

Stock Code: 2408



NANYA TECHNOLOGY CORP.

2017 ANNUAL SHAREHOLDERS' MEETING

MEETING HANDBOOK

(SUMMARY)

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistency between the Chinese original and this translation, the Chinese version shall prevail.)

May 26, 2017

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NANYA TECHNOLOGY CORP.
2017 ANNUAL SHAREHOLDERS' MEETING
PROCEDURE

1. Call Meeting to Order
2. Chairman's Address
3. Reporting Items
4. Ratification Items
5. Discussion Items
6. Extraordinary Motions
7. Meeting Adjourned

NANYA TECHNOLOGY CORP.

2017 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 10:00 a.m., Friday, May 26, 2017

Venue: Jin-Xing-Factory-Area Movie Theater, No.336, Sec. 1,
Nankan Rd., Luzhu Dist., Taoyuan City, Taiwan (R.O.C.)

1. Reporting Items

- (1) Business Report for 2016
- (2) Audit Committee's Review Report for FY2016
- (3) Report of Distribution of Employees' Compensation for 2016
- (4) Report of Issuance of Unsecured Euro Convertible Bonds Due 2022
- (5) Report of the Amendment to "The Codes of Ethics of Directors and Managers" of the Company

2. Ratification Items

- (1) To Ratify the Business Report and Financial Statements for 2016
- (2) To Ratify the Proposal for Distribution of 2016 Profits

3. Discussion Items

- (1) To Approve Amendments to the Articles of Incorporation of the Company
- (2) To Approve Amendments to the "Convention Rules and Procedures for Shareholders' Meeting" of the Company
- (3) To Approve Amendments to the "Procedure of Acquisition or Disposal of Assets of the Company"
- (4) To Approve Amendments to the "Handling Procedures to Engage in the Derivative Transaction of Products" of the Company

- (5) To Approve Amendments to “The Procedure of Loans of Funds to Others” of the Company
- (6) To Approve Amendments to “The Procedure of Making Endorsements or Guarantees” of the Company

Reporting Items

1. Regarding the Company's business operation condition of FY2016, please refer to Business Report for further details (on Page 6 through Page 9 of the Handbook.)
2. The Company's Audit Committee had reviewed the 2016 Business Report and Financial Statements and issued their Review Report in accordance with the applicable laws. Please refer to Audit Committee's Review Report (on Page 10 of the Handbook.)
3. Report of Distribution of Employees' Compensation for FY2016

Explanation:

The amount of the 2016 pre-tax profit prior to deducting employees' compensation was NT\$26,113,354,878. The Company has no accumulated losses. In accordance with Article 19 of the Articles of Incorporation of the Company, the Board of Directors approved to set aside 1.8% as employees' compensation on March 9, 2017. The payment of employees' compensation will be in cash, i.e. a total amount of NT\$460,347,000.

4. Report of Issuance of Unsecured Euro Convertible Bonds ("the Bonds") Due 2022

Explanation:

The proceeds from the Bonds was intended to pay for the capital expenditure of 20nm technology conversion. The plan was approved by the Board of Directors on November 9, 2016 and the Financial Supervisory Commission on December 22, 2016 with the document number 1050051255. The Bonds actual issuance amount of US\$500,000,000 was collected on January 24, 2017.

5. Report of the Amendment to “The Codes of Ethics of Directors and Managers” of the Company

Explanation:

To accommodate the requirement by the competent securities authority, the Company has established an Audit Committee to replace the Supervisors, the Board of Directors approved the amendment of the “The Codes of Ethics of Directors and Managers” of the Company on June 22, 2016. Please refer to Page 11 through Page 13 of the Handbook for the amended “The Codes of Ethics of Directors and Managers”.

NANYA TECHNOLOGY CORP.

Business Report for 2016

Year 2016 Financial Performance

Even though dynamic random access memory (DRAM) market suffered a 2-year period of price declines since the 2nd half of 2014, Nanya Technology Corp. (NTC) has maintained steady operation results as a result of its successful business transformation. DRAM average selling prices stayed lowed in the first of half of 2016 and have rebounded since in the 2nd half 2016, the Company, by optimizing its product portfolio and expanding market shares in specialty segments with price premiums, remained to be profitable in every quarter of 2016. The improving market situation in the 2nd half 2016 and the sale of the Company's shareholdings in Inotera further boosted the Company's bottom line. NTC reported consolidated revenues of NT\$41.63 billion in 2016. Net incomes were NT\$23.71 billion, which translated into an EPS of NT\$8.67.

In 2016, the Company further enhanced its production efficiency to reduce manufacturing costs, thereby improving its competitiveness. Annual bit output grew by 5.3% compared with that in 2015. Output based on 30nm design shrink grew to account for about 80% of total output in the fourth quarter. Meanwhile, the Company completed the construction of a new clean room and started to move in new equipment to commence on 20nm technology conversion.

To fulfill various needs entailed by specialty DRAM market, the Company established strategic alliances with customers and controller suppliers with forward-looking market planning and excellent customer services to facilitate the launch of

next-generation consumer electronic products collaboratively. The Company also strengthened its capabilities in product design, product verification, and multi-chip packaging to meet market development. The company would like to expand its customer base in premium segments including automotive, industrial, networking, SiP(System-in-Package) and customized products.

Fiscal Year 2017 Business Outlook

The operation focuses in 2017 are to migrate to 20nm process technology, develop 20nm product lineups, deeply-root in specialty market, customize products to increase wafer value, enhance production efficiency, and minimize the negative impact due to technology migration.

Further explanations are described as follows:

1. The pilot run of 20nm process technology was commenced in the first quarter and the mass production of high density 8Gb DDR4 is scheduled for the third quarter. Meanwhile, the Company will carry out fast ramp up of its 20nm wafer starts and aggressively develop LPDDR4 to expand product lineup to meet the requirements of next-generation consumer electronic devices.
2. The Company will continuously concentrate on consumer and low power specialty markets, develop customized products to improve product diversification, and increase the revenue ratio from specialty DRAM. The Company targets to derive up to 90% of its total revenues from consumer & low power market segments.
3. Drive cost reduction program by enhancing the efficiency of equipment for 30nm technology to improve output. Rapidly

deploy equipment for 20nm technology and optimize production line adjustments to ramp up 20nm capacity smoothly.

Future Corporate Strategy and Industry Outlook

The Company sold its entire shareholdings in Inotera to Micron in December 2016 and at the same time invested NT\$31.5B to acquire about 5.26% interest in Micron, becoming one of Micron's major shareholders. The Company also obtained option rights to license 1x and 1y class DRAM technology nodes from Micron. Based on the new alliance relationship, the Company will, with its strategic positioning, ensure its role as a key supplier in specialty DRAM market.

The DRAM market structure already became an oligopoly. Top 3 suppliers who own advanced technologies are expected to build capacity with discipline to maintain a healthy demand and supply market condition. In addition, complexities of advanced technologies and related patent rights create huge entry barriers for new comers, not to be overcome in the near term. The overall DRAM supply is expected to maintain its current stability and structure.

The DRAM market recovered significantly from the second half of 2016 and is expected to continue throughout 2017. Supply growth is limited, mainly contributed by advanced process conversion. According to forecasts by market intelligences, worldwide bit growth rate in 2017 will be less than 20%. As for demand side, mid to high end smart phone with high resolution and dual lens cameras, servers, high end/ultra-thin/gaming laptops, 4K digital television and automotive infotainment are key drivers. The demand growth rate is projected to be higher than 20% in

2017. Therefore, it is believed that the DRAM market condition will remain steady in 2017.

We appreciate the trust and support from all of our shareholders. We will make the best effort to deliver great operation performance and increase the company's value to maximize returns to our shareholders.

Chairman: Chia Chau, Wu

President: Pei-Ing Lee

Accountant Officer: Hung Chi Kuo

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements (including consolidated and Stand-alone statements), and Proposal for Profits Distribution. The CPA firm of KPMG has audited the Financial Statements and issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of NANYA TECHNOLOGY CORP.. According to the Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

NANYA TECHNOLOGY CORP.

Chairman of the Audit Committee:

March 9, 2017

Nanya Technology Corp.

The Codes of Ethics of Directors and Managers

Amended by the Board of Directors on June 22, 2016

CHAPTER I GENERAL PRINCIPLES

Article 1

To establish the codes to avoid immoral behavior and activities resulting damages to the interests of company and shareholders in order to enable Directors and Managers (including President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Financial Officer, Accountant Officer and those who can manage affairs for and sign documents on behalf of the company) to conduct business activities on their duties and power for the company ethically.

CHAPTER II CONTENTS OF THE CODES OF ETHICS

Article 2

Directors and Managers should manage affairs of the company honestly, faithfully, lawfully, fairly, justly and ethically.

Article 3

Directors and Managers should avoid to intervene conflicts with personal interests or interests of the company, including but not limited to unable managing affairs objectively and effectively, or letting themselves, spouse, parents, children or a blood relation within the second degree get improper interests for their position. To avoid conflicts, expansion monetary loans or guarantees and acquisition or disposition of major assets to the preceding persons or their affiliated enterprises shall be approved by the Board of Directors. Creating the greatest interests for the Company should be concerned while purchase or sale between these companies.

Article 4

When the company has a chance to gain profit, Directors and Managers should guard interests for Company legally. Directors and Managers can't gain personal profit by their duties or from using properties or information of the Company. Directors and Managers can't do anything that is within

the scope of the company's business except for complying the regulations of Company Law or Articles of Incorporation.

Article 5

Directors and Managers should keep secret for any information of Company's customers and suppliers unless they are authorized or permitted by law. Confidential information includes all undisclosed information that can be used by competitors or will be harmful to the company or customers after disclosure.

Article 6

Directors and Managers should treat customers, suppliers, competitors and employees fairly. They can't gain improper interests by controlling, hiding, or abusing information given by their duties, describing major affairs unreally or transacting unfairly.

Article 7

Directors and Managers should protect and properly utilize properties of the Company, and they should avoid the properties of the company being stolen, neglected or wasted and then affecting profitability.

Article 8

Directors and Managers should follow laws and rules of the Company.

Article 9

When employees find that Directors and Managers violate laws, regulations or the codes, they should provide sufficient evidence to the Audit Committee, Direct Managers, personnel officers, internal control officers or other appropriate persons. Once the report is certified correct, the company should give a reward in accordance with the personal management regulation.

The Company should deal with the said report properly, confidentially and conscientiously, and the Company should protect the reporter's safety from all kinds of retaliation.

Article 10

If Directors and Managers violate the codes, the Company should punish them in accordance with the personal management regulation and report to the Board of Directors after certification. The related violators should take

civil and criminal responsibility and the Company should disclose dates of events, reasons of violation, items of violation and handling situation on the Market Observation Post System.

CHAPTER III PROCEDURES OF APPLICATION OF EXEMPTION

Article 11

When the Company proposes to exempt Directors or Managers from complying the codes under special circumstances, the issue shall be determined by the Board of Directors by a resolution adopted by a majority vote at the Board Meeting by over two-thirds of the Directors attendance. The Company should immediately disclose dates of approval by the Board, any opposing or qualified opinion expressed by the independent directors, terms of exemption, reasons of exemption and items of exemption on the Market Observation Post System so as to be assessed the appropriateness by the shareholders and to protect the interests of the Company.

CHAPTER IV WAYS OF DISCLOSURE

Article 12

The codes should be disclosed on the Company's website, annual report, prospectus and the Market Observation Post System. The same shall apply to any amendments to the codes.

CHAPTER ANCILLARY RULES

Article 13

The codes shall take effect after approval by the Board of Directors and be reported to the Shareholders' Meeting. The same shall apply to any amendments to the codes.

Ratification Items

Item 1

To Ratify the Business Report and Financial Statements for 2016
Proposed by the Board of Directors

Explanation:

1. The preparation of the Company's 2016 Consolidated and Stand-alone Financial Statements were completed and the same were reviewed by the Audit Committee, approved by the Board of Directors on March 9, 2017 and audited by independent auditors, Ms. Delphi Chen and Ms. Isabel Lee, of KPMG. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, which the Audit Committee's Review Report is presented.
2. For the aforementioned Business Report, please refer to Page 6 through Page 9 of the Handbook. As for the Financial Statements, please refer to Page 47 through Page 54 of the Handbook. Please approve the Business Report and the Financial Statements.

Resolution:

Ratification Items

Item 2

To Ratify the Proposal for Distribution of 2016 Profits

Proposed by the Board of Directors

Explanation:

The Proposal for Distribution of 2016 Profits of the Company was reviewed by the Audit Committee and approved by the Board of Directors on March 9, 2017.

(Please refer to Page 55 of the Handbook for the Statement of Profits Distribution.)

Resolution:

Discussion Items

Item 1

To Approve Amendments to the Articles of Incorporation of the Company

Proposed by the Board of Directors

Explanation:

In order to accommodate the needs of the Company's business development, the Articles of Incorporation of the Company shall be amended accordingly. The corresponding comparison table for the current and amended articles is attached.

Article	Article before Amendment	Article after Amendment	Reason for Amendment
Article 3	The Company's principal office is located in <u>Taoyuan City</u> , and, if necessary, may set up local or foreign offices or branches in accordance with the resolution of the Board of Directors.	The Company's principal office is located in <u>New Taipei City</u> , and, if necessary, may set up local or foreign offices or branches in accordance with the resolution of the Board of Directors.	Accommodate the Company's principal office.
Article 22	(Omitted)	Add " <u>The 24th amendment was made on May 26, 2017</u> " to the existing Article.	Add the date of amendment and execution to the Article.

Resolution:

Discussion Items

Item 2

To Approve Amendments to the “Convention Rules and Procedures for Shareholders’ Meeting” of the Company

Proposed by the Board of Directors

Explanation:

To accommodate the requirement by the competent securities authority, the Company was established an Audit Committee to replace the Supervisors. The “Convention Rules and Procedures for Shareholders’ Meeting” of the Company shall be amended accordingly. The corresponding comparison table for the current and amended articles is attached.

Article	Article before Amendment	Article after Amendment
Article 3	<p>(above omitted)</p> <p>To convene a Meeting, a Meeting agenda shall be prepared. The softcopy of meeting notice, proxy form, subject matters and explanations for topics related to ratification items, discussion item, and election or discharge of Directors(s) <u>and/or Supervisor(s)</u>, shall be prepared and uploaded to the Market Observation Post System of TSE at least thirty (30) days prior to the scheduled regular Meeting date or at least fifteen (15) days prior to the scheduled special Meeting date. Also, the softcopy of Meeting Agenda and supplemental materials shall be prepared and uploaded to the Market Observation Post System of TSE at least twenty-one (21) days prior to the scheduled regular Meeting date or at least fifteen (15) days</p>	<p>(above omitted)</p> <p>To convene a Meeting, a Meeting agenda shall be prepared. The softcopy of meeting notice, proxy form, subject matters and explanations for topics related to ratification items, discussion item, and election or discharge of Directors(s), shall be prepared and uploaded to the Market Observation Post System of TSE at least thirty (30) days prior to the scheduled regular Meeting date or at least fifteen (15) days prior to the scheduled special Meeting date. Also, the softcopy of Meeting Agenda and supplemental materials shall be prepared and uploaded to the Market Observation Post System of TSE at least twenty-one (21) days prior to the scheduled regular Meeting date or at least fifteen (15) days prior to the</p>

Article	Article before Amendment	Article after Amendment
	<p>prior to the scheduled special Meeting date. The hardcopy of Meeting Agenda and supplemental materials shall be available for shareholders to obtain and review at any time fifteen (15) days prior to the scheduled Meeting date and be displayed at the Company and the professional stock agency engaged by the Company, and be distributed in the venue of a Meeting.</p> <p>Causes and subjects of a Meeting to be convened shall be explicitly described in the notice and public announcement. The notice may be made in electronic form upon the consent of the counter party.</p> <p>Matters regarding re-election or discharge of directors <u>and</u> supervisors, amendments to the AOI, and dissolution, merger, splitting of the Company, or any matters stipulated in Paragraph 1 of Article 185 of the R.O.C. Company Law, Articles 26-1 and 43-6 of the Securities and Exchange Law, Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized by causes and subjects in the notice of convening a Meeting, rather than being brought up by special motions.</p> <p>(below omitted)</p>	<p>scheduled special Meeting date. The hardcopy of Meeting Agenda and supplemental materials shall be available for shareholders to obtain and review at any time fifteen (15) days prior to the scheduled Meeting date and be displayed at the Company and the professional stock agency engaged by the Company, and be distributed in the venue of a Meeting.</p> <p>Causes and subjects of a Meeting to be convened shall be explicitly described in the notice and public announcement. The notice may be made in electronic form upon the consent of the counter party.</p> <p>Matters regarding re-election or discharge of directors, amendments to the AOI, and dissolution, merger, splitting of the Company, or any matters stipulated in Paragraph 1 of Article 185 of the R.O.C. Company Law, Articles 26-1 and 43-6 of the Securities and Exchange Law, Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized by causes and subjects in the notice of convening a Meeting, rather than being brought up by special motions.</p> <p>(below omitted)</p>
Article 6	<p>(above omitted)</p> <p>The Company shall deliver the</p>	<p>(above omitted)</p> <p>The Company shall deliver the</p>

Article	Article before Amendment	Article after Amendment
	Meeting agenda, annual report, attendance certificate, speaker's slips, ballots and other Meeting related documents to shareholders who attend a Meeting. Election ballots shall be delivered as well in case that Director(s) <u>and/or</u> Supervisor(s) will be elected in that Meeting. (below omitted)	Meeting agenda, annual report, attendance certificate, speaker's slips, ballots and other Meeting related documents to shareholders who attend a Meeting. Election ballots shall be delivered as well in case that Director(s) will be elected in that Meeting. (below omitted)
Article 7	(above omitted) If the Meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the chairman presiding over the meeting, and majority of the Board of Directors ought to attend the Meeting <u>and at least one supervisor attend in person</u> , and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the Shareholders Meeting minutes. (below omitted)	(above omitted) If the Meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the chairman presiding over the meeting, and majority of the Board of Directors ought to attend the Meeting, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the Shareholders Meeting minutes. (below omitted)
Article 14	Election of Directors <u>and/or</u> Supervisors shall be conducted according to the relevant election rules of the Company. Election results which shall include the roster of Directors <u>and/or</u> Supervisors and the total number of the voting rights shall be announced extemporarily at the Meeting. (below omitted)	Election of Directors shall be conducted according to the relevant election rules of the Company. Election results which shall include the roster of Directors and the total number of the voting rights shall be announced extemporarily at the Meeting. (below omitted)

Resolution:

Discussion Items

Item 3

To Approve Amendments to the “Procedure of Acquisition or Disposal of Assets of the Company”

Proposed by the Board of Directors

Explanation:

To accommodate the requirement by the competent securities authority, the Company was established an Audit Committee to replace the Supervisors. And to refer to the Financial Supervisory Commission on February 9, 2017 with the document number 1060001296, the “Procedure of Acquisition or Disposal of Assets of the Company” shall be amended accordingly. The corresponding comparison table for the current and amended articles is attached.

Article	Article before Amendment	Article after Amendment
Article 6	<p><u>If there is any written objection or statement from the Company’s Directors (the “Directors”) towards any acquisition or disposal of asset that shall be approved by the Board of Directors according to the Procedures or other relevant laws, the written objection or statement shall be submitted to the Supervisors of the Company (the “Supervisors”). If the Company has Independent Directors (the “Independent Directors”), the</u> dissentient or qualified opinions from the Independent Director(s) shall be record in the meeting minutes of Board of Directors meeting.</p> <p><u>If the Company has established an</u></p>	<p>If there is any dissentient or qualified opinions from the Independent Director(s) shall be record in the meeting minutes of Board of Directors meeting.</p> <p>A material asset transaction or a derivatives transaction shall be approved with the consent of one-half or more than one-half of all members of The Audit Committee and then be submitted to the Board of Directors for approval. If the aforesaid transaction has not been approved with the consent of one-half or more than one-half of all members of the Audit Committee, the transaction may be undertaken upon the consent of at least two-thirds of all members of the</p>

Article	Article before Amendment	Article after Amendment
	<p>audit committee, a material asset transaction or a derivatives transaction shall be approved with the consent of one-half or more than one-half of all members of such Audit Committee and then be submitted to the Board of Directors for approval. If the aforesaid transaction has not been approved with the consent of one-half or more than one-half of all members of the Audit Committee, the transaction may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the Audit Committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p>	<p>Board of Directors, but the resolution adopted by the Audit Committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p>
Article 8-1	(Added)	<p><u>In acquiring or disposing of membership cards or intangible assets where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development</u></p>

Article	Article before Amendment	Article after Amendment
		<u>Foundation.</u>
Article 8-2	The calculation of transaction price of the above-mentioned <u>two</u> articles hereof shall be implemented in accordance with the second Paragraph of Article 26; the mentioned ‘within the past one year’ shall mean within one year backwards from the date of the subject transactions whereas transactions, which have already obtained an appraisal report issued by a Professional Appraiser or opinions given from a certified public accountant according to the Procedures, shall be excluded.	The calculation of transaction price of the above-mentioned <u>three</u> articles hereof shall be implemented in accordance with the second Paragraph of Article 26; the mentioned ‘within the past one year’ shall mean within one year backwards from the date of the subject transactions whereas transactions, which have already obtained an appraisal report issued by a Professional Appraiser or opinions given from a certified public accountant according to the Procedures, shall be excluded.
Article 12	Except for trading of government bonds, trading bonds under re-purchase/re-sale agreements, or purchase/ <u>redemption</u> of domestic money market funds, any transaction agreement for the acquisition or disposal of real estates from or to a Related Party, or for the acquisition or disposal of other non-real-estate assets from/to a Related Party with the transaction price reaching 20% or more of the Company’s paid-in capital, 10% or more of total assets, or NT\$ 300 million or more, only after the following information or data are approved by the Board of Directors <u>and recognized by the Supervisors</u> : 1. Purpose, necessity and	Except for trading of government bonds, trading bonds under re-purchase/re-sale agreements, or purchase/ <u>repurchase</u> of domestic money market funds <u>issued by domestic securities investment trust enterprises</u> , any transaction agreement for the acquisition or disposal of real estates from or to a Related Party, or for the acquisition or disposal of other non-real-estate assets from/to a Related Party with the transaction price reaching 20% or more of the Company’s paid-in capital, 10% or more of total assets, or NT\$ 300 million or more, only after the following information or data are approved by the Board of Directors:

Article	Article before Amendment	Article after Amendment
	<p>anticipated benefit of acquiring or disposing assets.</p> <p>2. Reason for choosing the Related Party as the transaction counterparty.</p> <p>3. Related information or data regarding the assessment of the reasonableness of the preliminary transaction conditions to be in accordance with the provisions of Article 13 to Article 15 while acquiring real estate from a Related Party.</p> <p>4. The acquisition price and acquisition date of the real estate between the Related Party and its original trading counterparty, and the relationship between the foresaid transaction counterparty and the Company and the Related Party.</p> <p>5. Monthly forecast statements of cash-in and cash-out flow of the coming year after the month in which the contract is expected to be entered into and the furthermore assessment of the necessity of the transaction and of the reasonableness of the usage of the funds.</p> <p>6. An appraisal report issued by a Professional Appraiser or opinions given from a certified public accountant to be obtained according to the above-mentioned Article.</p>	<p>1. Purpose, necessity and anticipated benefit of acquiring or disposing assets.</p> <p>2. Reason for choosing the Related Party as the transaction counterparty.</p> <p>3. Related information or data regarding the assessment of the reasonableness of the preliminary transaction conditions to be in accordance with the provisions of Article 13 to Article 15 while acquiring real estate from a Related Party.</p> <p>4. The acquisition price and acquisition date of the real estate between the Related Party and its original trading counterparty, and the relationship between the foresaid transaction counterparty and the Company and the Related Party.</p> <p>5. Monthly forecast statements of cash-in and cash-out flow of the coming year after the month in which the contract is expected to be entered into and the furthermore assessment of the necessity of the transaction and of the reasonableness of the usage of the funds.</p> <p>6. An appraisal report issued by a Professional Appraiser or opinions given from a certified public accountant to be obtained according to the</p>

Article	Article before Amendment	Article after Amendment
	<p>7. The constraint conditions and other material conventions of the transaction.</p> <p>The calculation of the above-mentioned transaction price shall be implemented in accordance with the second Paragraph of Article 26; the mentioned ‘within the past one year’ shall mean within one year backwards from the date of the subject transactions whereas transactions, which have already submitted to the Board of Directors for approval <u>and to the Supervisors for recognition</u> according to the Procedures, shall be excluded.</p> <p>The acquisition or disposal of operation-purpose machinery and equipment between the Company and parent companies or subsidiaries could be approved by the Company’s Chairman in advance, who is authorized by the Board of Directors in accordance with Article 10, and proposed for ratification by the very next Board meeting thereafter.</p> <p><u>If the Company has established the Independent Director(s)</u>, the dissenting or qualified opinions from the Independent Director(s) of the Company on the matters submitted to the Board of Directors for discussion in accordance with the previous</p>	<p>above-mentioned Article.</p> <p>7. The constraint conditions and other material conventions of the transaction.</p> <p>The calculation of the above-mentioned transaction price shall be implemented in accordance with the second Paragraph of Article 26; the mentioned ‘within the past one year’ shall mean within one year backwards from the date of the subject transactions whereas transactions, which have already submitted to the Board of Directors for approval according to the Procedures, shall be excluded.</p> <p>The acquisition or disposal of operation-purpose machinery and equipment between the Company and parent companies or subsidiaries could be approved by the Company’s Chairman in advance, who is authorized by the Board of Directors in accordance with Article 10, and proposed for ratification by the very next Board meeting thereafter.</p> <p><u>T</u>he dissenting or qualified opinions from the Independent Director(s) of the Company on the matters submitted to the Board of Directors for discussion in accordance with the previous paragraph of this Article shall be placed on record in the meeting</p>

Article	Article before Amendment	Article after Amendment
	<p>paragraph of this Article shall be placed on record in the meeting minutes of the Board of Directors meeting.</p> <p><u>If the Company has established the audit committee, a matter that shall be recognized by the Supervisors pursuant to Paragraph 1 of this Article shall be approved by the audit committee with the consent of one-half or more than one-half of all members of such audit committee and then be submitted to the Board of Directors for approval.</u> If the aforesaid matter has not been approved with the consent of one-half or more than one-half of all members of the audit committee, the matter may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the audit committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p>	<p>minutes of the Board of Directors meeting.</p> <p><u>The matters for which Paragraph 1 of this Article requires submitted to the Board of Directors for a resolution</u> shall <u>first</u> be approved by the audit committee with the consent of one-half or more than one-half of all members of such audit committee. If the aforesaid matter has not been approved with the consent of one-half or more than one-half of all members of the audit committee, the matter may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the audit committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p>
Article 16	<p>If the transaction cost of the real estate of the Company's Related Party, after the evaluation in accordance with the method of Article 13 to Article 15 hereof, is lower than the transaction price, the following matters shall be processed:</p> <ol style="list-style-type: none"> 1. The amount of the difference between the transaction price 	<p>If the transaction cost of the real estate of the Company's Related Party, after the evaluation in accordance with the method of Article 13 to Article 15 hereof, is lower than the transaction price, the following matters shall be processed:</p> <ol style="list-style-type: none"> 1. The amount of the difference between the transaction price

Article	Article before Amendment	Article after Amendment
	<p>and the evaluated transaction cost of the real estate shall be booked as special reserves of the Company in accordance with the first paragraph of the Article 41 of the Securities and Exchange Law and shall not be distributed to shareholders in cash or in shares. If the Company is an investor of other companies, which assesses the investment in equity method, the Company also shall book the foresaid difference amount as special reserves.</p> <p>2. <u>The Supervisors shall investigate this issue in accordance with Article 218 of Company Law.</u></p> <p>3. The processing status of item one and item two of the first Paragraph of this Article hereof shall be submitted and reported to the Shareholders' Meeting of the Company (the "Shareholders Meeting") and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>(below omitted)</p>	<p>and the evaluated transaction cost of the real estate shall be booked as special reserves of the Company in accordance with the first paragraph of the Article 41 of the Securities and Exchange Law and shall not be distributed to shareholders in cash or in shares. If the Company is an investor of other companies, which assesses the investment in equity method, the Company also shall book the foresaid difference amount as special reserves.</p> <p>2. <u>The Audit Committee shall supervise the Company's execution of the aforesaid matter.</u></p> <p>3. The processing status of item one and item two of the first Paragraph of this Article hereof shall be submitted and reported to the Shareholders' Meeting of the Company (the "Shareholders Meeting") and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>(below omitted)</p>
Article 18	Before the resolution of the Board of Directors regarding a merger, spin-off, acquisition or share exchange that the Company is planning to conduct, opinions regarding the reasonableness of	Before the resolution of the Board of Directors regarding a merger, spin-off, acquisition or share exchange that the Company is planning to conduct, opinions regarding the reasonableness of

Article	Article before Amendment	Article after Amendment
	<p>the share exchange ratio, acquisition price or cash distribution to shareholders shall be obtained from the certified public accountants, lawyers or securities underwriters and submitted to the Board of Directors for their approval.</p>	<p>the share exchange ratio, acquisition price or cash distribution to shareholders shall be obtained from the certified public accountants, lawyers or securities underwriters and submitted to the Board of Directors for their approval. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u></p>
Article 26	<p>If any one of the following conditions occurs during the acquisition or disposal of assets by the Company, the reporting and public announcements of the subject transaction shall be made in compliance with the required forms within two days from the date of the event in the website designated by the competent securities authority:</p> <ol style="list-style-type: none"> 1. Acquisition of real estate from or disposal to a Related Party or 	<p>If any one of the following conditions occurs during the acquisition or disposal of assets by the Company, the reporting and public announcements of the subject transaction shall be made in compliance with the required forms within two days from the date of the event in the website designated by the competent securities authority:</p> <ol style="list-style-type: none"> 1. Acquisition of real estate from or disposal to a Related Party or

Article	Article before Amendment	Article after Amendment
	<p>acquisition or disposal of other non-real-estate assets from a Related Party with the transaction price reaching 20% or more of the Company's paid-in capital, 10% or more of total assets or NT\$ 300 million or more. The aforesaid provisions hereof shall not be applicable to trading government bonds or trading bonds under re-purchase/re-sale agreements or purchase/<u>redemption</u> of domestic money market funds.</p> <p>2. Merger, spin-off, acquisition or share transfer.</p> <p>3. Financial derivatives transaction of which maximum loss for all and individual contract exceeds the maximum limit specified in the Procedures.</p> <p>4. Assets acquisition or disposal other than those mentioned above or execution of investments in Mainland China, where the amount reaches 20% or more of the Company's paid-in capital or exceeds NT\$300 million. The following situations shall not be subject to the above filing/publishing requirements: (1) Trading government bonds; (2) Trading bonds under re-purchase/re-sale</p>	<p>acquisition or disposal of other non-real-estate assets from a Related Party with the transaction price reaching 20% or more of the Company's paid-in capital, 10% or more of total assets or NT\$ 300 million or more. The aforesaid provisions hereof shall not be applicable to trading government bonds or trading bonds under re-purchase/re-sale agreements or purchase/<u>repurchase</u> of domestic money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>2. Merger, spin-off, acquisition or share transfer.</p> <p>3. Financial derivatives transaction of which maximum loss for all and individual contract exceeds the maximum limit specified in the Procedures.</p> <p>4. Acquisition or disposal of operation-purpose machinery and equipment with non-related parties in an amount exceeding NT\$ <u>1 billion.</u></p> <p>5. Acquisition of real estate by way of contracting third parties to construct on land owned or rented by the Company, distribution of buildings under a joint construction project, distribution of profits under a</p>

Article	Article before Amendment	Article after Amendment
	<p>agreements, or purchase/<u>redemption</u> of domestic money market funds;</p> <p>(3) Acquisition or disposal of operation-purpose machinery and equipment with non-related parties in an amount <u>not</u> exceeding NT\$ 500 million;</p> <p>(4) Acquisition of real estate by way of contracting third parties to construct on land owned or rented by the Company, distribution of buildings under a joint construction project, distribution of profits under a joint construction project, or selling buildings under a joint construction project, and the amount the Company plans to contribute <u>not</u> exceeding NT\$ 500 million.</p> <p>(below omitted)</p>	<p>joint construction project, or selling buildings under a joint construction project, and the amount the Company plans to contribute exceeding NT\$ 500 million.</p> <p>6. Assets acquisition or disposal other than those mentioned above or execution of investments in Mainland China, where the amount reaches 20% or more of the Company's paid-in capital or exceeds NT\$300 million. The following situations shall not be subject to the above filing/publishing requirements:</p> <p>(1) Trading government bonds;</p> <p>(2) Trading bonds under re-purchase/re-sale agreements, or purchase/<u>repurchase</u> of domestic money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>(below omitted)</p>
Article 27	<p>Should there be any mistake or omission in the Company's required public announcement, the Company needs to repeat its public announcement of all items when the Company conduct the acquisition or disposal of assets.</p>	<p>Should there be any mistake or omission in the Company's required public announcement, the Company needs to repeat its public announcement of all items when the Company conduct the acquisition or disposal of assets <u>within two days from the date when is the Company becomes aware of the error or omission.</u></p>

Article	Article before Amendment	Article after Amendment
Article 33	<p><u>If the Company has established the audit committee, the provisions of Article 6, Article 12 and Article 34 of this Procedures regarding the Supervisors shall apply mutatis mutandis to the audit committee; in addition, Item 2 of Paragraph 1 of Article 16 of this Procedures shall apply mutatis mutandis to the Independent Directors of the audit committee.</u></p>	(Deleted)
Article 35	<p>After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to <u>the Supervisors, and ratified by the Shareholders Meeting</u>. Any amendment is subject to the same procedure. <u>Any written objection or statement from Directors of the Board shall be submitted to the Supervisors. If the Company has Independent Directors, the dissentient or qualified opinions from the Independent Director(s) shall be record in the meeting minutes of the Board of Directors meeting.</u></p> <p><u>If the Company has established the audit committee, the establishment or a revision of this Procedures shall be approved with the consent of one-half or more than one-half of all members of such Audit Committee and then be submitted to the Board of Directors for approval. If the</u></p>	<p>After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting <u>for approval</u>. Any amendment is subject to the same procedure. <u>The</u> dissentient or qualified opinions from the Independent Director(s) shall be record in the meeting minutes of the Board of Directors meeting.</p> <p><u>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution</u> shall be approved with the consent of one-half or more than one-half of all members of <u>the</u> Audit Committee. If the aforesaid establishment or revision of this Procedures has not been approved by <u>the</u> Audit Committee with the consent of one-half or more than one-half of all members of the Audit Committee, the establishment or</p>

Article	Article before Amendment	Article after Amendment
	<p>aforesaid establishment or revision of this Procedures has not been approved by <u>such</u> Audit Committee with the consent of one-half or more than one-half of all members of the Audit Committee, the establishment or revision of this Procedures may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the Audit Committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p>	<p>revision of this Procedures may be undertaken upon the consent of at least two-thirds of all members of the Board of Directors, but the resolution adopted by the Audit Committee shall be recorded in the meeting minutes of the Board of Directors meeting.</p>

Resolution:

Discussion Items

Item 4

To Approve Amendments to the “Handling Procedures to Engage in the Derivative Transaction of Products” of the Company

Proposed by the Board of Directors

Explanation:

To accommodate the requirement by the competent securities authority, the Company was established an Audit Committee to replace the Supervisors. The “Handling Procedures to Engage in the Derivative Transaction of Products” of the Company shall be amended accordingly. The corresponding comparison table for the current and amended articles is attached.

Article	Article before Amendment	Article after Amendment
Article 5	The amount of engaging in derivative transactions of the Company shall not exceed 50% of net value of the Company. The limit of loss for all and individual contracts shall not exceed 10% of the contract amount. The content of each contract shall be appraised and decided by the high-level manager authorized by the Board of Directors.	<p>The amount of engaging in derivative transactions of the Company shall not exceed 50% of net value of the Company. The limit of loss for all and individual contracts shall not exceed 10% of the contract amount. The content of each contract shall be appraised and decided by the high-level manager authorized by the Board of Directors.</p> <p><u>Major derivatives transactions of the Company requires approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit</u></p>

Article	Article before Amendment	Article after Amendment
		<u>Committee shall be recorded in the minutes of the Board of Directors meeting.</u>
Article 9	When the Company's subsidiaries are not domestic public companies and are participating in derivative transactions, the Company shall follow the requirements of Article 8.	When the Company's subsidiaries are not domestic public companies and are participating in derivatives transactions, the Company shall follow the requirements of Article 8 <u>hereof to report and make public announcements on behalf of its subsidiaries.</u>
Article 18	The positions from the trading of derivative products shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivative transactions from time to time, and periodically supervise and evaluate the derivative transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors of the Company for review. If there is any abnormal situation highlighted in the market	The positions from the trading of derivative products shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivative transactions from time to time, and periodically supervise and evaluate the derivative transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors of the Company for review. If there is any abnormal situation highlighted in the market

Article	Article before Amendment	Article after Amendment
	<p>evaluation reports (e.g. the holding position has reached the upper loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors of the Company. <u>If the Company has independent directors</u>, there shall be independent directors attending the Board meeting and express their opinions.</p>	<p>evaluation reports (e.g. the holding position has reached the upper loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors of the Company. <u>T</u>here shall be independent directors attending the Board meeting and express their opinions.</p>
Article 19	<p>The Company shall establish and maintain a reference book to record all its derivative transaction information, including, but not limited to: kind of transaction, amount, and matters to be evaluated cautiously in accordance with Article 18 hereof. The auditing personnel shall be in charge of periodically assessing the appropriateness of the internal control regarding the derivative transactions, and take the responsibility of auditing the trading department's compliance with the Procedures , analyzing the transaction cycle, preparing the auditing report on a monthly basis, and submitting the auditing report to the high-level management personnel authorized by the Board of Directors of the Company. If the auditing personnel find any material fault of the operation procedures, he or she shall report such fault to <u>each Supervisor</u> of the Company in writing and the Company should,</p>	<p>The Company shall establish and maintain a reference book to record all its derivative transaction information, including, but not limited to: kind of transaction, amount, and matters to be evaluated cautiously in accordance with Article 18 hereof. The auditing personnel shall be in charge of periodically assessing the appropriateness of the internal control regarding the derivative transactions, and take the responsibility of auditing the trading department's compliance with the Procedures , analyzing the transaction cycle, preparing the auditing report on a monthly basis, and submitting the auditing report to the high-level management personnel authorized by the Board of Directors of the Company. If the auditing personnel find any material fault of the operation procedures, he or she shall report such fault to <u>the Audit Committee</u> of the Company in writing and the</p>

Article	Article before Amendment	Article after Amendment
	depending on the status of such material fault, penalize the relevant personnel, who make such material fault, in accordance with the human resources management policies.	Company should, depending on the status of such material fault, penalize the relevant personnel, who make such material fault, in accordance with the human resources management policies.
Article 21	After the Procedures are approved by the Board of Directors of the Company, the Procedures shall be submitted to <u>the Supervisors of the Company</u> , and ratified by the Shareholders Meeting of the Company. Any amendment is subject to the same procedure. <u>Any written objection or statement from Directors of the Board shall be submitted to the Supervisors of the Company. If the Company has independent Directors</u> , the opinions of objection or <u>endorsement</u> from the independent Director(s) of the Company shall be placed on record in the meeting minutes of the Company's Board of Directors meeting.	After the Procedures are approved by the Board of Directors of the Company, the Procedures shall be submitted to the Shareholders Meeting of the Company <u>for approval</u> . Any amendment is subject to the same procedure. <u>The opinions of objection or reservations</u> from the independent Director(s) of the Company shall be placed on record in the meeting minutes of the Company's Board of Directors meeting. <u>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all Audit Committee members. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u>

Resolution:

Discussion Items

Item 5

To Approve Amendments to “The Procedure of Loans of Funds to Others” of the Company

Proposed by the Board of Directors

Explanation:

To accommodate the requirement by the competent securities authority, the Company was established an Audit Committee to replace the Supervisors. “The Procedure of Loans of Funds to Others” of the Company shall be amended accordingly. The corresponding comparison table for the current and amended articles is attached.

Article	Article before Amendment	Article after Amendment
Article 3	<p>Loaning funds to business related companies or parties by the Company shall be conducted in compliance with <u>Paragraph 2</u> of Article 4 hereof. As to loaning funds for non-business related but short-term financing needs, the following companies or parties are qualified:</p> <ol style="list-style-type: none"> 1. Affiliated enterprises, which are in need of short term financing to meet their business requirements. 2. Other companies or parties, which need short-term or business financing for purchase of materials or business operation. 	<p>Loaning funds to business related companies or parties by the Company shall be conducted in compliance with <u>subparagraph 2</u> of Article 4 hereof. As to loaning funds for non-business related but short-term financing needs, the following companies or parties are qualified:</p> <ol style="list-style-type: none"> 3. Affiliated enterprises, which are in need of short term financing to meet their business requirements. 4. Other companies or parties, which need short-term or business financing for purchase of materials or business operation.
Article 5	<p>When the Company intends to loan funds to a borrower who applies to borrow funds from the Company, the Company shall do an investigation and assessment</p>	<p>When the Company intends to loan funds to a borrower who applies to borrow funds from the Company, the Company shall do an investigation and assessment</p>

Article	Article before Amendment	Article after Amendment
	<p>of the following aspects: the purposes and terms of the guarantee for the borrowing, and the impact towards the Company's business operations, financial condition, and shareholders' equity. Based on these findings the amount of loaning or the limitation on the amount of loaning, duration and interest payment terms shall be determined and submitted to the Board of Directors of the Company for approval. The loan shall be advanced according to the approval of the Board of Directors of the Company.</p>	<p>of the following aspects: the purposes and terms of the guarantee for the borrowing, and the impact towards the Company's business operations, financial condition, and shareholders' equity. Based on these findings the amount of loaning or the limitation on the amount of loaning, duration and interest payment terms shall be determined and submitted to the Board of Directors of the Company for approval. The loan shall be advanced according to the approval of the Board of Directors of the Company.</p> <p><u>The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</u></p> <p><u>When the Company making major loans to others, it requires approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in</u></p>

Article	Article before Amendment	Article after Amendment
		<u>the minutes of the Board of Directors meeting.</u>
Article 10	The internal auditors shall audit the execution of the fund loaning operation no less frequently than quarterly and prepare written records accordingly. During the auditing, any violation(s), if applicable, shall be corrected. If any serious violation is found, the responsible personnel shall be penalized in accordance with the related rules of the Company. They shall promptly notify <u>all the Supervisors</u> in writing of any material violation found.	The internal auditors shall audit the execution of the fund loaning operation no less frequently than quarterly and prepare written records accordingly. During the auditing, any violation(s), if applicable, shall be corrected. If any serious violation is found, the responsible personnel shall be penalized in accordance with the related rules of the Company. They shall promptly notify <u>the Audit Committee</u> in writing of any material violation found.
Article 11	If the borrower no longer meets the requirements of the Procedures, or the aggregate loaning amount exceeds the loaning limit approved by the board of directors due to changes of situation, the Company shall submit the improvement plan to the <u>Board of Directors</u> of the Company for its approval. In addition, the improvement plan needs to be submitted to the <u>Supervisors</u> of the Company for review. The aforesaid improvement plan shall be accomplished according to the planned schedule thereof.	If the borrower no longer meets the requirements of the Procedures, or the aggregate loaning amount exceeds the loaning limit approved by the board of directors due to changes of situation, the Company shall submit the improvement plan to the <u>Audit Committee</u> of the Company for its approval. In addition, the improvement plan needs to be submitted to the <u>Board of Directors</u> of the Company for <u>a resolution</u> . The aforesaid improvement plan shall be accomplished according to the planned schedule thereof.
Article 14	The procedure approved by the Board of Directors shall be submitted to each Supervisor and <u>submit</u> them for approval by the	The procedure approved by the Board of Directors shall be submitted them for approval by the Shareholders' Meeting. The

Article	Article before Amendment	Article after Amendment
	<p>Shareholders' Meeting. The same shall apply to any amendments to the Procedures; <u>where any Director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each Supervisor. Where the Company has established the position of Independent Director, Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</u></p>	<p>same shall apply to any amendments to the Procedures. <u>The independent Directors' opinions specifically expressing dissent <u>or reservations</u> shall be included in the minutes of the Board of Directors' meeting. <u>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all Audit Committee members. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></u></p>

Resolution:

Discussion Items

Item 6

To Approve Amendments to the “The Procedure of Making Endorsements or Guarantees” of the Company

Proposed by the Board of Directors

Explanation:

To accommodate the requirement by the competent securities authority, the Company was established an Audit Committee to replace the Supervisors. “The Procedure of Making Endorsements or Guarantees” of the Company shall be amended accordingly. The corresponding comparison table for the current and amended articles is attached.

Article	Article before Amendment	Article after Amendment
Article 3	<p>The Company may make endorsements or guarantees for the following companies:</p> <ol style="list-style-type: none"> 1. Companies with which it does business. 2. Companies in which the Company directly or indirectly holds more than fifty percent (50%) of their total outstanding shares with voting rights. 3. Companies which directly or indirectly hold more than fifty percent (50%) of the Company’s total outstanding shares with voting rights. 4. <u>Companies in which the Company’s parent company directly or indirectly holds more than ninety percent (90%) of their total outstanding shares with voting rights and the endorsement amount should be not exceed 10% of the net value of the Company,</u> 	<p>The Company may make endorsements or guarantees for the following companies:</p> <ol style="list-style-type: none"> 1. Companies with which it does business. 2. Companies in which the Company directly or indirectly holds more than fifty percent (50%) of their total outstanding shares with voting rights. 3. Companies which directly or indirectly hold more than fifty percent (50%) of the Company’s total outstanding shares with voting rights. 4. The companies which participating business contracting projects, in which the Company and the foresaid companies having the same business scope of the Company fulfill their contractual obligations by providing mutual guarantees/

Article	Article before Amendment	Article after Amendment
	<p><u>exclusively for these companies in which the Company's parent company directly or indirectly hold one hundred percent (100%) of their total outstanding shares with voting rights.</u></p> <p>5. The companies which participating business contracting projects, in which the Company and the foresaid companies having the same business scope of the Company fulfill their contractual obligations by providing mutual guarantees/endorsements for each other; or the companies which participating business contracting projects, in which the Company and the foresaid companies are co-initiative builders of the construction project and fulfill their contractual obligations by providing mutual guarantees/endorsements for each other.</p> <p>6. The companies in which their shareholders, including the Company, jointly make investment; provided that such endorsement and/ or guarantee shall be made in proportion to the shareholding percentages of each shareholder in the invested company. "Investment" in this subparagraph means that the</p>	<p>endorsements for each other; or the companies which participating business contracting projects, in which the Company and the foresaid companies are co-initiative builders of the construction project and fulfill their contractual obligations by providing mutual guarantees/endorsements for each other.</p> <p>5. The companies in which their shareholders, including the Company, jointly make investment; provided that such endorsement and/ or guarantee shall be made in proportion to the shareholding percentages of each shareholder in the invested company. "Investment" in this subparagraph means that the Company invests in the company directly or through its subsidiaries in which the Company holds one hundred percent (100%) of their total outstanding shares with voting rights.</p> <p><u>Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that</u></p>

Article	Article before Amendment	Article after Amendment
	<p>Company invests in the company directly or through its subsidiaries in which the Company holds one hundred percent (100%) of their total outstanding shares with voting rights.</p>	<p><u>this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</u></p>
<p>Article 4</p>	<p>Limitation on the total outstanding amount of making endorsements or guarantees of the Company and its subsidiaries:</p> <ol style="list-style-type: none"> 1. The aggregate amount of making endorsements or guarantees shall not exceed 1.3 times of the net value of the Company. 2. For any one endorsee or guarantee, the amount shall not exceed 50% of the aggregate amount above. 3. The total outstanding amount of endorsement to each of the companies, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the total purchasing or selling amount, whichever is higher. <p>Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements or Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements or Guarantees are</p>	<p>Limitation on the total outstanding amount of making endorsements or guarantees of the Company and its subsidiaries:</p> <ol style="list-style-type: none"> 1. The aggregate amount of making endorsements or guarantees shall not exceed 1.3 times of the net value of the Company. 2. For any one endorsee or guarantee, the amount shall not exceed 50% of the aggregate amount above. 3. The total outstanding amount of endorsement to each of the companies, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the total purchasing or selling amount, whichever is higher. <p>Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements or Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements or Guarantees are</p>

Article	Article before Amendment	Article after Amendment
	<p>complied with, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement or guarantee. It shall also amend the Operational Procedures for Endorsements or Guarantees accordingly and submit the same to the Shareholders' Meeting for ratification after the fact. If the Shareholders' Meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p><u>If the amount of making endorsements or guarantees exceeds the limits because of the change of the calculation bases or endorsees or guarantees originally comply with Article 3 and then not, the amount exceeding the limits or the amount of making endorsements or guarantees shall prepare an improvement plan to eliminated when contracts expire or making deadline to eliminate the amount and within the schedule of the aforesaid improvement plan then submit to the Board of Directors and Supervisors for its approval and then to the Supervisors of the Company for their review.</u></p>	<p>complied with, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement or guarantee. It shall also amend the Operational Procedures for Endorsements or Guarantees accordingly and submit the same to the Shareholders' Meeting for ratification after the fact. If the Shareholders' Meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p><u>Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee and to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.</u></p>
Article 5	Any endorsement or guarantee made by the Company shall be	Any endorsement or guarantee made by the Company shall be

Article	Article before Amendment	Article after Amendment
	<p>approved by the Board of Directors. Alternatively, the Board of Directors can authorize the Chairman to approve, in advance, any endorsement or guarantee within a certain amount without the approval of the Board of Directors. After that, the Chairman needs to submit the results for ratification to the Board of Directors.</p> <p>When the Company provide endorsements or guarantees to <u>the other companies in which under the same parent company directly or indirectly holds more than ninety percent (90%) of their total outstanding shares with voting rights, conducted in compliance with Paragraph 4 of Article 3, should also be approved by the Board of Directors of the parent company, exclusively for these companies in which the Company's parent company directly or indirectly holds one hundred percent (100%) of their total outstanding shares with voting rights.</u></p>	<p>approved by the Board of Directors. Alternatively, the Board of Directors can authorize the Chairman to approve, in advance, any endorsement or guarantee within a certain amount without the approval of the Board of Directors. After that, the Chairman needs to submit the results for ratification to the Board of Directors.</p> <p><u>The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</u></p> <p><u>Major endorsement/guarantee provided by the Company requires approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></p> <p>When the Company provide endorsements or guarantees to <u>a subsidiary</u> in which the <u>Company</u> directly or indirectly holds more than ninety percent</p>

Article	Article before Amendment	Article after Amendment
		(90%) of their total outstanding shares with voting rights, conducted in compliance with Paragraph <u>2</u> of Article 3, should also be approved by the Board of Directors of the <u>Company</u> , exclusively for these companies in which the Company directly or indirectly holds one hundred percent (100%) of their total outstanding shares with voting rights.
Article 8	The internal auditors shall audit the execution of the endorsement or guarantee operation no less frequently than quarterly and prepare written records accordingly. During the auditing, any violation(s), if applicable, shall be corrected. If any serious violation is found, the responsible personnel shall be penalized in accordance with the related rules of the Company. They shall promptly notify <u>all the Supervisors</u> in writing of any material violation found.	The internal auditors shall audit the execution of the endorsement or guarantee operation no less frequently than quarterly and prepare written records accordingly. During the auditing, any violation(s), if applicable, shall be corrected. If any serious violation is found, the responsible personnel shall be penalized in accordance with the related rules of the Company. They shall promptly notify <u>the Audit Committee</u> in writing of any material violation found.
Article 12	The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any <u>paragraph</u> of Article 11. The percentage of the balance of endorsements or guarantees over the Company's net worth for a subsidiary under the preceding	The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any <u>subparagraph</u> of Article 11. The percentage of the balance of endorsements or guarantees over the Company's net worth for a subsidiary under the preceding

Article	Article before Amendment	Article after Amendment
	paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements or guarantees to the Company's net worth.	paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements or guarantees to the Company's net worth.
Article 14	<p>The procedure approved by the Board of Directors shall be submitted <u>to each Supervisor and submit</u> them for approval by the Shareholders' Meeting. The same shall apply to any amendments to the Procedures; <u>where any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to each Supervisor.</u> <u>Where the Company has established the position of Independent Director,</u> <u>Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</u></p>	<p>The procedure approved by the Board of Directors shall be submitted them for approval by the Shareholders' Meeting. The same shall apply to any amendments to the Procedures. <u>The independent Directors' opinions specifically expressing dissent <u>or reservations</u> shall be included in the minutes of the Board of Directors' meeting.</u> <u>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all Audit Committee members.</u> <u>If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></p>

Resolution:



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Nanya Technology Corporation And Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in, New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
1100 Cash and cash equivalents (Note 6(a))	\$ 9,101,632	7	-	-	3,103,705	3	-	-
1125 Current available-for-sale financial assets (Note 6(b))	2,000,360	2	-	-	-	-	3,306,000	3
1170 Accounts receivable, net (Note 6(d))	5,768,718	4	5,442,511	5	1,486,388	1	1,384,780	2
1200 Other receivables (Note 6(d))	1,973,908	1	1,486,388	1	263,388	0	175,430	0
1210 Other receivables due from related parties (Notes 6(d)(k) and 7)	-	-	263,388	0	-	-	2,498,237	2
1310 Inventories (Note 6(e))	4,849,492	4	5,949,340	6	2220	0	13,993,373	10
1470 Other current assets	1,517,576	1	1,577,089	2	2230	0	2,138,229	2
Total current assets	25,211,686	19	17,822,621	17	2322	0	7,786,000	6
Non-current assets:								
1523 Non-current available-for-sale financial assets (Note 6(b))	40,950,942	30	92,930	-	2399	0	192,023	-
1543 Non-current financial assets at cost (Note 6(e))	-	-	9,340	0	-	-	33,709,907	25
1546 Non-current investments in debt instrument without active market (Note 6(c))	-	-	181,280	-	2540	0	15,174,000	11
1551 Investments accounted for using equity method (Note 6(f) and 7)	-	-	32,833,967	32	2570	0	1,631,924	1
1600 Property, plant and equipment (Notes 6(f), 7 and 8))	67,917,337	50	49,763,526	48	2613	0	265,093	-
1780 Intangible assets	272,185	-	406,193	-	2640	0	453,513	-
1840 Deferred tax assets (Note 6(p))	876,312	-	876,064	1	2670	0	97,558	-
1935 Long-term lease payments receivable (Note 6(k) and 7)	1,353,253	1	1,632,343	2	-	-	17,622,088	12
1990 Other non-current assets (Notes 6(a) and 8)	395,427	-	387,773	-	-	-	51,331,995	37
Total non-current	111,765,456	81	86,183,416	83	3110	0	27,485,658	20
Total assets	\$ 136,977,142	100	104,006,037	100	3200	0	11,523,007	8
					3310	0	2,791,929	2
					3320	0	4,570	-
					3350	0	36,296,086	27
					3400	0	7,789,101	6
					3500	0	(347,533)	-
							85,542,818	63
					36xx	0	102,329	-
							85,645,147	63
							54,737,689	53
							116,686	-
							54,854,375	53
							104,006,037	100
							\$ 136,977,142	100
							12,685,000	12
							7,558	-
							273,923	-
							755,860	1
							199,722	-
							13,922,063	13
							49,151,662	47
							24,285,658	23
							7,812,701	8
							1,077,812	1
							21,913,621	21
							(4,570)	-
							(347,533)	-
							54,737,689	53
							116,686	-
							54,854,375	53
							104,006,037	100



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Nanya Technology Corporation And Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2016		2015	
		Amount	%	Amount	%
4000	Operating revenue (Note 7)	\$ 41,632,505	100	43,875,905	100
5000	Operating costs (Notes 6(e)(o)(r)(u) and 7)	<u>28,781,412</u>	<u>69</u>	<u>26,567,909</u>	<u>61</u>
	Gross profit from operations	<u>12,851,093</u>	<u>31</u>	<u>17,307,996</u>	<u>39</u>
	Operating expenses (Notes 6(e)(o)(r) and 7):				
6100	Selling expenses	753,417	2	660,729	2
6200	Administrative expenses	1,067,372	3	1,206,219	3
6300	Research and development expenses	<u>2,478,069</u>	<u>6</u>	<u>1,953,662</u>	<u>4</u>
	Total operating expenses	<u>4,298,858</u>	<u>11</u>	<u>3,820,610</u>	<u>9</u>
	Net operating income	<u>8,552,235</u>	<u>20</u>	<u>13,487,386</u>	<u>30</u>
	Non-operating income and expenses (Notes 6(c)(f)(j)(v)):				
7010	Other income	252,405	1	229,651	1
7020	Other gains and losses, net	17,786,474	43	415,895	1
7050	Finance costs	(705,321)	(2)	(860,427)	(2)
7060	Share of profit (loss) of associates accounted for using equity method, net	<u>(160,063)</u>	<u>-</u>	<u>4,404,923</u>	<u>10</u>
	Total non-operating income and expenses	<u>17,173,495</u>	<u>42</u>	<u>4,190,042</u>	<u>10</u>
7900	Profit before tax	<u>25,725,730</u>	<u>62</u>	<u>17,677,428</u>	<u>40</u>
7950	Tax expense (Note 6(p))	<u>1,997,145</u>	<u>5</u>	<u>506,028</u>	<u>1</u>
	Profit	<u>23,728,585</u>	<u>57</u>	<u>17,171,400</u>	<u>39</u>
8300	Other comprehensive income:				
8310	Items that may not be reclassified to profit or loss:				
8311	Remeasurements of the net defined benefit	130,091	-	(132,255)	-
8320	Share of other comprehensive income of associates liability accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(29,776)	-	(2,835)	-
8349	Income tax related to items that may not be reclassified to profit or loss (Note 6(p))	<u>(22,115)</u>	<u>-</u>	<u>22,484</u>	<u>-</u>
	Total amount of items that may not be reclassified subsequently to profit or loss	<u>78,200</u>	<u>-</u>	<u>(112,606)</u>	<u>-</u>
8360	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(5,258)	-	11,928	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	9,401,275	23	(22,437)	-
8399	Income tax related to items that may be reclassified to profit or loss (Note 6(p))	<u>(1,602,346)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
	Total amount of items that may be reclassified subsequently to profit or loss	<u>7,793,671</u>	<u>19</u>	<u>(10,509)</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>7,871,871</u>	<u>19</u>	<u>(123,115)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 31,600,456</u>	<u>76</u>	<u>17,048,285</u>	<u>39</u>
	Profit, attributable to:				
8610	Profit (loss), attributable to owners of parent	\$ 23,721,277	57	17,141,167	39
8620	Profit (loss), attributable to non-controlling interests	<u>7,308</u>	<u>-</u>	<u>30,233</u>	<u>-</u>
		<u>\$ 23,728,585</u>	<u>57</u>	<u>17,171,400</u>	<u>39</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 31,593,148	76	17,018,052	39
8720	Comprehensive income, attributable to non-controlling interests	<u>7,308</u>	<u>-</u>	<u>30,233</u>	<u>-</u>
		<u>\$ 31,600,456</u>	<u>76</u>	<u>17,048,285</u>	<u>39</u>
	Earnings per share (Note 6(s))				
9750	Basic earnings per share	\$ <u>8.67</u>		<u>7.07</u>	
9850	Diluted earnings per share	\$ <u>8.64</u>		<u>7.02</u>	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Nanya Technology Corporation And Subsidiaries

Consolidated Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Non-controlling interests	Total equity			
	Share capital	Retained earnings			Total other equity interest		Total equity attributable to owners of parent					
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized differences on gains (losses) on available-for-sale financial assets	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2015	\$ 24,095,278	653,565	6,377,936	-	-	10,816,268	(23,516)	29,455	(347,533)	41,601,453	75,605	41,677,058
Profit	-	-	-	-	-	17,141,167	-	-	-	17,141,167	30,233	17,171,400
Other comprehensive income (loss)	-	-	-	-	-	(112,606)	11,928	(22,437)	-	(123,115)	-	(123,115)
Total comprehensive income	-	-	-	-	-	17,028,561	11,928	(22,437)	-	17,018,052	30,233	17,048,285
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	1,077,812	-	(1,077,812)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,853,396)	-	-	-	(4,853,396)	-	(4,853,396)
Other changes in capital surplus:												
Changes in equity of subsidiaries and associates accounted for using equity method	-	-	86,316	-	-	-	-	-	-	86,316	-	86,316
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	1,374	-	-	-	-	-	-	1,374	-	1,374
Changes in ownership interests in subsidiaries	-	-	(3,159)	-	-	-	-	-	-	(3,159)	3,159	-
Capital received in advance-exercise of employee stock options	-	-	489,599	-	-	-	-	-	-	489,599	-	489,599
Recognized compensation costs on employee stock options by the Company	-	-	2,924	-	-	-	-	-	-	2,924	-	2,924
Recognized compensation costs on employee stock options by subsidiaries	-	-	893	-	-	-	-	-	-	893	389	1,282
Changes to equity accounts arising from employee stock options, issued	190,380	(653,565)	856,818	-	-	-	-	-	-	393,633	-	393,633
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,300	7,300
Balance at December 31, 2015	24,285,658	-	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(347,533)	54,737,689	116,686	54,854,375
Profit	-	-	-	-	-	23,721,277	-	-	-	23,721,277	7,308	23,728,585
Other comprehensive income (loss)	-	-	-	-	-	78,200	(5,258)	7,798,929	-	7,871,871	-	7,871,871
Total comprehensive income	-	-	-	-	-	23,799,477	(5,258)	7,798,929	-	31,593,148	7,308	31,600,456
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	1,714,117	-	(1,714,117)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	4,570	(4,570)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(7,695,984)	-	-	-	(7,695,984)	-	(7,695,984)
Issue of shares	3,200,000	-	8,475,000	-	-	-	-	-	-	11,675,000	-	11,675,000
Other changes in capital surplus:												
Changes in ownership interests in subsidiaries	-	-	(865)	-	-	-	-	-	-	(865)	865	-
Changes in equity of subsidiaries associates accounted for using equity method	-	-	(5,060,764)	-	-	(2,341)	-	-	-	(5,063,105)	-	(5,063,105)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	1,926	-	-	-	-	-	-	1,926	-	1,926
Recognized compensation costs on employee stock options by Subsidiaries	-	-	24	-	-	-	-	-	-	24	20	44
Recognized compensation costs on employee stock options by the Company	-	-	294,985	-	-	-	-	-	-	294,985	-	294,985
Changes in non-controlling interests	-	-	-	-	-	-	(16,846)	7,805,947	(347,533)	85,542,818	(22,550)	85,645,147
Balance at December 31, 2016	\$ 27,485,658	-	11,523,007	2,791,929	4,570	36,296,086	(16,846)	7,805,947	(347,533)	85,542,818	102,329	85,645,147

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Nanya Technology Corporation And Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Profit before tax	\$ 25,725,730	17,677,428
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	5,900,734	5,669,957
Amortization expense	134,008	129,408
Provision for bad debt expense	16,012	-
Interest expense	705,321	860,427
Interest income	(246,635)	(226,050)
Dividend income	(2,770)	(3,601)
Share-based payments	295,029	493,805
Share of loss (profit) of associates accounted for using equity method	160,063	(4,404,923)
Loss on disposal of property, plan and equipment	7,809	1,745
Gain on disposal of investments accounted for using equity method	(20,069,979)	-
Impairment loss on financial assets	190,620	-
Impairment loss on non-financial assets	1,158,201	4,204
Unrealized foreign exchange gain	(170,079)	(40,223)
Discount amortization of financial liabilities	6,000	5,000
Total adjustments to reconcile (loss) profit	<u>(11,915,666)</u>	<u>2,489,749</u>
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(310,623)	682,725
(Increase) decrease in other receivable	(348,002)	12,548
Decrease (increase) in inventories	1,096,227	(800,933)
Decrease (increase) in other current assets	78,882	(707,583)
Increase (decrease) in notes and accounts payable	838,437	(90,925)
Increase (decrease) in other current liabilities	1,822,056	(29,897)
(Decrease) increase in net defined benefit liability	(194,278)	(10,958)
Decrease in other liabilities	(2,860)	(15,773)
Total changes in operating assets and liabilities	<u>2,979,839</u>	<u>(960,796)</u>
Cash inflow generated from operations	16,789,903	19,206,381
Interest received	242,952	227,576
Dividends received	2,770	3,601
Interest paid	(699,628)	(882,399)
Income taxes paid	(389,988)	(32,918)
Net cash flows from operating activities	<u>15,946,009</u>	<u>18,522,241</u>
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(41,562,001)	-
Proceeds from disposal of available-for-sale financial assets	8,114,519	-
Acquisition of investments in debt instrument without active market	-	(181,280)
Acquisition of financial assets at cost	-	(9,340)
Proceeds from disposal of investments accounted for using equity method	47,751,373	-
Acquisition of property, plant and equipment	(22,335,748)	(3,841,842)
Proceeds from disposal of property, plant and equipment	653	2,928
Increase in refundable deposits	(733)	-
Acquisition of intangible assets	-	(111,196)
Decrease in long-term lease and installment receivables	429,330	429,330
Increase in other non-current assets	(7,280)	(1,563)
Net cash flows used in investing activities	<u>(7,609,887)</u>	<u>(3,712,963)</u>
Cash flows used in financing activities:		
Increase in short-term loans	24,148,900	3,606,000
Decrease in short-term loans	(27,454,900)	(300,000)
Proceeds from long-term debt	11,000,000	500,000
Repayments of long-term debt	(1,261,000)	(3,700,000)
Decrease in other payables to related parties	(12,785,669)	(14,487,626)
Decrease in lease payable	(8,327)	(7,853)
Proceeds from issuing shares	11,675,000	-
Exercise of employee share options	-	393,633
Change in non-controlling interests	(22,550)	7,300
Cash dividends paid	(7,695,984)	(4,852,022)
Net cash flows used in financing activities	<u>(2,404,530)</u>	<u>(18,840,568)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>66,335</u>	<u>(132,860)</u>
Net increase (decrease) in cash and cash equivalents	<u>5,997,927</u>	<u>(4,164,150)</u>
Cash and cash equivalents at beginning of period	<u>3,103,705</u>	<u>7,267,855</u>
Cash and cash equivalents at end of period	<u>\$ 9,101,632</u>	<u>3,103,705</u>

See accompanying notes to consolidated financial statements.



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

Balance Sheets

December 31, 2016 and 2015
(Expressed in New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (Note 6(a))	\$ 8,427,379	6	2,242,753	2	2100 Short-term borrowings (Note 6(i))	-	3,300,000	3
1125 Current available-for-sale financial assets (Note 6(b))	2,000,360	2	-	-	2170 Notes and accounts payable	5,414,556	4	1,357,888
1170 Accounts receivable (Note 6(d))	4,545,875	4	4,443,733	4	2180 Accounts payable to related parties (Note 7)	165,183	-	175,430
1180 Accounts receivable due from related parties (Notes 6(d) and 7)	1,452,879	1	1,309,646	1	2200 Other payables (Note 6(k))	3,938,739	3	2,455,532
1200 Other receivables (Notes 6(d)(h))	1,969,250	1	1,466,021	2	2220 Other payables to related parties (Notes 6(k) and 7)	13,794,916	10	26,176,298
1210 Other receivables due from related parties (Notes 6(d)(h) and 7)	-	-	263,588	-	2230 Current tax liabilities	2,087,247	2	482,565
1310 Inventories (Note 6(e))	4,659,652	3	5,815,290	6	2322 Long-term borrowings, current portion (Notes 6(j) and 8)	7,786,000	6	500,000
1410 Prepayments	1,507,857	1	1,564,816	2	2399 Other current liabilities	191,928	-	192,323
Total current assets	24,563,252	18	17,105,847	17	Total current liabilities	33,378,569	25	34,640,036
Non-current assets:					Non-Current liabilities:			
1523 Non-current available-for-sale financial assets (Note 6(b))	40,882,664	30	-	-	2540 Long-term borrowings (Notes 6(j) and 8)	15,174,000	11	12,685,000
1543 Non-current financial assets at cost (Note 6(c))	-	-	9,340	-	2570 Deferred tax liabilities (Note 6(m))	1,631,260	1	6,838
1546 Non-current investments in debt instrument without active market (Note 6(c))	-	-	181,280	-	2613 Non-current lease obligations payable (Notes 6(k) and 7)	265,093	-	273,923
1550 Investments accounted for using equity method (Notes 6(f) and 7)	506,210	-	33,219,400	32	2640 Net defined benefit liability, non-current (Notes 6(l))	453,513	-	755,860
1600 Property, plant and equipment (Notes 6(g), 7 and 8)	67,886,857	50	49,722,671	48	2670 Other non-current liabilities	264,082	-	414,693
1780 Intangible assets	272,185	-	406,193	-	Total non-current liabilities	17,787,948	12	14,136,314
1840 Deferred tax assets (Note 6(m))	869,282	1	869,322	1	Total liabilities	51,166,517	37	48,776,350
1935 Long-term lease payments receivable (Notes 6(h) and 7)	1,353,253	1	1,632,343	2	Equity (Notes (m)(n)):			
1990 Other non-current assets (Notes 6(a) and 8)	375,632	-	367,643	-	Ordinary share	27,485,658	20	24,285,658
Total non-current assets	112,146,083	82	86,408,192	83	Capital surplus	11,523,007	8	7,812,701
					Legal reserve	2,791,929	2	1,077,812
					Special reserve	4,570	-	-
					Retained earnings	36,296,086	27	21,913,621
					Other equity interest	7,789,101	6	(4,570)
					Treasury shares	(347,533)	-	(347,533)
Total assets	\$ 136,709,335	100	103,514,039	100	Total equity	85,542,818	63	54,737,689
					Total liabilities and equity	\$ 136,709,335	100	103,514,039



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

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

	2016		2015	
	Amount	%	Amount	%
4000 Operating revenue (Note7)	\$ 41,023,122	100	43,129,599	100
5000 Operating costs (Notes 6(e)(l)(o)(q) and 7)	<u>28,541,666</u>	<u>70</u>	<u>26,209,509</u>	<u>61</u>
Gross profit from operations	12,481,456	30	16,920,090	39
5910 Add: Unrealized loss from sales	(56,527)	-	(78,605)	-
5920 Realized profit on from sales	<u>78,605</u>	<u>-</u>	<u>72,643</u>	<u>-</u>
Gross profit from operations	<u>12,503,534</u>	<u>30</u>	<u>16,914,128</u>	<u>39</u>
Operating expenses (Notes 6(l)(o)(q) and 7):				
6100 Selling expenses	565,652	1	482,989	1
6200 Administrative expenses	1,054,840	3	1,192,306	3
6300 Research and development expenses	<u>2,362,246</u>	<u>6</u>	<u>1,848,728</u>	<u>4</u>
Total operating expenses	<u>3,982,738</u>	<u>10</u>	<u>3,524,023</u>	<u>8</u>
Net operating income	<u>8,520,796</u>	<u>20</u>	<u>13,390,105</u>	<u>31</u>
Non-operating income and expenses (Notes 6(c)(f)(g)(r)):				
7010 Other income	247,725	1	224,239	1
7020 Other gains and losses, net	17,680,248	43	387,995	1
7050 Finance costs	(697,636)	(2)	(851,724)	(2)
7060 Share of profit (loss) of subsidiaries and associates accounted for using equity method	<u>(56,259)</u>	<u>-</u>	<u>4,475,243</u>	<u>10</u>
Total non-operating income and expenses	<u>17,174,078</u>	<u>42</u>	<u>4,235,753</u>	<u>10</u>
7900 Profit before tax	25,694,874	62	17,625,858	41
7950 Tax expense (Notes 6(m))	<u>1,973,597</u>	<u>5</u>	<u>484,691</u>	<u>1</u>
Profit	<u>23,721,277</u>	<u>57</u>	<u>17,141,167</u>	<u>40</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss:				
8311 Remeasurement of the net defined benefit	130,091	-	(132,255)	-
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	(29,776)	-	(2,835)	-
8349 (Loss) income tax related to items that may not be reclassified to profit or loss (Note 6(m))	<u>(22,115)</u>	<u>-</u>	<u>22,484</u>	<u>-</u>
	<u>78,200</u>	<u>-</u>	<u>(112,606)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Changes to equity accounts arising from employee stock options issued	(5,258)	-	11,928	-
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	9,401,275	23	(22,437)	-
8399 Income tax related to items that may be reclassified to profit or loss (Notes 6(m))	<u>(1,602,346)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
Total amount of items that may be reclassified profit or loss	<u>7,793,671</u>	<u>19</u>	<u>(10,509)</u>	<u>-</u>
8300 Other comprehensive income (loss), net	<u>7,871,871</u>	<u>19</u>	<u>(123,115)</u>	<u>-</u>
Total comprehensive income	<u>\$ 31,593,148</u>	<u>76</u>	<u>17,018,052</u>	<u>40</u>
Earnings per share (Note 6(p))				
9750 Basic earnings per share	\$ <u>8.67</u>		<u>7.07</u>	
9850 Diluted earnings per share	\$ <u>8.64</u>		<u>7.02</u>	



(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, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Total other equity interest			Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	equity accounts arising from employee stock options issued	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	
Balance at January 1, 2015	\$ 24,095,278	653,565	6,377,936	-	-	10,816,268	(23,516)	29,455	(347,533)	41,601,453
Profit	-	-	-	-	-	17,141,167	-	-	-	17,141,167
Other comprehensive income	-	-	-	-	-	(112,606)	11,928	(22,437)	-	(123,115)
Total comprehensive income	-	-	-	-	-	17,028,561	11,928	(22,437)	-	17,018,052
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	1,077,812	-	(1,077,812)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,853,396)	-	-	-	(4,853,396)
Other changes in capital surplus:										
Changes in equity of subsidiaries and associates accounted for using equity method	-	-	86,316	-	-	-	-	-	-	86,316
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	1,374	-	-	-	-	-	-	1,374
Changes in ownership interests in subsidiaries	-	-	(3,159)	-	-	-	-	-	-	(3,159)
Recognized compensation costs on employee stock options by the Company	-	-	2,924	-	-	-	-	-	-	2,924
Recognized compensation costs on employee stock options by subsidiaries	-	-	893	-	-	-	-	-	-	893
Changes to equity accounts arising from employee stock options issued	190,380	(653,565)	856,818	-	-	-	-	-	-	393,633
Capital received in advance-exercise of employee stock options	-	-	489,599	-	-	-	-	-	-	489,599
Balance at December 31, 2015	24,285,658	-	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(347,533)	54,737,689
Profit	-	-	-	-	-	23,721,277	-	-	-	23,721,277
Other comprehensive income (loss)	-	-	-	-	-	78,200	(3,258)	7,798,929	-	7,871,871
Total comprehensive income (loss)	-	-	-	-	-	23,799,477	(3,258)	7,798,929	-	31,593,148
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	1,714,117	-	(1,714,117)	-	-	-	-
Special reserve appropriated	-	-	-	-	4,570	(4,570)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(7,695,984)	-	-	-	(7,695,984)
Issue of shares	3,200,000	-	8,475,000	-	-	-	-	-	-	11,675,000
Other changes in capital surplus:										
Changes in ownership interests in subsidiaries	-	-	(865)	-	-	-	-	-	-	(865)
Changes in equity of subsidiaries associates accounted for using equity method	-	-	(5,060,764)	-	-	(2,341)	-	-	-	(5,063,105)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	1,926	-	-	-	-	-	-	1,926
Recognized compensation cost on employee stock options by the Company	-	-	294,985	-	-	-	-	-	-	294,985
Recognized compensation cost on employee stock options by subsidiaries	-	-	24	-	-	-	-	-	-	24
Balance at December 31, 2016	\$ 27,485,658	-	11,523,007	2,791,929	4,570	36,296,086	(16,846)	7,805,947	(347,533)	85,542,818

Note: For the years ended December 31, 2016 and 2015, the employee remuneration amounting to \$418,481 and \$634,408 were deducted from the statements of comprehensive income, respectively.

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, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Profit before tax	\$ 25,694,874	17,625,858
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	5,889,235	5,659,997
Amortization expense	134,008	129,408
Provision for bad debt expense	16,012	-
Interest expense	697,636	851,724
Interest income	(247,725)	(224,239)
Share-based payments	294,985	492,523
Share of loss (profit) of subsidiaries and associates accounted for using equity method	56,259	(4,475,243)
Loss on disposal of property, plant and equipment	7,852	1,016
Gain on disposal of investments accounted for using equity method	(19,942,974)	-
Impairment loss on financial assets	190,620	-
Impairment loss on non-financial assets	1,158,201	4,204
Unrealized loss from sales	56,527	78,605
Realized profit on from sales	(78,605)	(72,643)
Unrealized foreign exchange gain	(169,838)	(40,223)
Discount amortization of financial liabilities	6,000	5,000
Total adjustments to reconcile (loss) profit	<u>(11,931,807)</u>	<u>2,410,129</u>
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(185,985)	860,480
Increase in other receivable	(779,647)	(15,368)
Decrease (increase) in inventories	1,155,638	(981,007)
Decrease (increase) in prepayments	56,959	(680,262)
Increase (decrease) in notes and accounts payable	1,116,699	(108,019)
Increase in other payable to related parties	106,992	44,016
Increase (decrease) in other current liabilities	1,238,884	(109,114)
Decrease in net defined benefit liability	(194,278)	(10,958)
Decrease in other non-current liabilities	(79,537)	(16,620)
Total changes in operating assets and liabilities	<u>2,435,725</u>	<u>(1,016,852)</u>
Cash inflow generated from operations	16,198,792	19,019,135
Interest received	244,263	225,758
Interest paid	(730,637)	(873,959)
Income taxes refund (paid)	<u>368,337</u>	<u>(1,036)</u>
Net cash flows from operating activities	<u>16,080,755</u>	<u>18,369,898</u>
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(41,562,001)	-
Proceeds from disposal of available-for-sale financial assets	8,114,519	-
Acquisition of investments in debt instrument without active market	-	(181,280)
Acquisition of financial assets at cost	-	(9,340)
Proceeds from disposal of investments accounted for using equity method	47,481,638	-
Acquisition of property, plant and equipment	(22,332,681)	(3,810,003)
Proceeds from disposal of property, plant and equipment	613	2,928
Increase in refundable deposits	(733)	(171)
Acquisition of intangible assets	-	(111,196)
Decrease in long-term lease and installment receivables	429,330	429,330
Increase (decrease) in other non-current assets	(7,258)	77
Net cash flows used in investing activities	<u>(7,876,573)</u>	<u>(3,679,655)</u>
Cash flows used in financing activities:		
Increase in short-term loans	24,130,900	3,600,000
Decrease in short-term loans	(27,430,900)	(300,000)
Proceeds from long-term debt	11,000,000	500,000
Repayments of long-term debt	(1,261,000)	(3,700,000)
Decrease in other payables to related parties	(12,500,000)	(14,500,000)
Decrease in lease payable	(8,327)	(7,853)
Cash dividends paid	(7,695,984)	(4,852,022)
Proceeds from issuing shares	11,675,000	-
Exercise of employee share options	-	393,633
Net cash flows used in financing activities	<u>(2,090,311)</u>	<u>(18,866,242)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>70,755</u>	<u>4,607</u>
Net increase (decrease) in cash and cash equivalents	<u>6,184,626</u>	<u>(4,171,392)</u>
Cash and cash equivalents at beginning of year	<u>2,242,753</u>	<u>6,414,145</u>
Cash and cash equivalents at end of year	<u>\$ 8,427,379</u>	<u>2,242,753</u>

See accompanying notes to financial statements.

NANYA TECHNOLOGY CORPORATION

Statement of Profits Distribution For the year of 2016

Unit: NTD

Items	Amount	Items	Amount	Explanation
Available for Distribution:		Distribution Items:		
1. Unappropriated retained earnings of previous years	12,498,949,297	1. Appropriation of legal reserve (10% of the after-tax profit)	2,372,127,670	1. The Company plans to distribute cash dividends of NT\$1.5 per share for current year.
2. Other comprehensive income reclassified to unappropriated retained earnings of current year	78,200,985	2. Distribution of cash dividends (NT\$1.5 per share)	4,122,848,715	2. The Company distributes dividends for a total of NT\$4,122,848,715, all of which are from net profit after tax of 2016.
3. Adjustment	(2,340,984)	3. Unappropriated retained earnings carried forward to next year	29,805,680,015	3. The proposed distribution of cash dividends is based on total outstanding shares of 2,748,565,810 shares and it may be changed by the Company's employees who exercise their stock options or bondholders who convert their bonds into newly-issued common shares.
4. Reversal of special reserve	4,570,407			It is proposed that the Board of Directors be authorized to adjust the ultimate cash dividend per share accordingly.
5. Net profit after tax of current year	23,721,276,695			4. While the distribution of cash dividends to each individual shareholder is less than 1 dollar, the distribution will be rounded to the nearest dollar.
				5. Other comprehensive income reclassified to unappropriated retained earnings of current year: adjust the actuarial pension valuation.
				6. Reversal of special reserve is appropriated from the net amount of exchange differences losses on translation of foreign financial statements and unrealized gains on available-for-sale financial assets in 2015.
Total	36,300,656,400	Total	36,300,656,400	



安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the consolidated financial statements of Nanya Technology Corporation and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

Revenue recognition is a key audit matter as the Group provides a number of different sales terms to customers, that there is a risk that rights of the ownership of the products may not have been transferred to customers at the appropriate timing. In the consideration of the proper cut-off of revenue recognition, it has been identified as a key audit matter in consolidated financial statements. Please refer to Note 4(p) to the consolidated financial statements for the details of the accounting policy of revenue recognition.



The principal audit procedures performed to address the aforementioned key audit matter included 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 to original documents during a selected period of time before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate period.

2. Valuation of inventories

The Group recognizes a loss from the devaluation of inventories based on the lower of cost or net realizable value method on a monthly basis. In consideration of the evaluation of inventory, it has been identified as a key audit matter in consolidated financial statements. Please refer to Notes 4(h), 5(a) and 6(e) to the consolidated financial statements for the details of the accounting policy, judgments, and major sources of estimation uncertainty and disclosure information about inventory valuation, respectively.

Our procedures included: we assessed the rationality of net realizable value about inventory by understanding the adoption of net realizable value basis and performing sampling procedures.

Other Matter

Nanya Technology Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Accounting Standards Board of the Ministry of Finance of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 consolidated 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 Hsiu-Lan Chen and Tzu-hui Lee.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2017

Notes to Readers

The accompanying consolidated 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 practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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



安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

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 statements of financial position as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit 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 Auditor’s 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

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

Revenue recognition is a key audit matter as the Company provides a number of different sales terms to customers, that there is a risk that rights of the ownership of the products may not have been transferred to customers at the appropriate timing. In the consideration of the proper cut-off of revenue recognition, it has been identified as a key audit matter in financial statements. Please refer to Note 4(o) to the financial statements for the details of the accounting policy of revenue recognition.

The principal audit procedures performed to address the aforementioned key audit matter included 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 to original documents during a selected period of time before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate period.



2. Valuation of inventories

The main operating activities of the Company are researching, developing and manufacturing semiconductor products, in consideration of the short product life cycle, the Group recognizes a loss from the devaluation of inventories based on the lower of cost or net realizable value method on a monthly basis. In consideration of the evaluation of inventory, it has been identified as a key audit matter in financial statements. Please refer to Notes 4(g), 5(a) and 6(e) to the consolidated financial statements for the details of the accounting policy, judgments, and major sources of estimation uncertainty and disclosure information about inventory valuation respectively.

Our principal audit procedures included: we assessed the rationality of net realizable value about inventory by understanding the adoption of net realizable value basis and performing sampling procedures.

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.

Auditor's 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 auditor's 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 auditor's 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 the audit. 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 Hsiu-Lan Chen and Tzu-hui Lee.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2017

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 practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditor's 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 auditor's report and financial statements, the Chinese version shall prevail.

Information regarding the Proposed Employees' Compensation and Compensation to Directors Adopted by the Board of Directors of the Company:

1. Amounts of employees' cash compensation, stock compensation, and cash compensation to Directors and Supervisors:	
Employees' cash compensation	NT\$ 460,347,000
Employees' stock compensation	NT\$ 0
Cash Compensation to Directors	NT\$ 0
2. Share amount of the employees' stock compensation and the percentage of the share amount to that of all stock dividend:	
Share amount of employees' stock compensation	0 share
Percentage of the share amount to that of all stock dividends	0%

Effect upon Business Performance and Earnings Per Share of the Company by the Stock Dividend Distribution Proposed at the 2017 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution at the 2017 Annual Shareholders' Meeting and does not required to prepare financial forecast information.