairment of non-derivative financial assets

At each reporting 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 Company 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 Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset 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 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.

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(n) Treasury stock

Repurchased shares are recognized under treasury shares based on their repurchase price (including all directly accountable costs). 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.

(o) Revenue recognition

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

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

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

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

(ii) Revenue recognition (applicable before January 1, 2018)

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. All the risks and rewards have been transferred when products are insured against global cargo movement. For domestic sales, transfer occurs upon receipt by the customer.

(p) Employee benefits

(i) 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.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company'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 Company'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 Company, 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 Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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, 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), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

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.

(iii) Short-term employee benefits

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

(q) 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.

(r) 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.

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:

(i) 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).

(ii) The investments in subsidiaries 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 reporting 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:

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

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

1) The same taxable entity; or

2) 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.

(s) Earnings per share

The basic earnings per share are calculated as the profit attributable to the ordinary shareholder of the Company 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 Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, employee stock options and employee remuneration.

(t) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its financial statements.

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

The preparation of the financial statements, in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor its accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

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Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Demand deposit and checking accounts	$ 5,550,624	3,058,108
Cash equivalents:		
Time deposits	40,382,900	28,975,095
Commercial paper	404,150	302,838
Repurchase agreements collateralized by corporate bonds	900	290,000
	$ 46,338,574	32,626,041

Refer to Note 6(w) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2017
Financial liabilities held-for-trading：	
Derivative instruments not used for hedging	$ 382,295
Embedded derivative-convertible bonds	1,856,146
Total	$ 2,238,441

Derivatives financial instruments are used to hedge foreign currency and interest rate exposures. The Company holds the following derivative financial instruments, which were not applicable for hedge accounting and were accounted for as held-for-trading financial liabilities, were as follows:

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

Remeasurement at fair value recognized in profit or loss is disclosed in Note 6(u).

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 481	3,577
Accounts receivable (including related parties)-measured at amortized cost	10,217,057	9,047,022
	$ 10,217,538	9,050,599

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for notes and accounts receivables (including related parties) on December 31, 2018. To measure the expected credit losses, notes and accounts receivables (including related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision as of December 31, 2018 was determined as follows:

Due days	Notes and accounts receivables (including related parties) Gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	$ 10,217,538	-	-

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable (including related parties).

As of December 31, 2018 and 2017, no allowance for impairment was provided because all of the accounts comprising notes and accounts receivable (including related parties) were still within the normal credits terms and were evaluated to be collectable.

Please refer to Note 6(w) for other information of credit risk.

(d) Other receivables

	December 31, 2018	December 31, 2017
Receivable from stock settlement	$ -	10,616,574
Tax refund receivable	954,358	565,827
Interest receivable	153,029	28,096
Lease payment receivable	167,601	309,752
Others	28,972	69,326
	$ 1,303,960	11,589,575

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

Please refer to Note 6(w) for other information of credit risk.

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(e) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 590,036	332,370
Work in progress	5,870,118	5,266,085
Finished goods	5,688,198	1,149,771
	$ 12,148,352	6,748,226

The Company recognized cost of goods sold amounting to $37,256,103 and $29,090,301 for the years ended December 31, 2018 and 2017, respectively.

The Company did not recognize any loss or gain from devaluation of inventories as there was no indication of impairment or net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved on inventories for the years ended December 31, 2018 and 2017.

(f) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Subsidiaries	$ 31,235,905	543,137
Associates	3,006,603	-
	$ 34,242,508	543,137

(i) Subsidiaries

Please refer to the consolidated financial statements as of and for the year ended December 31, 2018 for further information.

(ii) Associates

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

Name of Associates	Nature of Relationship to the Group	Registration Country	Percentage of ownership December 31, 2018
Formosa Advanced Technologies Co., Ltd.(FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	19.00 %

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

	December 31, 2018
Formosa Advanced Technologies Co., Ltd.	$ 14,062,667

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

The financial information of FATC was as follows:

	December 31, 2018
Current assets	$ 6,792,443
Non-current assets	5,882,131
Current liabilities	(1,231,815)
Non-current liabilities	(86,280)
Net asset	$ 11,356,479
Net asset contributed to FATC	$ 11,356,479

	For the year ended December 31, 2018
Operating revenue	$ 8,785,525
Profit	$ 1,420,293
Other comprehensive income	(138,670)
Total comprehensive income	$ 1,281,623
Comprehensive income contributed to FATC	$ 1,281,623

	For the year ended December 31, 2018
Share of net assets of the major associate at January 1	$ -
Acquisition of share of net assets of the major associate allocated to the Company	2,162,315
Total comprehensive income contributed to the Company	(4,588)
Uncollected dividends beyond the collection period which are reclassified to capital surplus	5
Share of net assets of major associate at December 31	2,157,732
Add:Goodwill	887,684
Less:Unrealized profits on upsteam sales net assets of the associates	(38,813)
Total carrying amount of the major associate	$ 3,006,603

As of December 31, 2018, FATC held 7,376 thousand shares of the Company, with the total carrying value amounting to $405,692.

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(g) Loss control over subsidiaries

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

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

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

(ii) Pei Jen Co., Ltd (hereinafter referred to as "Pei Jen"), a subsidiary of the Company, had applied for the completion of its liquidation to the court on December 10, 2018, resulting in the Company's loss of control over Pei Jen. The Company included the distribution of the remaining properties from Pei Jen in its balance sheet, which consisted of cash and cach equivalents amounting to $44,284, and other tax refund receivable amounting to $12.

(h) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2018	$ 1,013,924	7,500,788	172,652,020	1,107,626	1,778,293	184,052,651
Additions	-	-	2,479,705	73,510	18,442,418	20,995,633
Disposals	-	-	(541,738)	(65,351)	-	(607,089)
Reclassification	-	237,913	6,085,627	10,727	(6,334,267)	-
Balance as of December 31, 2018	**$ 1,013,924**	**7,738,701**	**180,675,614**	**1,126,512**	**13,886,444**	**204,441,195**
Balance as of January 1, 2017	$ 1,013,924	4,195,631	125,146,911	1,403,638	25,574,571	157,334,675
Additions	-	-	856,150	43,240	26,548,527	27,447,917
Disposals	-	-	(360,939)	(23,366)	-	(384,305)
Reclassification	-	3,305,157	47,009,898	29,750	(50,344,805)	-
Derecognized lease assets	-	-	-	(345,636)	-	(345,636)
Balance as of December 31, 2017	**$ 1,013,924**	**7,500,788**	**172,652,020**	**1,107,626**	**1,778,293**	**184,052,651**

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Notes to the Financial Statements

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Accumulated depreciation / impairment:						
Balance as of January 1, 2018	$ -	1,675,736	95,129,619	1,028,751	-	97,834,106
Depreciation for the period	-	301,223	11,652,496	21,497	-	11,975,216
Reversal of impairment loss	-	-	(109,745)	-	-	(109,745)
Disposals	-	-	(532,853)	(65,352)	-	(598,205)
Reclassification	-	-	(185)	185	-	-
Balance as of December 31, 2018	$ -	1,976,959	106,139,332	985,081	-	109,101,372
Balance as of January 1, 2017	$ -	1,449,795	86,874,012	1,124,011	-	89,447,818
Depreciation for the period	-	225,941	8,156,317	36,140	-	8,418,398
Impairment loss	-	-	488,988	-	-	488,988
Disposals	-	-	(360,939)	(23,466)	-	(384,405)
Reclassification	-	-	(28,759)	28,759	-	-
Derecognized lease assets	-	-	-	(136,693)	-	(136,693)
Balance as of December 31, 2017	$ -	1,675,736	95,129,619	1,028,751	-	97,834,106
Carrying amounts:						
Balance as of December 31, 2018	$ 1,013,924	5,761,742	74,536,282	141,431	13,886,444	95,339,823
Balance as of December 31, 2017	$ 1,013,924	5,825,052	77,522,401	78,875	1,778,293	86,218,545

(i) Reversal of impairment loss and impairment loss

The estimated future recoverable amount of equipment, which had been identified to be no longer useful for its operation, is lower than the book value; therefore, the Company recognized an impairment loss of $488,988 for the year ended December 31, 2017. In 2018, the Company reassessed its estimates, wherein the amount of $109,745 of the initially recognized impairment has been reversed.

(ii) Leased assets

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

(iii) Property, plant and equipment under construction

	For the years ended December 31, 2018	2017
Capitalized interest amounts	$ -	163,901
Capitalized interest rates	-	1.79%~1.98%

(i) Lease receivables

(i) On June 18, 2009, the Company signed an amended long term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") on the lease of building, facilities and land located on 348, 348-1 and 348-3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However MTTW is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. MTTW has completed the renewal of its lease agreement, with a written notice on

(Continued)

December 13, 2018. In addition, MTTW has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

(ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the years ended December 31, 2018 and 2017, the Company recognized the interest revenue of \$119,578 and \$150,240, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2018			December 31, 2017		
	Gross investment in the lease	**Unearned finance income**	**Present value of minimum lease payments receivable**	**Gross investment in the lease**	**Unearned finance income**	**Present value of minimum lease payments receivable**
Less than one year	$ 264,331	96,730	167,601	429,330	119,578	309,752
Between one and five years	1,057,320	181,420	875,900	1,057,320	268,124	789,196
More than five years	-	-	-	264,330	10,025	254,305
Subtotal	$ 1,321,651	278,150	1,043,501	1,750,980	397,727	1,353,253
Current			$ 167,601			309,752
Non-current			875,900			1,043,501
			$ 1,043,501			1,353,253

(j) Long-term borrowings

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

(ii) Issuance and redemption of loans

1) The Company signed a syndicated loan agreement with Taiwan Cooperative Bank, the lead bank, and 15 other banks (hereinafter referred to as "the syndicate bank") for a syndicated loan with a credit line of \$12,000,000 on February 18, 2016 and applied for appropriation of loans of \$11,000,000 as of December 31, 2017. The Company has fully repaid the syndicated loan in December, 2017.

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2) The Company signed a syndicated loan agreement with Bank of Taiwan, the lead bank, and 14 other banks (hereinafter referred to as "the syndicate banks") for a syndicated loan with a credit line of $12,000,000 on January 2, 2014, and applied for appropriation of loans of $12,000,000 as of November 30, 2017. The Company has fully repaid the syndicated loan in November, 2017.

(k) Bonds Payable

	December 31, 2018	December 31, 2017
Issuance of unsecured overseas convertible bonds	$ 14,267,000	14,924,000
Unamortized discount on bonds payable	-	(229,383)
Conversion of convertible bonds to ordinary shares	(14,267,000)	(11,407,906)
Balance at end of period	$ -	3,286,711

	December 31, 2018	December 31, 2017
Embedded derivatives-call and put options and conversion rights remeasured at fair value through loss (included financial liabilities at fair value through profit or loss)	$ -	1,856,146

	For the years ended December 31, 2018	For the years ended December 31, 2017
Embedded derivatives-call and put options and conversion rights remeasured at fair value through loss (included other gains and losses)	$ 140,266	7,598,748

Item	The first unsecured overseas convertible bond
1. Issue amount	USD500,000 thousand
2. Issue par value	USD200 thousand
3. Issue period	2017.1.24～2022.1.24
4. Bond expiration	5 years
5. Coupon rate	0%
6. Conversion price	TWD52.47 dollars
7. Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 day from the issuance date (excluding the issuance date itself).

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Item	The first unsecured overseas convertible bond
8. Put option of bond holders	(A)Each bondholder may require the Company to redeem, in whole or in part, the convertible bonds at an amount, hereinafter referred to as "Early Redemption Amount"(ERA), calculated at par value, plus, interest compensation, which is calculated semi-annually at the rate of 1.75% per annum, after 3 years from the issuance date (excluding the issuance date itself). (B)Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange. (C)Each bondholder may redeem in advance, in whole or in part, the convertible bonds if the Company meets all the conditions on the changes in its rights of control in the contract.
9. Call option of issuer	(A)The issuer may redeem, in whole or in part, the convertible bonds at the ERA if the closing price of the Company's shares which translated into US dollars at the prevailing rate for a period of 20 trading days in any period of 30 consecutive trading days is above 130 percent of the ERA multiplied the conversion ratio and divided by par value. (B)The issuer may redeem its outstanding convertible bonds at their Early Redemption Amount if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled. (C)The issuer may redeem, in whole or in part, or the convertible bonds at their Early Redemption Amount if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.

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

The Company approved to distribute its cash dividends for 2016 in the general meeting of stockholders held on May 26, 2017. As a result, the conversion price decreased to $50.94 dollars since June 26, 2017 (ex-dividend date).

Because the bondholders had exercised the entire conversion rights, the first unsecured overseas convertible bond issued by the Company had been fully converted in the first quarter of 2018.

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Notes to the Financial Statements

(l) Finance lease liabilities

(i) The Company signed a long-term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") to lease out a portion of the building and land (including supplemental equipment) located at No. 667, Fuhsing 3rd Road, Hwa-Ya Technology Park, Kueishan Dist., Taoyuan City. The lease term covers a total lease period of 354 months commencing from July 1, 2005, and will expire on December 31, 2034 (including the period when the lease is automatically extended). The monthly rentals for the lease of building and land (including supplemental equipment) were $2,058 and $310, respectively. The lease of the building is treated as a finance lease because the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets. However, the lease of the land is treated as an operating lease.

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

(iii) The rental expenses from the lease of land which was treated as an operating lease amounted to $0 and $620 for the years ended December 31, 2018 and 2017, respectively. These expenses were fully paid as of December 31, 2018 and 2017.

(iv) The Company signed an agreement for termination on its lease with MTTW. in March 2017. The Company derecognized the lease obligation payables on the termination date and recognized a gain on disposal of lease payable amounting to $63,542 for the difference between carrying amount and fair value of leased property.

(m) Employee benefits

(i) 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, 2018	December 31, 2017
Present value of defined benefit obligations	$	1,025,794	984,774
Fair value of plan assets		(488,491)	(458,977)
Net defined benefit liabilities	$	537,303	525,797

The Company 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.

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

1) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Company'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, 2018, the Company's pension fund with Bank of Taiwan amounted to $488,491. 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.

2) Movements in present value of the defined benefit obligations

	For the years ended December 31, 2018	2017
Defined benefit obligation as of January 1,	$ 984,774	898,602
Current service and interest costs	17,675	16,893
Remeasurement of net defined benefit liabilities		
－actuarial losses arising from change in financial assumptions	30,568	82,226
Benefits paid	(7,223)	(12,947)
Defined benefit obligation as of December 31,	$ 1,025,794	984,774

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31, 2018	2017
Fair value of plan assets as of January 1,	$ 458,977	445,089
Interest income	5,822	5,660
Remeasurement of net defined liabilities		
－return on plan assets (excluding interest income)	12,472	(1,319)
Contributions from employer	13,998	13,918
Benefits already paid by the plan	(2,778)	(4,371)
Fair value of plan assets as of December 31,	$ 488,491	458,977

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

4) Expenses recognized in profit or loss

	For the years ended December 31,	
	2018	2017
Current service costs	$ 5,365	5,660
Net interest income of net defined benefit liabilities	12,310	11,233
Operating expected rate of return for the plan asset	(5,822)	(5,660)
	$ 11,853	11,233
Cost of goods sold	$ 7,799	7,759
Operating expenses	4,054	3,474
	$ 11,853	11,233

5) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

	For the years ended December 31,	
	2018	2017
Balance as of January 1,	$ 11,729	(57,613)
Recognized during the period	14,477	69,342
Adjustment in tax rate	(2,571)	-
Balance as of December 31,	$ 23,635	11,729

6) Actuarial assumptions

	December 31, 2018	December 31, 2017
Discount rate	1.25 %	1.25 %
Future salary increases	2.85 %	2.85 %

Based on the actuarial report, the Company is expected to make contributions of $11,860 to the defined benefit plans in 2019.

The weighted average duration of the defined benefit plan is 18.7 years.

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

7) Sensitivity analysis

As of December 31, 2018 and 2017, 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, 2018			
Discount rate (change 0.25%)	$	41,904	(39,885)
Future salaries (change1%)		178,420	(149,450)
December 31, 2017			
Discount rate (change 0.25%)		43,318	(41,134)
Future salaries (change1%)		184,951	(153,472)

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.

(ii) Defined contribution plan

The Company 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 Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Company's pension costs under the contribution pension plan amounted to $128,883 and $115,738 for the years ended 2018 and 2017, respectively.

(n) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(i) The Company's income tax expense recognized for the years ended December 31, 2018 and 2017 were as follows:

		For the years ended December 31,	
		2018	**2017**
Current tax expense			
Current period	$	2,189,904	1,502,559
Adjustment for prior periods		15,009	8,597
Tax expense	$	2,204,913	1,511,156

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

The Company's tax income recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ 3,619	14,203
Adjustment in tax rate	2,571	-
	$ 6,190	14,203
Items that may be reclassified subsequently to profit and loss:		
Unrealized (losses) gains on available-for-sale financial assets	$ -	1,602,346

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

	For the years ended December 31,	
	2018	**2017**
Income tax calculated based on local tax rate	$ 8,313,308	7,104,824
Tax effect of permanent differences	(86,173)	1,318,163
Change in unrecognized temporary differences	178,361	96,495
Tax effect of unrecognized current-year loss carryforward	(8,405,496)	(8,519,482)
Adjustment for prior periods	15,009	8,597
10% surtax on undistributed earnings	2,187,695	1,502,491
Income basic tax	2,209	68
Total	$ 2,204,913	1,511,156

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2018	**December 31, 2017**
Net operating loss carry forwards	$ 843,280	7,863,392

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 Company estimates that the taxable income in the future will not be sufficient for covering temporary differences.

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

As of December 31, 2018, under ROC Income Tax, the unused loss carry forward benefits available to the Company were as follows:

Year	Unused loss carry forward	Expiry year
2012	$ 511,687	2022
2013	3,704,714	2023
Total	$ **4,216,401**	

2) Recognized deferred tax liabilities and assets

The changes in recognized deferred tax assets and liabilities in 2018 and 2017 were as follows:

Deferred tax assets：

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2018	$ 297,195	620,508	917,703
Recognized in profit or loss	(201,406)	127,133	(74,273)
Recognized in other comprehensive income	-	3,619	3,619
Adjustment in tax rate recognized in profit or loss	(95,789)	106,930	11,141
Adjustment in tax rate recognized in other comprehensive income	-	2,571	2,571
Balance as of December 31, 2018	$ -	**860,761**	**860,761**
Balance as of January 1, 2017	$ 807,371	61,911	869,282
Recognized in profit or loss	(510,176)	544,394	34,218
Recognized in other comprehensive income	-	14,203	14,203
Balance as of December 31, 2017	$ **297,195**	**620,508**	**917,703**

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

Deferred tax liabilities：

	Unrealized gains (losses) on available-for-sale financial assets	Others	Total
Balance as of January 1, 2018	$ -	63,132	63,132
Recognized in profit or loss	-	(74,273)	(74,273)
Adjustment in tax rate recognized in profit or loss	-	11,141	11,141
Balance as of December 31, 2018	$ -	-	-
Balance as of January 1, 2017	$ 1,602,346	28,914	1,631,260
Recognized in profit or loss	-	34,218	34,218
Recognized in other comprehensive income	(1,602,346)	-	(1,602,346)
Balance as of December 31, 2017	$ -	63,132	63,132

3) The Company's income tax returns have been examined by the ROC tax authority through 2016.

(o) Capital and other equity

As of December 31, 2018 and 2017, the Company's government registered total authorized capital both amounted to $300,000,000 with $10 par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to $31,032,389, and $29,639,382 respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended December 31, 2018 and 2017 were as follows:

(in thousand shares)

	Ordinary Shares	
	2018	**2017**
Balance as of January 1,	2,963,938	2,748,566
Conversion of convertible bonds	73,284	215,372
Conversion of certificates of bonds-to-share	22,396	-
Exercise of employees share options	43,621	-
Balance as of December 31,	3,103,239	2,963,938

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Ordinary share

For the years ended December 31, 2018 and 2017, the overseas convertible bondholders exercised some of their conversion rights and the Company issued 73,284 thousand and 215,372 thousand ordinary shares at a par value which totaled $732,839 and $2,153,724, respectively. The process for the registration had been completed.

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

On November 12 and August 10, 2018, the Company's board of directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 1,819 thousand and 41,802 thousand ordinary shares at par value, with the issuing prices of $34.3 and $33.1 per share, which totaled $436,210. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2018, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 196 thousand ordinary shares, at issuing prices of $33.1 per share, which totaled $6,488, which was recognized as advance receipts for share capital as of December 31, 2018.

(ii) Capital surplus

	December 31, 2018	December 31, 2017
Employee stock option plans	$ 2,844,690	2,127,034
Premium from the issuance of stock	30,712,310	25,150,157
Change in equity of associates accounted for using equity method	5	-
	$ 33,557,005	27,277,191

In accordance with the R.O.C. Company 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.

(iii) Retain earning

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

(Continued)

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

1) Legal reserve

In accordance with the R.O.C. Company Act, 10% of net income should be set aside as legal reserve, until it is equal to share capital. When the Company 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.

2) Special reserve

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

3) Earnings distribution

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

	For the year ended December 31, 2017	
	Dividends per share	**Amount**
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 3.51	10,879,288

	For the year ended December 31, 2016	
	Dividends per share	**Amount**
Dividends attributable to ordinary shareholders:		
Cash dividends	$ 1.50	4,122,848

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Notes to the Financial Statements

(iv) Treasury shares

The Company repurchased shares from the securities exchange market based on section 28(2) of the Securities and Exchange Act and the movement in treasury shares were as follows:

	Reasons for repurchase of shares					
	Transfering to employees		Protecting the Company's integrity and stockholders equity		Total	
	Thousand shares	Amount	Thousand shares	Amount	Thousand shares	Amount
Balance as of January 1, 2018	-	-	-	-	-	-
Repurchase during 2018	20,000	1,146,932	30,445	1,635,743	50,445	2,782,675
Balance as of December 31, 2018	**20,000**	**1,146,932**	**30,445**	**1,635,743**	**50,445**	**2,782,675**

In accordance with Securities and Exchange Act requirements, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company' s retained earnings, share premium, and realized capital reserves. As of September 30, 2018, the Company could repurchase no more than 310,142 thousand shares, with a total value of no more than $127,955,392. As of the same date, the Company had not yet repurchased any shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

As of December 31, 2017, the Company's subsidiary, Pei Jen Co., Ltd., had already sold all of shares of the Company, at the Company's average market price per share. The Company recognized the deduction of capital surplus of $4,331 due to the disposal price being lower than the book value of treasury shares, then recognized the remaining deduction of retained earnings of $283,808 after debiting all the capital surplus.

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized losses from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2018	$ (39,163)	-	(39,163)
Exchange differences on translation of foreign financial statements	(140,573)	-	(140,573)
Unrealized losses from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(94,098)	(94,098)
Balance as of December 31, 2018	$ **(179,736)**	**(94,098)**	**(273,834)**

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Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance as of January 1, 2017	$ (16,846)	7,805,947	7,789,101
Exchange differences on translation of foreign financial statements	(22,317)	-	(22,317)
Unrealized gains on available-for-sale financial assets	-	(7,805,947)	(7,805,947)
Balance as of December 31, 2017	$ (39,163)	-	(39,163)

(p) Share-based payment transactions

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

	The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Grant date	2011.3.21	2016.5.10	2016.8.11
Grant unit	70,000	97,500	2,500
Exercise price (Notes1~7)	14.6	38.0	36.6
Deal period	8 years	8 years	8 years
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion

Note 1: The Company increased its capital through carrying out a private placement of ordinary shares in 2011, 2012 and 2013. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $6.0 dollars, $5.1 dollars and $4.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 2: The Company reduced its capital in 2014. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $43 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 3: The Company approved to distribute its cash dividends in 2015. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $41.5 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 4: The Company increased its capital through issuing of shares in 2016. As a result, the exercise price of the 7th batch of the employee stock option plan was adjusted to $40.9 dollars in accordance with the offering and exercising terms and conditions of ESOP.

Note 5: The Company approved to distribute its cash dividends in 2016. As a result, the exercise price of the 7th and 8th batch of the employee stock option plan were adjusted to $38 dollars and $35.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 6: The Company approved to distribute its cash dividends in 2017. As a result, the exercise price of the 7th, 8th and 9th batch of the employee stock option plan were adjusted to $36.9 dollars, $34.3 dollars and $35.5 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 7: The Company approved to distribute its cash dividends in 2018. As a result, the exercise price of the 7th, 8th and 9th batch of the employee stock option plan were adjusted to $35.6 dollars, $33.1 dollars and $34.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

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Notes to the Financial Statements

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

		The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Dividend rate		- %	- %	- %
Expected volatility		53.79 %	55.47 %	45.80 %
Risk-free rate		0.9307 %	0.5728 %	0.529 %
Fair value of unit stock option (dollar)	$	5.91	18.77	15.30

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 Company's issued stock option plans. Expected dividend and risk-free rate is determined based on government bonds.

(ii) Relevant information of employee stock option plans

	For the years ended December 31,			
	2018		2017	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding as of January 1,	$ 35.34	155,374	36.37	162,030
Options exercised	33.12	(43,817)	-	-
Options forfeited	33.99	(2,175)	35.09	(6,656)
Outstanding as of December 31,	34.49	109,382	35.34	155,374
Options exercisable as of December 31,	35.50	62,992	36.90	61,060

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

	December 31, 2018	December 31, 2017
Range of exercise price (dollar)	33.1~35.6	34.30~36.90
Weighted average of remaining option plan period (year)	0.22~5.61	1.22~6.61

(iii) Compensation cost

	For the years ended December 31,	
	2018	2017
Compensation cost arising from share options granted to employees	$ 717,656	459,573

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(q) Earnings per share

	For the years ended December 31, 2018	2017
Basic earnings per share：		
Net income attributable to the Company	$ 39,361,625	40,281,927
Weighted-average number of ordinary shares outstanding (basic)	3,074,181	2,806,025
Basic earnings per share (dollar)	$ 12.80	14.36
Diluted earnings per share:		
Net income attributable to the Company	$ 39,361,625	40,281,914
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	3,074,181	2,806,025
Effect of employee stock option	69,935	68,133
Effect of employee remuneration	34,252	19,564
Weighted-average number of ordinary shares (diluted)	3,178,368	2,893,722
Diluted earnings per share (dollar)	$ 12.38	13.92

Because of the convertible bonds issued by the Company in 2017 were anti-dilutive, no diluted earnings per share were calculated.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018 Manufacturing department
Primary geographic markets:	
Taiwan	$ 37,960,881
Japan	4,299,628
China	25,386,192
USA	10,216,103
Other countries	6,407,148
	$ 84,269,952
Major products line:	
Dynamic Random Access Memory (DRAM)	$ 84,128,271
Other	141,681
	$ 84,269,952

For details on revenue for the year ended December 31, 2017, please refer to note 6(s).

NANYA TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Contract balances

	December 31, 2018	January 1, 2018
Notes receivable from operating activities	$ 481	3,577
Accounts receivable (including related parties)	10,217,057	9,047,022
Total	$ 10,217,538	9,050,599

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

(s) Revenue

	2017
Sales revenues	$ 53,941,690
Other	144,561
	$ 54,086,251

For details on revenue for the year ended December 31, 2018, please refer to note 6(r).

(t) Remuneration to employees

According to the Company's 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 income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to $1,740,000 and $1,364,013 for the years ended December 31, 2018 and 2017, respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association, the related information would be available at the Market Observation Post System website.

There is no difference between the estimated employee remuneration, which was stated in the financial statements for the year ended December 31, 2018, and the amounts approved by the Company's board of directors.

The difference between the estimated employee remuneration, which was stated in the financial statement for the year ended December 31, 2017, and the amount of actual distributions in 2018, amounted to $1,362,183. The Company recognized the difference of $1,830 in profit or loss in 2018.

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Notes to the Financial Statements

(u) Non-operating income and expenses

(i) Other income

	For the years ended December 31, 2018	2017
Interest Income		
Bank deposits and short-term notes	$ 899,044	235,724
Financial leases	119,578	150,240
	$ 1,018,622	385,964

(ii) Other gains and losses—net

	2018	2017
Gain on disposal of property, plant and equipment	$ 16,859	3,230
Gain on disposal of lease payable	-	63,542
Gain on disposal of available-for-sale financial assets	-	32,106,247
Reversal of impairment loss (impairment loss) on non-financial assets	109,745	(488,988)
Foreign exchange gain (loss)	1,231,734	(924,980)
Net loss on financial assets and liabilities at fair value through profit or loss	(281,107)	(7,981,043)
Gain on disposal on a subsidiary	497	-
Others	125,812	336,228
	$ 1,203,540	23,114,236

(iii) Finance costs

	For the years ended December 31, 2018	2017
Bank loan	$ 26	352,567
Financing from entities with significant influence over the Company	-	69,898
Financing from other related parties	-	20,238
Lease payments	-	2,700
Amortization interest of overseas convertible bond	5,105	175,186
Others	194	184
Less: Capitalized of interest	-	(163,901)
	$ 5,325	456,872

(v) Reclassification adjustment of other comprehensive income

		For the year ended December 31, 2017
Available- for-sale financial assets		
Net change in fair value	$	24,300,300
Net change in fair value reclassified to profit or loss		(32,106,247)
Net change in fair value recognized in other comprehensive income	$	(7,805,947)

(w) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

2) Concentration of credit risk

The majority of Company's customers are mostly those in the high-tech industry. In order to reduce accounts receivable credit risk, the Company continuously assesses the financial condition of its customers. If it is necessary, the Company will ask for guarantees or warranties. The Company 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.

As of December 31, 2018 and 2017, the Company's major customers consisted of five and eight customers which accounted for 61.70% and 82.46%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivables (including related parties), please refer to note 6(c).

Other financial assets measured at amortized cost includes other receivables, time deposits and refundable deposits (previously classified as other receivables, cash and cash equivalents and other non-current assets on December 31, 2017).

Considering that the Company deals only with other external parties with good credit standing and with the above investment grade financial institutions, all of the above financial assets are considered to have low credit risk.

As of December 31, 2018, no allowance for impairment was provided because there was no indication of credit-impaired for the 12-month ECL or lifetime ECL allowance for other financial assets measured at amortized cost.

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(ii) 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, 2018							
Non-derivative financial liabilities							
Accounts payable (including related parties)	$ 4,579,702	4,576,702	4,579,702	-	-	-	-
Other payable (including related parties)	30,309,552	30,309,552	30,309,552	-	-	-	-
	$ 34,889,254	34,886,254	34,889,254	-	-	-	-
December 31, 2017							
Non-derivative financial liabilities							
Accounts payable (including related parties)	$ 3,324,946	3,324,946	3,324,946	-	-	-	-
Other payable (including related parties)	7,301,770	7,301,770	7,301,770	-	-	-	-
Bonds payable	3,286,711	3,759,096	-	-	-	3,759,096	-
Subtotal	13,913,427	14,385,812	10,626,716	-	-	3,759,096	-
Derivative financial liabilities							
Derivative instruments not used for hedging	382,295	382,295	382,295	-	-	-	-
Embedded derivative-convertible bonds	1,856,146	-	-	-	-	-	-
Subtotal	2,238,441	382,295	382,295				
Total	$ 18,390,309	15,150,402	11,391,306	-	-	3,759,096	-

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

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousands)	**Foreign rate (dollars)**	**New Taiwan Dollars**	**Foreign currency (in thousands)**	**Foreign rate (dollars)**	**New Taiwan Dollars**
Financial assets:						
Monetary items						
USD	$ 1,565,780	30.733	48,121,117	1,333,247	29.848	39,794,756
JPY	3,219,721	0.2772	892,507	4,775,053	0.2641	1,261,091
EUR	7	35.1670	246	25	35.608	890
Financial liabilities:						
Monetary items						
USD	$ 785,778	30.733	24,149,315	552,528	29.848	16,491,856
JPY	2,644,019	0.2772	732,922	1,151,036	0.2641	303,989
EUR	4,387	35.1670	154,278	1,567	35.608	55,798

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of December 31, 2018 and 2017 would have increased the net income before tax by $239,774 and $242,051 for the years ended December 31, 2018 and 2017, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis.

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $1,231,734 and $924,980, respectively.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial liabilities at fair value though profit or loss was measured at recurring fair value. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required :

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 46,338,574	-	-	-	-
Notes and accounts receivable (including related parties)	10,217,538	-	-	-	-
Other receivables	1,136,359	-	-	-	-
Lease payments receivable (including current portion)	1,043,501	-	-	-	-
Total	$ 58,735,972	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 4,579,702	-	-	-	-
Other payables (including related parties)	30,309,552	-	-	-	-
Total	$ 34,889,254	-	-	-	-

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	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Loans and receivables：					
Cash and cash equivalents	$ 32,626,041	-	-	-	-
Notes and accounts receivable (including related parties)	9,050,599	-	-	-	-
Other receivables	11,279,823	-	-	-	-
Lease payments receivable (including current portion)	1,353,253	-	-	-	-
Total	$ 54,309,716	-	-	-	-
Financial liabilities					
Derivate financial liabilities	$ 2,238,441	-	2,238,441	-	2,238,441
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	3,324,946	-	-	-	-
Other payables (including related parties)	7,301,770	-	-	-	-
Bonds payable	3,286,711	-	3,405,337	-	3,405,337
Subtotal	13,913,427	-	3,405,337	-	3,405,337
Total	$ 16,151,868	-	5,643,778	-	5,643,778

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

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

a) Financial assets and liabilities measured at amortized cost

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

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

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

a) Non derivative 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 Company's financial instruments with no active market is determined as follows:

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

b) Derivative financial instruments

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

4) There were no transfers from financial assets for the years ended December 31, 2018 and 2017.

(x) Financial risk management

(i) Nature and extent

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

1) Credit risk

2) Liquidity risk

3) Market risk

The following further discloses detailed information about exposure risk arising from the aforementioned risks and the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these exposure risks, please refer to the respective notes in the financial statements.

(ii) Framework of risk management

The Company's board of directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, 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 Company's activities. The Company, 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 Company's 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 Company's 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.

(iii) Credit risk

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

1) Accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company'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 Company; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

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

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company'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.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, the Company'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 Company's reputation.

The Company 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 Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company 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 Company has unused bank facilities for $15,337,000 as of December 31, 2018.

(Continued)

(v) 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 Company'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 Company buys and sells derivatives in order to reduce market risks. All these transactions are made in accordance with the risk management policy.

1) Currency risk

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

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

2) Other market value risk

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

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

The Company's investing and financing activities on non-cash transactions for the years ended December 31, 2018 and 2017 were as follows:

Financing activities which did not have any impact on the current cash flows:

	For the years ended December 31,	
	2018	**2017**
Conversion of convertible bonds to ordinary shares	$ 3,240,750	10,755,348

(z) Capital management

The Company'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 the Company's equity.

The Company 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 Company 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 Company's debt-to-capital ratio on reporting date was as follows:

	December 31, 2018	December 31, 2017
Total Liabilities	$ 38,258,740	18,516,514
Deduct: cash and cash equivalents	(46,338,574)	(32,626,041)
Net liabilities	$ (8,079,834)	(14,109,527)
Total equity	$ 164,907,298	131,999,865
Debt-to-capital ratio	(4.90)%	(10.69)%

The Company has not changed its capital management strategy as of December 31, 2018.

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Piece Makers Technology, Corp.	The Company's subsidiary (Note 1)
Nanya Technology Corp. U.S.A.	The Company's subsidiary
Nanya Technology Corp. Delaware	The Company's subsidiary
Nanya Technology Corp. H.K.	The Company's subsidiary
Nanya Technology Corp. Japan	The Company's subsidiary
Nanya Technology International, Ltd.	The Company's subsidiary
Nanya Technology Corp. Europe GmbH	The Company's subsidiary
Nanya Technology Corp. Shenzhen	The Company's subsidiary
Nan Ya Photonics Incorporation	The Company's other related parties
Nan Ya Printed Circuit Board Corp.	The Company's other related parties
Formosa Sumco Technology Corporation	The Company's other related parties
Formosa Advanced Technologies Co., Ltd.	The Company's associates (Note 2)
Formosa Technologies Corporation	The Company's other related parties
Formosa Biomedical Technology Corp.	The Company's other related parties
Formosa Petrochemical Corporation	The Company's other related parties
Formosa Chemicals & Fibre Corporation	The Company's other related parties
Formosa Plastics Corporation	The Company's other related parties
Formosa FCFC Carpet Corporation	The Company's other related parties

Name of related party	Relationship with the Company
Formosa Waters Technology Co., Ltd.	The Company's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Company

Note1: On February 26, 2018, the Company had fully disposed all of its shares in Piece Makers, resulting in its loss of control over it. Therefore, Piece Makers was no longer a subsidiary of the Company.

Note2: FATC was the previous other related party of the Group. However, since the Company has significant influence over FATC, it became the Group's associates beginning July 25, 2018.

(b) Significant related-party transactions

(i) Sales to related parties

	Sales For the years ended December 31,		Accounts receivable to related parties	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries				
Nanya Technology Corp. USA	$ 9,918,899	3,267,321	2,500,336	540,833
Other Subsidiaries	8,376,751	7,666,071	1,312,104	1,868,840
Other related parties	-	6,023	-	-
Total	$ 18,295,650	10,939,415	3,812,440	2,409,673

The selling prices and collection terms for the sales to related parties above are not significantly different from those third party customers, and the normal credit term with the related parties above is O/A 60 to 180 days and due for collection on the 15th day of the month following the month of delivery of goods sold. There is no collateral received among related parties accounts receivable. However, not expected credit loss (bad debt provision) is necessary based on the result of management's evaluation.

(ii) Purchase from related parties

	Purchases For the years ended December 31,		Accounts payable to related parties	
	2018	2017	December 31, 2018	December 31, 2017
Entities with significant influence over the Company	$ 77,917	52,746	5,626	4,750
Associates	5,390	-	-	-
Other related parties:				
Formosa Sumco Technology Corporation	1,729,352	1,375,540	322,068	290,134
Other related parties	172,238	67,162	4,370	4,862
Total	$ 1,984,897	1,495,448	332,064	299,746

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The purchase price and payment terms for the purchase from related parties above 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.

(iii) Consigned out for processing

	Amount For the years ended December 31,		Other payables to related parties	
	2018	2017	December 31, 2018	December 31, 2017
Associates	$ 6,161,227	-	931,059	-
Other related parties:				
Formosa Advanced Technologies Co.,	-	5,310,380	-	889,629
	$ 6,161,227	5,310,380	931,059	889,629

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

(iv) Service received

	Other gains For the years ended December 31,		Administrative expenses For the years ended December 31,		Other payables to related parties	
Relationship	2018	2017	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries						
Nanya Technology Corp. USA	$ 308	-	-	-	-	-
Nanya Technology Corp. Europe GmbH	185	-	-	-	-	-
Nanya Technology Corp. Shen zhen	-	-	54,137	29,795	3,923	2,132
Nanya Technology Corp. Delaware	154	-	424,451	372,034	41,493	36,107
Piece Makers Technology, Corp.	-	1,200	-	5,469	-	964
	$ 647	1,200	478,588	407,298	45,416	39,203

(v) Financing from related parties

	Financial Cost For the years ended December 31,	
	2018	2017
Entities with significant influence over the Company	$ -	69,898
Other related parties:		
Nan Ya Printed Circuit Board Corp.	-	14,725
Other related parties	-	5,513
	$ -	90,136

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(vi) Property transactions

1) Acquisition of equipment:

	Acquisition price For the years ended December 31, 2018	Acquisition price For the years ended December 31, 2017	Other payables to related parties December 31, 2018	Other payables to related parties December 31, 2017
Entities with significant influence over the Company	$ 391	739,269	-	84,472
Other related parties	8,017	214,025	104	83,129
	$ 8,408	953,294	104	167,601

2) Acquisition of Financial Assets

Relationship	Account	For the year ended December 31, 2018: Number of shares of transaction (in thousands)	Item of transaction	Acquisition price	December 31, 2018: Other payables to related parties
Associates	Investments accounted for using equity method	84,022	Shares of Formosa Advanced Technologies Co., Ltd.	$ 3,049,999	-
Subsidiary	Investments accounted for using equity method	1	Shares of Nanya Technology International, Ltd.	30,888,000	20,591,110
				$ 33,937,999	20,591,110

(vii) Lease contracts

	For the years ended December 31 2018	2017
Entities with significant influence over the Company	$ 228,800	213,509

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31, 2018	2017
Short-term employee benefits	$ 55,335	21,266
Share-based payment	18,957	12,004
	$ 74,292	33,270

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

(8) Pledged assets:None

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(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2018	December 31, 2017
Guarantees for importation goods provided by bank	$ 1,035,000	595,000
Unused letters of credit	419,639	113,261
Total	**$ 1,454,639**	**708,261**

(b) Contingent liabilities

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

(ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was handed over to the US District Court of Northern California in July 2017, wherein it was denied in January 2018. Therefore, Lone Star appealed to the US Court of Appeals for the Federal Circuit on the said matter. The case is still in progress. The Company has engaged lawyers to handle the case to ensure its rights.

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

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US$5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of $850,000 (USD27,015 thousand) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2018, the payment amounting to $27,000 (USD900 thousand) had been recognized by the Company.

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

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(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

During the period from January 1 to 11, 2019, the Company repurchased 19,691 thousand shares amounting to $1,029,879 from securities exchange market in order to protect the its integrity and stockholders' equity , with a repurchase price ranging from $50.60 dollars to $54.97 dollars per share.

On February 27, 2019, the Company's board of directors approved to retire 50,136 thousand of treasury shares in order to protect the Company's integrity and stockholders' equity, resulting in the decrease of the Company's ordinary shares by $501,360, with the same record date as the capital reduction.

On January 4, 2019, The Company had fully executed its investment in Nanya Technology International Ltd., a subsidiary of the Company, with a total amount of USD 1 billion, and remitted the remaining balance of $20,707 (USD 670 thousands).

(12) Other:

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

	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,945,782	1,959,182	5,904,964	3,473,249	1,536,807	5,010,056
Labor and health insurance	175,515	67,033	242,548	158,272	60,050	218,322
Pension expenses	92,607	48,129	140,736	87,708	39,263	126,971
Remuneration of directors	-	6,300	6,300	-	6,360	6,360
Other personnel expenses	68,850	22,730	91,580	61,475	20,251	81,726
Depreciation expenses	11,827,103	148,113	11,975,216	8,357,226	61,172	8,418,398
Amortization expenses	97,298	-	97,298	141,088	-	141,088

As of December 31, 2018 and 2017, the Company had 3,164 and 2,930 employees, respectively, including 10 non-employee directors for both years.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Memoright (Cayman) Co., LTD.	-	Financial assets measured at amortized cost and fair value through other comprehensive income	-	-	-	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars / shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance		
					Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Price	Cost	Gain on disposal	Shares (thousand)	Amount	Note
Formosa Advanced Technologies Co., Ltd.	Stocks	Investment accounted for using equity method	Formosa Advanced Technologies Co., Ltd.	Associates	-	-	84,022	3,049,999	-	-	-	-	84,022	3,006,603	(note)
Nanya Technology International, Ltd.	Stocks	Investment accounted for using equity method	Nanya Technology International, Ltd.	Subsidiary	-	-	1	30,888,000	-	-	-	-	1	30,736,892	

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

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the Company's paid-in capital: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the Company's paid-in capital: None

(vii) Related-party transaction for purchases and sales for which amounts exceeding the lower of $100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(9,918,899)	(11.77)%	O/A 60~90Days	-		2,500,336	24.47%	-
The Company	Nanya Technology Corp., H.K.	Subsidiary	(Sale)	(192,683)	(0.23) %	O/A 60~90Days	-		28,948	0.28%	-
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(4,297,141)	(5.10) %	O/A 180ays	-		701,225	6.86%	-
The Company	Nanya Technology Europe GmbH	Subsidiary	(Sale)	(3,864,670)	(4.59) %	O/A 60~90Days	-		581,931	5.70%	-
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	1,729,352	11.66 %	O/A 60Days	-		(322,068)	7.03%	-

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Account receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	2,500,336	6.52	-	-	1,037,246	-
The Company	Nanya Technology Corp., Japan	Subsidiary	701,225	5.53	-		325,344	-
The Company	Nanya Technology Europe GmbH	Subsidiary	581,931	5.28	-		288,589	-

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars / shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousand)	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 %	125,933	24,676	24,676	-
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00 %	149,539	15,445	15,445	-
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	-	325,348	-	100.00 %	-	606	606	-
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100 00 %	52,516	12,831	12,831	-
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	171,025	(6,593)	(6,593)	-
The Company	Piece Makers Technology Inc.	Hsinchu	Design of semiconductor products	-	21,246	-	- %	-	(1,669)	(894)	-
The Company	Formosa Advanced Technologies Co., Ltd	Yunlin	Assernbling, testing and producing modules for IC	3,049,999	-	84,022	19.00 %	3,006,603	1,420,293	51,700	-
The Company	Nanya Technology International, Ltd.	British Virgin Island	Gerneral investment business	30,888,000	-	1	100.00 %	30,736,892	3,823	3,823	-
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00 %	62,831	4,081	4,081	-

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	30,272 (USD985 thousand)	(Note 1)	30,272 (USD985 thousand)	-	-	30,272 (USD985 thousand)	7,013	100.00%	7,013	14,115	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
30,272 (USD985 thousand)	30,272 (USD985 thousand)	98,944,379

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 December 31, 2018 was USD1：TWD 30.733.

Note 3：60% of net equity.

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2018.

Nanya Technology Corporation

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Cash in bank	Checking Account	$ 12,500	
	Demand deposits	3,039,427	
	Foreign currency deposits	2,498,697	(Note1)
Cash Equivalents	Time deposits	40,382,900	(Note2)
	Repurchase bonds	900	
	Commercial paper	404,150	
Total		$ 46,338,574	

Note 1

Original currency(dollar)		Exchange rate
USD	75,074,833.41	30.733
JPY	689,612,202.00	0.2772
EUR	7,434.88	35.167

Note 2:

Bank	Original currency (dollar)		Exchange rate	Term
Bank of China	USD	100,190,417.50	30.733	2018.08.02～2019.2.22
Taipei Fubon Bank	USD	100,547,703.63	30.733	2018.10.09～2019.1.09
Bank of Taiwan	USD	152,083,764.52	30.733	2018.11.29～2019.1.28
Taiwan Cooperative Bank	USD	121,010,768.59	30.733	2018.11.27～2019.1.04
Credit Agricole CIB	USD	30,405,311.27	30.733	2018.08.29～2019.3.04
E.SUN Bank	USD	30,000,000.00	30.733	2018.08.22～2019.2.22
DBS Bank(Taiwan)	USD	80,000,000.00	30.733	2018.11.30～2019.1.04
Taiwan Business Bank	USD	60,286,200.00	30.733	2018.11.05～2019.1.04
Taiwan Business Bank	NTD	3,000,000,000.00	1.000	2018.07.19～2019.3.19
Mizuho Bank	USD	25,156,937.50	30.733	2018.11.30～2019.1.04
Chang Hwa Bank	USD	145,058,590.00	30.733	2018.10.24～2019.1.04
Hua Nan Bank	USD	126,556,063.08	30.733	2018.11.05～2019.1.04
First Bank	USD	81,419,725.47	30.733	2018.10.05～2019.1.07
Yuanta Bank	USD	50,000,000.00	30.733	2018.11.14～2019.1.07
Bank SinoPac	USD	30,142,759.39	30.733	2018.11.27～2019.1.04
Mega International Commercial Bank	USD	50,329,213.70	30.733	2018.12.28～2019.3.28
Mega International Commercial Bank	TWD	20,000,000.00	1.000	2018.11.09～2019.5.09
Far Eastern Int'l Bank	TWD	1,000,000,000.00	1.000	2018.07.13～2019.4.13

Nanya Technology Corporation

STATEMENTS OF NOTES AND ACCOUNTS RECEIVABLES

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Clients	Amount
Non-related parties:	
KINGSTONE	$ 1,566,897
MStar	953,378
EcoNet	399,815
Techmosa International Inc.	398,787
WT Microelectronics	392,988
Others	2,693,233
Total	$ **6,405,098**

Nanya Technology Corporation

STATEMENT OF INVENTORY

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Amount: Cost	Amount: Net Realizable value
Raw materials	$ 590,036	590,036
Work in process	5,870,118	5,870,118
Finished goods	5,688,198	5,688,198
Total	$ 12,148,352	12,148,352

Nanya Technology Corporation

STATEMENT OF PREPAYMENTS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Prepayment for supplies	Raw materials	$ 94,545
	Project maintenance	1,021,628
	Computer usage charge fee	138,294
	Others	503,080
Total		$ 1,757,547

Nanya Technology Corporation

STATEMENT OF CHANGES IN INVESTMEMTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Additions		Disposals				Ending Balance			
Investee Company	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Others (Note)	Income from investments	Number of Shares	Percentage of ownership	Amount	Guarantee or pledge
Nanya Technology Corp, USA	2,400	$ 78,503	-	-	-	-	20,642	24,676	2,400	100.00 %	123,821	Nil
Nanya Technology Corp, Delaware	1	132,631	-	-	-	-	-	15,445	1	100.00 %	148,076	Nil
Pei Jen Co., Ltd.	2,935,200	43,691	-	-	2,935,200	44,297	-	606	-	- %	-	Nil
Nanya Technology Corp, HK	19,699	47,267	-	-	-	-	-	12,831	19,699	100.00 %	60,098	Nil
Nanya Technology Corp, Japan	1,000	198,502	-	-	-	-	(86)	(6,593)	1,000	100.00 %	191,823	Nil
Formosa Advanceed Technologies Co., Ltd.		-	84,022,000	3,049,999	-	-	(95,096)	51,700	84,022,000	19.00 %	3,006,603	Nil
Piece Makers Technology, Corp.	8,709,891	81,706	-	-	8,709,891	132,087	51,275	(894)	-	- %	-	Nil
Nanya Technology International, Ltd	-	-	1,000	30,888,000	-	-	-	3,823	1,000	100.00 %	30,891,823	Nil
Subtoatl		582,300		33,937,999		176,384	(23,265)	101,594			34,422,244	
Add: Exchange differences on translation of foreign financial statements												
Nanya Technology Corp, USA		(1,887)		-		-	3,999	-			2,112	
Nanya Technology Corp, Delaware		(2,669)		-		-	4,132	-			1,463	
Nanya Technology Corp, HK		(5,387)		-		-	(2,195)	-			(7,582)	
Nanya Technology Corp, Japan		(29,220)		-		-	8,422	-			(20,798)	
Nanya Technology International, Ltd		-		-		-	(154,931)	-			(154,931)	
Subtoatl		(39,163)		-		-	(140,573)	-			(179,736)	
		$ 543,137		33,937,999		176,384	(163,838)	101,594			34,242,508	

Note : The amounts consisted of unrealized net profit or loss from sales amounting to $71,831, share of profit of associates accounted for using equity method amounting to $(45,101),and changes in equity of associates accounted for using equity method amounting to $5.

Nanya Technology Corporation

STATEMENT OF ACCOUNTS PAYABLES

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Accounts Payable	Purchase of O/A	$ 1,586,564
	Purchase of raw material and supplies	2,549,356
	Others	111,718
Total		$ 4,247,638

STATEMENT OF OTHER PAYABLES

Items	Amount
Salaries payable	$ 2,497,814
Royalty Payable	3,944,915
Consigned out for processing	882,143
Others	1,416,991
	$ 8,741,863

Nanya Technology Corporation

STATEMENT OF OPERATING COST

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Beginning balance of year for raw materials	$ 332,370
Add: raw materials purchased	14,828,269
Ending balance of year for raw materials	590,036
Less: Others	(25,683)
Reclassified to manufacturing and operating expenses	(6,924,568)
Usage material	7,620,352
Direct labor	490,117
Manufacturing expenses	35,449,259
Manufacturing Costs	43,559,728
Beginning balance of year for work in progress	5,266,085
Add: Transferred from finished goods	3,502,353
Less: Reclassified to operating expenses	(1,142,485)
Ending balance of year for work in progress	(5,870,118)
Cost of finished goods	45,315,563
Beginning balance of year for finished goods	1,149,771
Less: Reclassified to work in progress	(3,502,353)
Reclassified to operating expenses	(18,680)
Ending balance of year for finished goods	(5,688,198)
Add: Other costs	144,495
Loss on work stoppage	649,042
Operating costs	$ **38,049,640**

Nanya Technology Corporation

STATEMENT OF SELLING EXPENSE

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items		Amount
Air Freights on export sales	$	92,283
Commissions on export sales		65,254
Salaries		297,792
Benefits		42,308
Others		146,012
Total	$	**643,649**

Nanya Technology Corporation

STATEMENT OF ADMINISTRATION EXPENSE

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Salaries	$ 629,371
Amortization expenses	182,005
Professional service fees	160,042
Maintenance expenses	154,717
Utilities	82,468
Miscellaneous expenses	135,336
Others	181,231
	$ 1,525,170

Nanya Technology Corporation

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSE

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Salaries	$ 1,153,482
Computer usage expenses	373,806
Testing material expenses	2,692,305
Others	655,624
	$ 4,875,217