Security Code：2408

Nanya Technology Corporation

2017

Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
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Printed on April 24th, 2018

I. Name, title, contact number and e-mail address of the Company's Spokesperson and deputy spokesperson:

	Spokesperson	Deputy Spokesperson
Name	Pei Ing Lee	Joseph Wu
Title	President	Vice President
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E-mail address	pilee@ntc.com.tw	josephwu@ntc.com.tw

II. Address and telephone of the headquarters, branches, and factory

Company: No. 98, Nanlin Rd., Taishan Dist, New Taipei City 243-08, Taiwan(R.O.C.)
Tel. :(02)2904-5858

FAB-3A: No. 98, Nanlin Rd., Taishan Dist, New Taipei City 243-08, Taiwan(R.O.C.)

Tel.: (02)2904-5858

III. The name, address, website, and telephone number of the agency handling shares transfer

Name: Stock Affairs Dept., Nanya Technology Corp.

Address:1F, 201, Tunhwa North Road, Taipei

Website: N/A

Tel: (02)2718-9898

IV. Name of the certified public accountant ("CPA") who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person's accounting firm:

Name of CPAs: Delphi Chen, Astor Kou

Name of accounting firm: KPMG Certified Public Accountants

Address: 68F, Taipei 101 Tower, No. 7, Section 5, Xinyi Road, Taipei,
11049, Taiwan.

Website: http://www.kpmg.com.tw

Tel: (02)8101-6666

V. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities:

Foreign Convertible bond transaction sites: Singapore Stock Exchange

Inquiry web-site: http://www.sgx.com

VI. Company website:www.nanya.com

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I. Letter to Shareholders

1. Business Performance for 2017

In 2017, Nanya Technology Corporation ("NTC") delivered record-setting net profits and earnings per share (EPS), thanks to a favorable market environment, the Company's operational improvement, and cash out of its share holdings in Micron Technology Inc. ("MU").

The market environment has been favorable to the Company as average selling prices (ASP) of dynamic random access memory (DRAM) have continued its rebound since the second half of 2016. In 2017, ASP's across all DRAM market segments were increasing quarter by quarter because, based on the Company's estimation, the overall DRAM market demand in bits was growing by approximately 22% year-over-year, outstripped the market supply which was growing by approximately 20% year-over-year. Along with the increase of market ASP's, the Company saw its own ASP to increase by over 35% than that in 2016. However, a stronger New Taiwan dollar which appreciated approximately by 5.8% over the US dollar caused a negative impact. In the end, the Company's total revenue posted a 32% year-over-year growth.

The Company's bit shipment in 2017, originally had forecasted to be down by approximately 9% year-over-year as a result of the Company's move to migrate its existing 30nm process technology to 20nm process technology, turned to be flat, thanks to endeavor of all hands. Over the last year, the Company ramped down its 30nm monthly wafer start capacity from 58k to 30k, ramped up its 20nm monthly wafer starts to reach 38k by the end of 2017, and, in parallel, introduced a new back-end of line process technology (copper-copper-aluminum). During the course of the migration, the Company was able to achieve yields of the leading product based on 20nm process technology, a 4Gb DDR3 chip, higher than our expectation to enable its mass production in the second quarter and successfully reached cost cross-over milestone over the cost of existing products in the third quarter, both of which were ahead of our original schedule by approximately one quarter. Meanwhile, the Company's 8Gb DDR4 and 2Gb DDR3, both of which were independently developed by us, received qualifications from our customers. The pull-in of ramp up of both 20nm product yields and related capacity resulted in additional bit output which would otherwise be foregone.

To facilitate the Company's future development, we had sold our entire shareholdings in Inotera to MU in December 2016 and back-to-back invested a major portion of the proceeds, i.e. NT$31,457 million, to acquire about 5.26% interest in MU. The Company has completely liquidated its holdings in MU by the end of 2017, bringing in net proceeds of US$2,112 million (equivalent to NT$$63,562 million) in total and realizing NT$32,105 million in profits. Having paid for part of the capex of 20nm technology conversion (approximately NT$29,400 million in 2017), the Company repaid all inter-company borrowing of NT$12,500 million from affiliated companies and pre-paid all bank borrowings of NT$17,600 million ahead of original schedules in 2017. The Company's financial structure was materially improved and has had cash reserved for the migration into 10 nanometer class process technology in the future.

The Company's consolidated revenue amounted to NT$ 54,918 million in 2017, a 32% increase over NT$41,633 million in 2016. Net income was NT$ 40,295 million, and earnings per share reached NT$ 14.36. Excluding major one-off items, namely the MU share disposal gains of NT$32,105 million and a negative impact from euro-convertible bond option valuation of NT$7,599 million, the Company's EPS would still have reached NT$5.63, reflecting operational improvement over that in 2016.

NTC received multiple awards in the "2017 Taiwan Corporate Sustainability Awards" from Taiwan Institute for Sustainable Energy (TISE) in recognition of the Company's effort in corporate social responsibility. Specifically, the Company was awarded with "Top 50 Corporate Sustainability", "Corporate Sustainability Report Golden", and "Innovative Growth Award" in the corporate sustainability category. The above-mentioned "Innovative Growth Award" was because Company has focused on niche DRAM market segments since 2013 and has cultivated and enhanced its competitiveness by successfully developing a series of consumer & low power DRAM products, with which have enabled the Company to be profitable since then.

2. Business Strategy for 2018

Having executed a successful technology migration, the Company's bit shipment this year is forecasted to increase by 45 percent than that in 2017. Given the significant bit output growth in 2018, the Company has planned ahead to expand our 20nm related product lineup to provide additional solutions to meet with our customers' demand.

After the successful introduction of the leading product, NTC followed through to qualify its second product based on 20nm process technology, an 8Gb DDR4 chip, with customers in the fourth quarter and has commenced its mass production since December, 2017. This is an important achievement as the chip's circuit design was independently developed by the Company's in-house R&D team. In addition, the Company designed another 8Gb DDR4 chip and has been in the process to qualify it with selected customers for server applications. Both chips will pave the way for NTC to provide value-added solutions not only for existing customers' consumer & PC peripheral applications but also for server / data center application which is the fast growing market segment to date.

In 2018, the Company has 8 product designs in the pipeline, with an emphasis on mobile DRAMs, i.e. LPDDR3 and LPDDR4, which require 20nm process technology to enable low power consumptions and small footprints, along with other design specifications for consumer & PC peripheral applications. With the appropriate mobile DRAM products to our customers, the Company is expecting to gain traction in smart phone applications in the future.

In addition to our business development, the Company has allocated significant resources to enhance legal compliance and has constantly monitored any changes in laws and regulations which may have potential impact to the Company. To enhance the Company's long-term sustainability, we have set up an independent department to be responsible for improving our corporate social responsibility and overall risk management.

3. Industry Outlook

Among the end applications for DRAM, smart phone application remains the largest market segment to date. Sever/data center application is the second largest market segment for DRAM, but its demand growth speed has overtaken that of smart phone application. Mobile computing, the Internet of Things, and cloud computing are driving the significant growth in the data center industry and the trend is expected to continue. Therefore, after combining the demand from other market segments, the Company is forecasting that, in 2018, the overall DRAM demand in bits will increase by approximately 22% over that in 2017.

In recent years, the three major DRAM suppliers have demonstrated their ability and willingness to migrate their respective technologies and/or expand capacity with discipline to maintain a rational demand and supply market condition. Based on available information, the Company is forecasting that the overall DRAM supply in bits to have a year-over-year growth rate of approximately 21% in 2018, because the three major suppliers are expected to have limited capacity increase and have their respective bit output growth mainly coming from technology migration. Meanwhile, the potential impact from DRAM production in China has yet to be determined. Based on the above, the overall demand in bits is expected by the Company to surpass the overall supply, thereby allowing a favorable market condition to the Company this year.

Over the years, NTC has gone through various DRAM cycles, but our commitment to provide returns to shareholders has remained unchanged. Based on the current market outlook and the Company's business set-up in terms of product and capacity, we possess expertise and resource to meet with new challenges and look forward to creating prosperity for the Company and our shareholders together in the future.

II. Company Profile

1. Date of Incorporation: Mar 4, 1995

2. Milestones

1995	Mar	Nanya Technology Corp. was established and incorporated
	Apr	MOU signed by OKI, NTC and Nanya Plastics, in which NTC succeed all rights and obligations of 64Mb DRAM technology form Nanya Plastics Corp.
1996	Nov	Signed 0.36μm and 0.32μm 64Mb DRAM technology licensing agreement with OKI
1997	Jul	Set up NTC-USA, the branch office in charge of sales and marketing activities in USA
1998	Apr	Awarded ISO-9001 Certification by Lloyd's Register Quality Assurance (LRQA)
	Nov	Signed a technology transfer agreement of 0.2/0.175μm process technology with IBM
	Dec	Awarded ISO-14001Certification by Lloyd's Register Quality Assurance (LRQA)
	Dec	Set up a product design center in Houston, Texas
1999	Oct	0.20μm 64Mb SDRAM mass production started
2000	Aug	NTC was listed on Taiwan Stock Exchange
	Oct	Signed the co-development agreement of 0.14/0.11μm process technology with IBM
2001	Jun	Mass production of 0.175μm 128Mb/256Mb DRAM
	Oct	DDR Products leads the market in production.
2002	Apr	Set up Nanya Technology (HK) Corporation Limited
	Jun	Signing a strategic alliance agreement with Dell .As Dell’s main supplier of DRAM products.
	Sep	Set up the branch office in Tokyo, Japan
	Nov	Signed a Joint Development Program with Infineon Technologies AG to co- develop 0.07and 0.09μm process technology
	Dec	Awarded ISO-14001 Certification by Sweden Det Norske Veritas
		Awarded ISO-18001 Certification by Lloyd's Register Quality Assurance (LRQA)

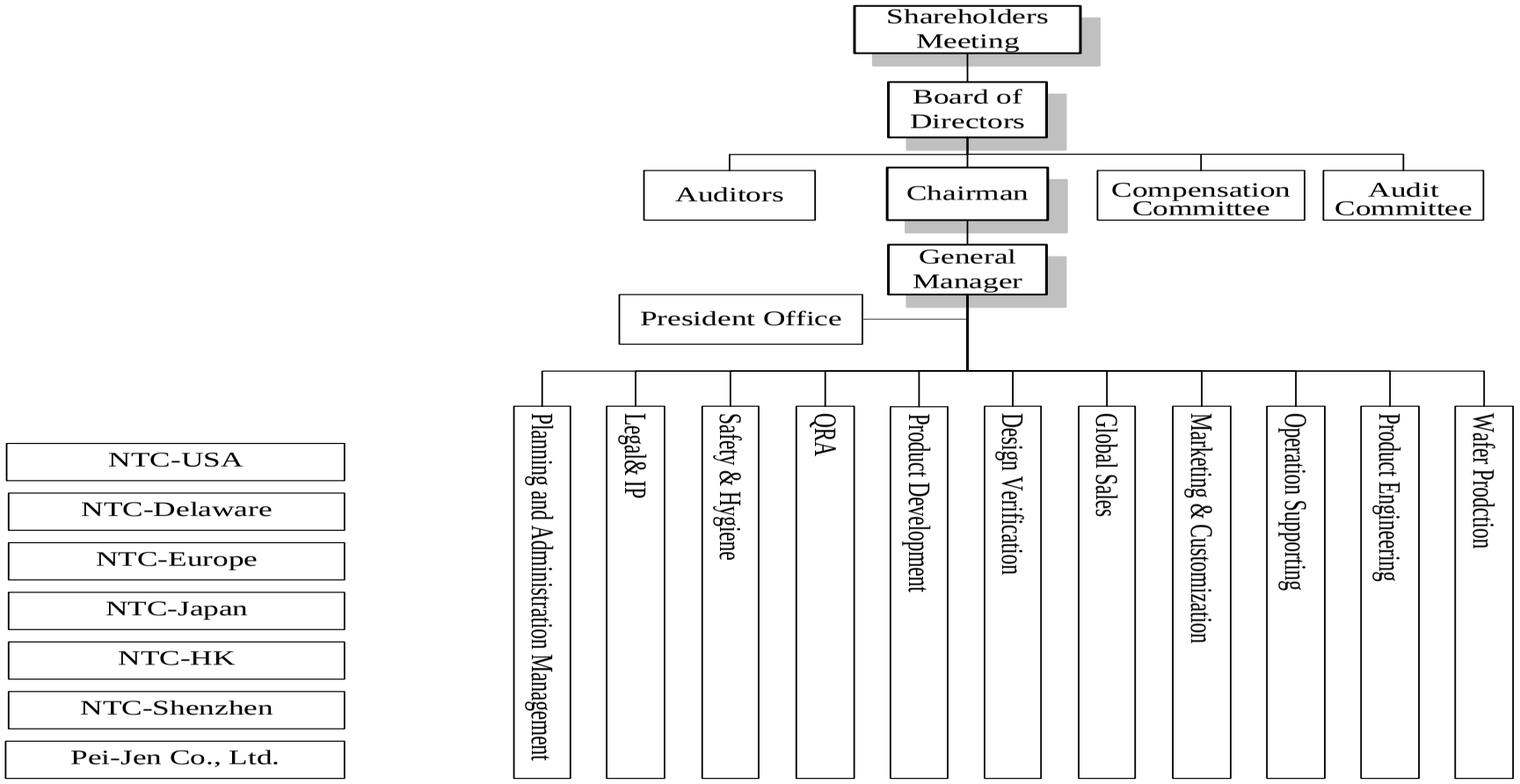
2003	Jan	Signed a Joint Development Program with Infineon Technologies AG to develop Inotera Memories Ltd.
	Mar	According to Gartner iSuppli, our company's market share rise to No.5 of the world
	Jul	Offering of Global Depositary Shares (GDS) on Luxembourg Stock Exchange
2004	May	DDR2 products obtained worldwide system makers' validation
	Dec	90nm pilot-run started
2005	Apr	512Mb DDR2 SDRAM (667 MHz) validated by Intel
	Jun	Successful qualification of 90nm technology
	Sep	Signed 60nm technology co-development agreement with Infineon
2006	Mar	Nanya Fab-3 (300mm) groundbreaking ceremony
	Oct	Set up Nanya Technology (Shanghai) Corp.
2007	May	FAB-3A equipment move-in
	Nov	Pilot run successful in FAB-3A, 70nm wafer starts in Q3
2008	Apr	Signed JV agreement with Micron
	Nov	FAB-3A 1st phase full capacity with 70nm
2009	Aug	68nm stack technology has been demonstrated successfully
	Sep	50nm stack technology has been demonstrated successfully
2010	Jan	Invest IC design company─PieceMakers Tech Inc.
	Jul	42nm stack technology has been demonstrated successfully
	Oct	Started 42nm stack technology volume production
2011	Jul	30nm stack technology has been demonstrated successfully
2012	Mar	Set up Sumpro Electronics Corporation Limited
2013	Jan	Amends Inotera Memories Joint Venture With Micron and Micron acquires rights to 100% of Inotera’s output
		Achieved the certification ISO 10002– Complaints Management Systems
2014	Jul	Disposal Sumpro's 8-inch Fab and equipment.
	Oct	Started 30nm process Technology design shrink version volume production
	Oct	DDR4 products obtained worldwide system makers' validation
2015	Jul	Fab 3A-N ground breaking
	Aug	30nm process Technology design shrink version crossover
	Sep	NTC through the Electronic Industry Citizenship Alliance Effectiveness Audit Program(EICC VAP)
	Dec	LPDDR3 4Gb volume production
2016	Jun	Social responsibility report of the Company is verified by the British Standards Association (BSI) according to the AA1000 Guarantee Standard
	Oct	20nm equipment move-in
	Dec	Completed Inotera share swap with Micron
2017	Mar	20nm pilot run
	Apr	Nanya Technology was awarded "Qualified Supplier” from TCL Corporation
	Aug	New Headquarters Grand Opening

	Oct	Nanya Technology was awarded "The Excellent supply partner & Green Partner" from Huawei Technology.
		Nanya Technology Awarded 2017 New Taipei City Environmental Impact Assessment Excellent Development Selection – Gold Level
	Nov	New headquarters building achieved the highest score on Silver level
		Nanya Technology Wins 2017 Taiwan Corporate Sustainability Awards
	Dec	8Gb DDR4 mass production
2018	Apr	Nanya Technology was awarded Thomson Reuters' Top 100 Global Technology Award

III. Corporate Governance

1. Organization

1.1Organization Structure



1.2 Major Corporate Functions

Department	Functions
Corp. Audit	Responsible for internal control system and evaluates the integrity and comprehensiveness of regulations; examines whether internal control is conducted effectively and continuously, measures the performance of each department and recommends corrective actions on a timely manner for an overall effective operation.
Planning and Administration Management	1. IR/PR: Responsible for maintaining the Companies' relationships with (institutional) investors and managing the release of public information to the mass media and the relationship with the general public. 2. Information Security: Responsible for the promotion and audit of the company's safety and security affairs, strengthening the protection of technology and business secrets. 3. Human Resource: Establishing human resource policy and execute personnel project, including personnel, salary& compensation, employee relationship, training and talent development) effectively and efficiently to increase company's human capital. 4. Responsible for financial policy management, capital movement, budget compilation, review and control, accounting process, and supervision of material assets, procument and factory safety. 5. Responsible for market trends analysis, assessment of the investment plan, set product strategy and operational marketing plans, programs and promote the cross-functional projects, sales performance management, outsourcing policy management. 6. Responsible for the planning and promotion of corporate social responsibility and risk management.
Legal & IP	Responsible for company legal affairs and other intellectual property management.
Safety & Hygiene	Supervises and audits the working environment with professional knowledge and continuous improvement; Planning and maintaining the safety and hygiene management system (ISO 14001, OHSAS 18001, TOSHMS management system)
Quality & Reliability Assurance	1. Responsible for the planning and establishment of the company's quality assurance system, and promote the quality of education and training, verification audit, quality control and quality improvement to meet quality theory of our business concept. 2. Responsible for establish FAB quality control system and incoming quality control, in-process quality control, failure analysis to ensure the stability of product quality and meet customer needs.
Products Development	Responsible for design, develop and control new product.
Design Verification	Responsible for develop and design verification of mass production engineering technology and set up testing program.
Marketing /Global Sales	Responsible for the promotion and development of global business, set business strategy, promotion of new products, elaboration and implementation of marketing plans and public relations matters.
Marketing and Customization	Responsible for product promotion and marketing program, planning marketing proposal**,**cost benefit analysis, managing the process of product development, sampling , customer verification and mass production.
Global Sales	Responsible for the promotion and development of global business, set business strategy, promotion of new products, elaboration and implementation of marketing plans and public relations matters.

Department	Functions
Process Development	Responsible for process development, prduct shrink and quality improvement for new product.
Operation Supporting	1. Responsible for the planning and management of automation, the computer network and office automation in order to help improve business operation. 2. Plan for expansion program, capacity planning and management, materials management, to help improve the operational efficiency.
Product Engineering	Responsible for validating new products , product engineering and testing technology development, abnormal product electrical / physical property analysis, development and management outsourcing of IC packaging and testing technology.
Wafer Manufacturing	1.Manufacturing: Responsible for the planning and operation of the manufacturing, process, equipment, and facility, to meet our customer requirements in Quality and Delivery. 2.Public system: Institutionalization and systematic establishment of public equipment operation and maintenance, and strengthening operational efficiency.

2. Directors and Management Team

2.1 Directors

2018/3/26

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at NTC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Chairman	R.O.C.	Nan Ya Plastics Corp. Representative: Chia-Chau Wu	Male	2016.06.22	3	1995.02.17 2004.05.12	907,303,769 957	33.01 0.00	907,303,775 957	29.65 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Chairman, Nan Ya Plastics Corp. Department of Business Administration, National Chengchi University	Chairman, Nan Ya Plastics Corp. Chairman, Nan Ya PCB Corp.	None	None	None
Director	R.O.C.	Wen-Yuan Wang	Male	2016.06.22	3	2007.05.25	4,000	0.00	4,000	0.00	127,648	0.00	0	0.00	Chairman, Formosa Chemicals & Fibre Corp. Master Degree in Industrial Engineering, University of Houston, USA	Chairman, Formosa Chemicals & Fibre Corp., Formosa Taffeta Co., Ltd., and Formosa Advanced Technologies Co., Ltd. Chairman, Chinese National Federation of Industries	Director Director	Wen-Yao Wang Otto Chang	Brother Affinity
Director	R.O.C.	Susan Wang	Female	2016.06.22	3	2010.06.24	0	0.00	0	0.00	0	0.00	0	0.00	Executive Director, Formosa Plastics Corp. Department of Economics, Barnard College, USA	Executive Director, Formosa Plastics Corp. and Formosa Petrochemical Corp.	None	None	None
Independent Director	R.O.C.	Ching-Chyi Lai	Male	2016.06.22	3	2016.06.22	0	0.00	0	0.00	0	0.00	0	0.00	Former Chairman, Chunghwa Post Co., Ltd. and Taiwan Insurance Institute Former Deputy Secretary General, Executive Yuan ROC Former Chief Secretary, Council for Economic Planning and Development Master Degree in Public Finance, National Chengchi University	Director, Taipei Foundation of Finance Independent Director, Excellence Optoelectronic Inc. Chair Professor, Chung Hua University	None	None	None
Independent Director	R.O.C	Shu-Po Hsu	Male	2016.06.22	3	2013.06.21	0	0.00	0	0.00	0	0.00	0	0.00	Vice Chairman, General Chamber of Commerce of the Republic of China Master Degree in Graduate Institute of Criminology, National Chung Cheng University	Chairman, Life Insurance Educational Foundation Vice Chairman, Taiwan Life Insurance Co., Ltd. Director, TLG Insurance Co., Ltd.	None	None	None
Independent Director	R.O.C	Tsai-Feng Hou	Female	2016.06.22	3	2013.06.21	0	0.00	0	0.00	0	0.00	0	0.00	Former Legislator Former President, Former Ta Chong Securities Co., Ltd. Executive Master Degree in Public Policy Program, National Sun Yat-sen University	None	None	None	None
Director	R.O.C.	Pei-Ing Lee	Male	2016.06.22	3	2004.05.12	263,098	0.01	263,098	0.01	1,571	0.00	0	0.00	President, Nanya Technology Corp. Ph.D. in Chemical Engineering, Syracuse University, USA	President, Nanya Technology Corp. Independent Director, Powertech Technology Inc. (Note)	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at NTC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Director	R.O.C	Formosa Taffeta Co., Ltd. Representative Shih-Ming Hsie	Male	2016.06.22	3	1995.02.17 2001.03.30	15,421,010 0	0.56 0.00	11,566,010 0	0.38 0.00	0 0	0.00 0.00	0 0	0.00 0.00	President, Formosa Advanced Technologies Co., Ltd. National Taipei University of Technology	Vice Chairman and President, Formosa Advanced Technologies Co., Ltd. Vice Chairman, Formosa Taffeta Co., Ltd.	None	None	None
Director	R.O.C.	Nan Ya Plastics Corp. Representative: Ming-Jen Tzou	Male	2016.06.22	3	1995.02.17 2010.06.24	907,303,769 0	33.01 0.00	907,303,775 0	29. 65 0.00	0 0	0.00 0.00	0 0	0.00 0.00	President, Nan Ya Plastics Corp. Department of Chemical Engineering, Former National Taipei University of Technology	Director and President, Nan Ya Plastics Corp. Director, NAN Ya PCB Corp.	None	None	None
Director	R.O.C.	Otto Chang	Male	2016.06.22	3	2004.05.12	59,839	0.00	59,839	0.00	0	0.00	0	0.00	Senior Vice President, Nan Ya Plastics Corp. Department of Automatic Control Engineering, Feng Chia University	Senior Vice President, Nan Ya Plastics Corp. Director, NAN Ya PCB Corp. (Note)	Director Director	Wen-Yuan Wang Wen-Yao Wang	Affinity Affinity
Director	R.O.C.	Nan Ya Plastics Corp. Representative: Wen-Yao Wang	Male	2016.06.22	3	1995.02.17 2010.06.24	907,303,769 2,471,097	33.01 0.09	907,303,775 1,679,097	29.65 0.05	0 13,311	0.00 0.00	0 0	0.00 0.00	Senior Vice President, Nan Ya Plastics Corp. Department of business administration, Pitzer College, USA	Senior Vice President, Nan Ya Plastics Corp.	Director Director	Wen-Yuan Wang Otto Chang	Brother Affinity
Director	R.O.C.	Nan Ya Plastics Corp. Representative: Lin-Chin Su	Male	2016.06.22	3	1995.02.17 2016.06.22	907,303,769 1,601	33. 01 0.00	907,303,775 1,601	29.65 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Senior Vice President, Nanya Technology Corp. Ph.D. in Materials Science and Engineering, University of Utah, USA	Senior Vice President, Nanya Technology Corp.	None	None	None

Note：Please refer to VIII. Other Special Notes (Directors, Supervisors and Presidents of NTC's Subsidiaries)

Major shareholders of the institutional shareholders

April 24, 2018

Name of Institutional Shareholders	Major Shareholders
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.88%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4%), Vanson International Investment Co.,LTD. (2.39%), Formosa Petrochemical Corp.(2.26%) Chindwell International Investment Corp. (1.86%), Fubon Life Insurance Co., Ltd. (1.5%), HSBC Bank (Taiwan) Limited in custody for UBS in Singapore Pte Ltd-Singapore Branch (1.27%), Citibank Taiwan in custody for Yuanda systerm Corp.(1.26%)
Formosa Taffeta Co., Ltd.	Formosa Chemicals & Fibre Corp. (37.40%), Chang Gung Medical Foundation (5.79%), Cathy Life Insurance Co., Ltd. (3.29%), Yu Yuang Textile Co., Ltd. (2.55%), Fubon Life Insurance Co., Ltd. (2.52%), Min- Xiong Lai(2.45%), Nan Shan Life Insurance Co., Ltd. (2.7%), Chang Gung University (2.20%), Chang Gung University of Science and Technology.(2.13%), Ming Chi University of Technology (1.87%)

Major shareholders of the Company's major institutional shareholders

April 24, 2018

Name of Institutional Shareholders	Major Shareholders
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp.(7.65%), Standard Chartered Merchant Bank Hosted Credit Suisse Singapore Branch(6.26%), Nan Ya Plastics Corp.(4.63%), Chindwell International Investment Corp.(4.16%), Vanson International Investment Co.,LTD.(3.05%), Fubon Life Insurance Co., Ltd. (1.69%), Formosa Petrochemical Corp.(2.07%), Ming Chi University of Technology (1.43%), Cathy Life Insurance Co., Ltd.(1.47%)
Formosa Chemicals & Fibre Corp.	Chang Gung Medical Foundation (18.58%), Chindwell International Investment Corp. (6.35%), Vanson International Investment Co., Ltd. (3.80%), Formosa Plastics Corp.(3.39%), Nan Ya Plastics Corp.(2.40%), Cathy Life Insurance Co., Ltd.(2.34%), Wen-Yuan Wang(2.20%), Union Power Development Co., Ltd.(1.63%), Standard Chartered Bank in custody for Genesis Capital Investment Group Corporation(1.41%), Shin Kong Life Insurance Company Limited (1.32%)
Formosa Petrochemical Corp.	Formosa Plastics Corp.(28.56%), Formosa Chemicals & Fibre Corp.(24.15%), Nan Ya Plastics Corp.(23.11%), Chang Gung Medical Foundation (5.79%)、Formosa Taffeta Co., Ltd.(3.83%), Standard Chartered Bank in custody for Genesis Capital Investment Group Corporation (0.60%), HSBC Bank (Taiwan) in custody for bauer energy Corp. investment Account (0.51%), Standard Chartered Bank in custody for Central Capital management Corp. investment Account(0.49%), HSBC Bank (Taiwan) in custody for Asia Optical Co. Inc. Investment Account(0.48%), Taiwan bank in custody for Charitable Trust-Wang Chang Gung social welfare fund (0.44%)
Nan Shan Life Insurance Co., Ltd.	First bank in custody for Ruen Chen Investment Holding Co., Ltd trust account (75.14%), Ruen Chen Investment Holding Co., Ltd (15.48%), Ying-Zong DU (3.25%), Ruen-hua dyeing & weaving co., Ltd(0.28%), Ruentex leasing Corp. (0.15%), Wen-De Guo (0.11%), Chiping investment Corp. (0.11%), Pao-Chih Investment Co., Ltd. (0.05%), Pao-yi Investment Co., Ltd..(0.05%), Pao-hui Investment Co., Ltd.(0.05%), Pao-huang Investment Co., Ltd.(0.05%), Ernest Chan(0.03%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.(100%)
Cathy Life Insurance Co., Ltd.	Cathay Financial Holdings Corp. (100%)
HSBC Bank (Taiwan) Limited in custody for UBS in Singapore Pte Ltd-Singapore Branch	Investment Account
Citibank Taiwan in custody for Yuanda systerm Corp.	Investment Account
Chindwell International Investment Corp.	Everred Coporate, Inc. (100.00%)
Vanson International Investment Co.,LTD.	Landmark Capital Holdings Inc. (100.00%)
Yu Yuang Textile Co., Ltd.	non public company
Chang Gung Medical Foundation	A foundation approved by Department of Health and doesn't issue shares.
Chang Gung University	A foundation approved by Ministry of Education and doesn't issue shares.
Ming Chi University of Technology	A foundation approved by Ministry of Education and doesn't issue shares.
Chang Gung University of Science and Technology	A foundation approved by Ministry of Education and doesn't issue shares.

Directors' Professional Qualifications and Independent Analysis

2018.03.26

Criteria / Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence Criteria (Note)										Number of other public companies' in which the individual is concurrently serving as an Independent Director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Nan Ya Plastics Corp. Rep.:Chia-Chau Wu			✓			✓	✓			✓	✓	✓		None
Wen-Yuan Wang			✓			✓				✓		✓	✓	None
Ruei-Hua Wang			✓			✓	✓			✓	✓	✓	✓	None
Ching-Chyi Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shu-Po Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tsai-Feng Hou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Pei-Ing Lee			✓			✓	✓	✓		✓	✓	✓	✓	1
Formosa Taffeta Co., Ltd. Rep.: Shih-Ming Hsieh			✓			✓	✓	✓	✓	✓	✓	✓		None
Nan Ya Plastics Corp. Rep.:Ming-Jen Tzou			✓			✓	✓			✓	✓	✓		None
Otto Chang			✓			✓				✓		✓	✓	None
Nan Ya Plastics Corp. Rep.:Wen-Yao Wang			✓			✓				✓		✓		None
Nan Ya Plastics Corp. Rep.:Lin-Chin Su			✓			✓	✓	✓		✓	✓	✓		None

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.

2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".

8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

9. Not been a person of any conditions defined in Article 30 of the Company Law.

10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.2 Management Team

2018/03/26

Title	Nationality	Name	Gender	Date Effective	Shareholding		Director's Spouse & Minor shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current Positions at Other Companies	Managers who are Spouses or Within Two degrees of Kinshp		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Pei-Ing Lee	Male	2015.10.06	263,098	0.01	1,571	0.00	0	0.00	President, Nanya Technology Corp. Ph.D. in Chemical Engineering, Syracuse University, USA	Independent Director, Powertech Technology Inc. (Note 3)	None	None	None
Senior Vice President	R.O.C	Lin-Chin Su	Male	2015.10.06	1,601	0.00	0	0.00	0	0.00	Senior Vice President, Nanya Technology Corp. Ph.D. in Materials Science and Engineering, University of Utah, USA	None	None	None	None
Vice President	R.O.C	Joseph Wu (Note 1)	Male	2017.12.20	0	0.00	0	0.00	0	0.00	Vice President, Nanya Technology Corp. Master Degree in Material Engineering, National Taiwan University	(Note 3)	None	None	None
Vice President	R.O.C	Rex Chuang (Note 1)	Male	2017.12.20	0	0.00	0	0.00	0	0.00	Vice President, Nanya Technology Corp. Master Degree in Materials Engineering, San Jose State University, USA	(Note 3)	None	None	None
Assistant Vice President	R.O.C	Yau-Ming Chen	Male	2007.04.16	0	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Department of Electrical Engineering, National Taiwan University	None	None	None	None
Assistant Vice President	R.O.C	Wesley Chang	Male	2013.04.01	42	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in Business Management, Chang Gung University	None	None	None	None
Assistant Vice President	R.O.C	Chi-Meng Su	Male	2013.02.20	0	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in Electronics Engineering, National Chiao Tung University	(Note 3)	None	None	None
Assistant Vice President	R.O.C	Mark Mao (Note 2)	Male	2017.12.20	12	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp Master Degree in Materials Science and Engineering, Columbia University, USA	None	None	None	None
Assistant Vice President	R.O.C	Jengping Lin (Note 2)	Male	2017.12.20	27	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp Ph.D. in Electrical Engineering, University of Texas at Austin, USA	None	None	None	None
Assistant Vice President	R.O.C	Rex Chen (Note 2)	Male	2017.12.20	30,000	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in International Business, Tamkang University	(Note 3)	None	None	None
Assistant Vice President	R.O.C	Chuan-Jen Chang (Note 2)	Male	2017.12.20	53,048	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp Master Degree in Electrical Engineering, State University of New York, USA	None	None	None	None
Finance Officer	R.O.C	Philip Jao	Male	2017.03.09	0	0.00	0	0.00	0	0.00	Executive Administrator of Nanya technology Corp. Master Degree in Business Administration, University of Florida. Executive Master in Business Administration, National Taiwan University	None	None	None	None
Accounting Officer	R.O.C	Hung-Chi Kuo	Male	2010.12.01	0	0.00	0	0.00	0	0.00	Director, Nanya technology Corp. Department of Accounting, National Chung Hsing University	(Note 3)	None	None	None

Note 1: Mr. Joseph Wu and Rex Chuang, two of NTC's former Assistant Vice Presidents, were promoted to Vice Presidents on December 20, 2017.
Note 2: Mr. Mark Mao, Jengping Lin, Rex Chen, and Chuan-Jen Chang, four of NTC's former Senior Directors, were promoted to Assistant Vice Presidents on December 20, 2017.
Note 3: Please refer to VIII. Other Special Notes (Directors, Supervisors and Presidents of NTC's Subsidiaries)

3. Remuneration of Directors, President, and Vice Presidents

3.1 Remuneration of Directors

Unit: 1,000 shares; NT$ thousands; 2017/12/31

Title	Name	Director's Remuneration								Total Remuneration (A+B+C+D) as a % of 2017 Net Income (Note 2)		Compensation Received by a Director who is an employee of NTC or of NTC's consolidated subsidiaries								Total Compensation (A+B+C+D+E+F+G) as a % of 2017 Net Income		Compensation Paid to Directors from an Invested Company other than NTC's Subsidiary
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors Compensation (C) (Note 1)		Allowances (D)				Salaries, Bonuses and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G) (Note 3)						
																From NTC		Companies in the consolidated financial statements				
		From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	From NTC	Companies in the consolidated financial statements	
Chairman	Nan Ya Plastics Corp. Representative: Chia-Chau Wu	5,400	5,400	0	0	0	0	960	960	0.0158	0.0158	13,593	13,593	0	0	20,500	0	20,500	0	0.1004	0.1004	None
Director	Wen-Yuan Wang																					
Director	Susan Wang																					
Independent Director	Ching-Chyi Lai																					
Independent Director	Shu-Po Hsu																					
Independent Director	Tsai-Feng Hou																					
Director	Pei-Ing Lee																					
Director	Formosa Taffeta Co., Ltd Representative: Shih-Ming Hsie																					
Director	Nan Ya Plastics Corp. Representative: Ming-Jen Tzou																					
Director	Otto Chang																					
Director	Nan Ya Plastics Corp. Representative: Wen-Yao Wang																					
Director	Nan Ya Plastics Corp. Representative: Lin-Chin Su																					

Note 1: Remuneration was approved by the board of directors.

Note 2: Net income is NTC's 2017 net income after tax.

Note 3: The amount of employee compensation is estimated.

Table 3.1.1 Range of Remuneration Paid to Directors

Range of Remuneration	Name of Directors			
	Total of Remuneration (A+B+C+D)		Total of Remuneration (A+B+C+D+E+F+G)	
	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements
Under NT$ 2,000,000	Wen-Yuan Wang, Susan Wang, Chia-Chau Wu, Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou, Pei-Ing Lee, Shih-Ming Hsie, Ming-Jen Tzou, Otto Chang, Wen-Yao Wang, Lin-Chin Su, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.	Wen-Yuan Wang, Susan Wang, Chia-Chau Wu, Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou, Pei-Ing Lee, Shih-Ming Hsie, Ming-Jen Tzou, Otto Chang, Wen-Yao Wang, Lin-Chin Su, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.	Wen-Yuan Wang, Susan Wang, Chia-Chau Wu, Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou, Shih-Ming Hsie, Ming-Jen Tzou, Otto Chang, Wen-Yao Wang, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.	Wen-Yuan Wang, Susan Wang, Chia-Chau Wu, Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou, Shih-Ming Hsie, Ming-Jen Tzou, Otto Chang, Wen-Yao Wang, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.
NT$ 2,000,000～NT$ 4,999,999				
NT$ 5,000,000～NT$ 9,999,999				
NT$10,000,000～NT$ 14,999,999			Lin-Chin Su	Lin-Chin Su
NT$15,000,000～NT$ 29,999,999			Pei-Ing Lee	Pei-Ing Lee
NT$30,000,000～NT$ 49,999,999				
NT$50,000,000～NT$ 99,999,999				
Over NT$100,000,000				
Total	14	14	14	14

3.2 Remuneration of President and Vice Presidents

Unit: 1,000 shares; NT$ thousands; 2017/12/31

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 1)				Total compensation (A+B+C+D) as a % of 2017 net income		Compensation Paid to Directors from an Invested Company other than NTC's Subsidiary
		From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC	Companies in the consolidated financial statements	From NTC		Companies in the consolidated financial statements		From NTC	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Pei-Ing Lee	21,411	21,411	216	216	0	0	32,500	0	32,500	0	0.1344	0.1344	0
Senior Vice President	Lin-Chin Su													
Vice President	Joseph Wu (Note 2)													
Vice President	Rex Chuang (Note 2)													

Note 1: The amount of employee compensation is estimated.

Note 2: Mr. Joseph Wu and Rex Chuang, two of NTC's former Assistant Vice Presidents, were promoted to Vice Presidents on December 20, 2017.

Table 3.2.1 Range of Remuneration of President and Vice Presidents

Range of compensation	Name of President and Vice Presidents	
	From NTC	Companies in the consolidated financial statements
Under NT$ 2,000,000		
NT$ 2,000,000～NT$ 4,999,999		
NT$ 5,000,000～NT$ 9,999,999	Joseph Wu, Rex Chuang	Joseph Wu, Rex Chuang
NT$10,000,000～NT$ 14,999,999	Lin-Chin Su	Lin-Chin Su
NT$15,000,000～NT$ 29,999,999	Pei-Ing Lee	Pei-Ing Lee
NT$30,000,000～NT$ 49,999,999		
NT$50,000,000～NT$ 99,999,999		
Over NT$100,000,000		
Total	4	4

3.2.2 Employee Compensation of Executive Officers

Unit: NT$ thousands; 2017/12/31

Title	Name	Employee Compensation -in Stock (Note 1)	Employee Compensation -in Cash (Note 1)	Total	Total Employee Compensation as a % of 2017 Net Income (Note 2)
President	Pei-Ing Lee	0	75,060	75,060	0.1863
Senior Vice President	Lin-Chin Su				
Vice President	Joseph Wu (Note 3)				
Vice President	Rex Chuang (Note 3)				
Assistant Vice President	Yau-Ming Chen				
Assistant Vice President	Wesley Chang				
Assistant Vice President	Chi-Meng Su				
Assistant Vice President	Mark Mao (Note 4)				
Assistant Vice President	Jengping Lin (Note 4)				
Assistant Vice President	Rex Chen (Note 4)				
Assistant Vice President	Chuan-Jen Chang (Note 4)				
Finance Officer	Philip Jao (Note 5)				
Accounting Officer	Hung-Chi Kuo				

Note 1: The amount of employee compensation is estimated.
Note 2: Net income is NTC's 2017 net income after tax.
Note 3: Mr. Joseph Wu and Rex Chuang, two of NTC's former Assistant Vice Presidents, were promoted to Vice Presidents on December 20, 2017.
Note 4: Mr. Mark Mao, Jengping Lin, Rex Chen, and Chuan-Jen Chang, four of NTC's former Senior Directors, were promoted to Assistant Vice Presidents on December 20, 2017.
Note 5: Mr. Philip Jao, one of NTC's Executive Administrators, was appointed the Finance Officer by NTC's Board of Directors on March 9, 2017.

3.3 Comparison and description of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents.

(1) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, President and Vice Presidents of the Company, to the net income.

Unit: %

Year / Title	2017	2016
Director (Note)	0.1004	0. 1069
President and Vice President	0.1344	0.084

Note: Remuneration for Directors includes compensation received by a Director who is an employee of NTC.

Description:

A. The reduction in the compensation percentages of NTC's Directors resulted from the increase in 2017 net income as compared to 2016.

B. The increase in the compensation percentages of NTC's President and Vice President resulted from the increase of employee compensation and of the number of Vice Presidents in 2017 as compared to 2016.

(2) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

A. NTC's Independent Directors receives base compensation monthly, and traffic fares based on attendances of Board meetings.

B. The remuneration of NTC's Directors is determined in accordance with Article 16 of NTC's Articles of Incorporation, which stipulates that: "The Board of Directors is authorized to determine the compensation for the Directors, according to their extent and value of the contribution provided for the Company and the common compensation standards of the same industry.", and traffic fares are based on attendances of Board meetings.

C. The remuneration of NTC's President and Vice Presidents is determined in accordance with NTC's Articles of Incorporation and Article 29 of Company Act, and their monthly base compensation is adjusted based on related standards every year.

D. NTC's Remuneration Committee reviews remuneration policies, standards, structures, systems, and adjustments for Directors and executive officers, and reports to NTC's Board for approval.

4. Implementation of Corporate Governance

4.1 Board of Directors' Meeting Status

A total of 6 meetings【A】of the board of directors were held in 2017. Director attendance status is shown as follows:

Tilte	Name	Attendance in person 【B】	By Proxy	Attendance rate in person (%) 【B/A】	Remark
Chairman	Nan Ya Plastics Corp. Rep.: Chia-Chau Wu	6	0	100	
Director	Wen-Yuan Wang	5	0	83.3	
Director	Ruei-Hua Wang	5	0	83.3	
Independent Director	Ching-Chyi Lai	6	0	100	
Independent Director	Shu-Po Hsu	4	2	66.7	
Independent Director	Tsai-Feng Hou	5	1	83.3	
Director	Pei-Ing Lee	6	0	100	
Director	Formosa Taffeta Co., Ltd. Rep.: Shih-Ming Hsieh	5	0	83.3	
Director	Nan Ya Plastics Corp. Rep.: Ming-Jen Tzou	6	0	100	
Director	Otto Chang	6	0	100	
Director	Nan Ya Plastics Corp. Rep.: Wen-Yao Wang	0	6	0	
Director	Nan Ya Plastics Corp. Rep.: Lin-Chin Su	6	0	100.0	
Chairman	Nan Ya Plastics Corp. Rep.: Chia-Chau Wu	6	0	100	
Director	Wen-Yuan Wang	5	0	83.3	

Independent Director attendance status in 2017 is shown as follows:

✓: Attendance in person; ◎: By Proxy; x: Absence

Name	2017.03.09 NO.1 in 2017	2017.05.12 NO.2 in 2017	2017.05.26 NO.3 in 2017	2017.08.11 NO.4 in 2017	2017.11.10 NO.5 in 2017	2017.12.22 NO.6 in 2017
Qiang-Chi Lai	✓	✓	✓	✓	✓	✓
Shu-Po Hsu	✓	◎	✓	✓	◎	✓
Tsai-Feng Hou	✓	✓	✓	✓	✓	◎

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.: N/A.

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.: None.

2. Implementation of Directors Avoiding Conflict of Interests towards Resolution:

(1) Name: Chia-Chau Wu, Wen-Yuan Wang, Ming-Jen Tzou, Wen-Yao Wang (Lin-Chin Sus by proxy), Lin-Chin Su
Resolutions adopted: The first time of board meeting on March 9, 2017. To acquire facilities from related party Nanya Plastics Corp.
Causes of interest conflict Avoidance and Voting status: The above Directors were the chairman, executive Director or Director of Nanya Plastics Corp., so they should avoid the discussion and did not participate in the vote.

(2) Name: Pei-Ing Lee, Lin-Chin Su
Resolutions adopted: The first time of board meeting on March 9, 2017. To approve the employees' compensation of executive officers for 2016.
Causes of interest conflict Avoidance and Voting status: Directors above were the captioned interested party, so they should avoid the discussion and did not participate in the vote.

(3) Name: Chia-Chau Wu, Wen-Yuan Wang
Resolutions adopted: The second time of board meeting on May 12, 2017. To approve the donation of NT$1,113,000 to Ming Chi University of Technology.
Causes of interest conflict Avoidance and Voting status: The above Directors were the Director of Ming Chi University of Technology, so they should avoid the discussion and did not participate in the vote.
(4) Name: Pei-Ing Lee, Lin-Chin Su
Resolutions adopted: The second time of board meeting on May 12, 2017. To approve the special bouns of executive officers.
Causes of interest conflict Avoidance and Voting status: The above Directors were the captioned interested party, s so they should avoid the discussion and did not participate in the vote.
(5) Name: Chia-Chau Wu, Wen-Yuan Wang
Resolutions adopted: The fourth time of board meeting on August 11, 2017. To acquire facilities from related party Formosa Technology Corp.
Causes of interest conflict Avoidance and Voting status: The above Directors were the Director of Formosa Technology Inc., so they should avoid the discussion and did not participate in the vote.
(6) Name: Pei-Ing Lee
Resolutions adopted: The fourth time of board meeting on August 11, 2017. To increase the investment of NTC's Subsidiaries Pei-Jen Co., Ltd.
Causes of interest conflict Avoidance and Voting status: The above Directors were the chairman of Pei-Jen Co., Ltd., so they should avoid the discussion and did not participate in the vote.
(7) Name: Pei-Ing Lee, Lin-Chin Su
Resolutions adopted: The fourth time of board meeting on August 11, 2017. To approve the salary increment of executive officers.
Causes of interest conflict Avoidance and Voting status: The above Directors were the captioned interested party, so they should avoid the discussion and did not participate in the vote.
3. Measures taken to strengthen the functionality of the Board:
(1) The functions of the Board of Directors of the Company are sound and sufficient, meeting the current requirements of the Company's corporate governance.
(2) The Company has elected independent directors to improve its supervisory function and strengthen its management function for the implementation of corporate governance.
(3) In accordance with the provisions of the securities regulatory authority, the Company passed the resolution of the Board of Directors on 28 September, 2011 and set up the Remuneration Committee.

(4) In accordance with the provisions of the securities regulatory authority, the Company passed the resolution of the Board of Directors on 22 June, 2016 and set up the Audit Committee to submit the resolutions of the Board of Directors to the implementation of corporate governance.

4.2 Audit Committee Meeting Status

A total of 4 meetings【A】of Audit Committee were held in 2017. The attendance of the independent directors was as follows:

Title	Name	Attend in person 【B】	Commissioned times	Attendance rate in person (%) 【B/A】	Remark
Convener	Ching-Chyi Lai	4	0	100	-
Supervisor	Shu-Po Hsu	2	2	50	-
Supervisor	Tsai-Feng Hou	4	0	100	-

Other annotations:

1. The operation of the Audit Committee shall, if any of the following circumstances, specify the date of the Board, date, contents, results of the Audit Committee resolutions and the handling of the opinions of the Audit Committee as below:
(1) The matters listed in Article 14.5 of the Securities Exchange Act.
(2) Except previous matters, the other approved by the Audit Committee, and by more than two-thirds of all directors agreed to the matter.

Board of Director	Content	Article 14-5 of Securities and Exchange Act	The other approved by the Audit Committee, and by more than two-thirds of all directors agreed to the matter
2017.03.09 NO.1 in 2017	1. To approve the financial statements of the Company for 2016. 2. To amend the "Procedure of Acquisition or Disposal of Assets" of the Company. 3. To approve "Internal Control System Statement" of the Company. 4. To acquire facilities from related party Nanya Plastics Corp. 5. To appoint Philip Jao as the financial officer of the Company.	✓	
	Audit Committee Resolution on March 9,2017：All attendents agreed to pass. The Company's handling of the opinions of the Audit Committee：Except the fourth case which some Directors should avoid(Please refer to .Implementation of Directors Avoiding Conflict of Interests towards Resolution) and the fifth case which the financial officer was the captioned interested party , the remaining Directors have agreed to pass.		
2017.05.12 NO.2 in 2017	1. To amend the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company's stock affair department. 2. To approve the donation of NT$1,113,000 to Ming Chi University of Technology.	✓	
	Audit Committee Resolution on May 12, 2017：All attendents agreed to pass. The Company's handling of the opinions of the Audit Committee：Except the second case, some Directors should avoid(Please refer to .Implementation of Directors Avoiding Conflict of Interests towards Resolution), the remaining Directors have agreed to pass.		
2017.08.11 NO.4 in 2017	1. To approve the financial statements of the Company for the second quarter of 2017. 2. To amend the "Handling Procedures to Engage in the Derivative Transaction of Products" of the Company. 3. To acquire facilities from related party Formosa Technology Corp. 4. To increase the investment of NTC's Subsidiaries Pei-Jen Co., Ltd..	✓	
	Audit Committee Resolution on August 11, 2017：All attendents agreed to pass. The Company's handling of the opinions of the Audit Committee：Except the third and fourth case, some Directors should avoid(Please refer to .Implementation of Directors Avoiding Conflict of Interests towards Resolution), the remaining Directors have agreed to pass.		
2017.11.10 NO.5 in 2017	To amend the "Charter of the Audit Committee" of the Company.	✓	
	Audit Committee Resolution on November 10, 2017：All attendents agreed to pass. The Company's handling of the opinions of the Audit Committee：All Directors have agreed to pass.		

3. Supervisors' Opinions Expressed in Board Meetings: None.
4. The communication between the Independent Director, internal audit officer of the Company's and CPA. (including major matters, methods and results of communication on the Company's financial and business conditions)
   (1) The communication between the Independent Directors and the internal audit officer of the Company's
   A. The amendment of the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company shall be subject to the approval of the Audit Committee and shall be submitted to the Board of Directors for a resolution.
   B. The "Internal Control System Statement" of the Company shall be subject to the approval of the Audit Committee and shall be submitted to the Board of Directors for a resolution.
   C. The audit office of the Company regularly submits the internal audit report to the Independent Directors for review.
   D. The Independent Directors and the internal audit officer shall communicate on the internal audit execution status and internal control operation status of the company at least once a quarterly regular meeting. In addition to the audit report on the status of correction of defects and irregularities of internal control systems, the report shall be continued and follow up reminders to determine relevant units to take appropriate improvement measures in time.

(2) The communication between the Independent Directors and the CPA

A. The Audit Committee of the Company is composed of all Independent Directors, the CPA has presented the findings or the comments for the financial reports and the impact of the amendment of the relevant laws and regulations.

B. The Independent Directors could contact CPA directly by case.

(3) The summary of the communication between the independent director, the internal audit officer of the Company's and CPA in 2017

Date	Meeting	Object	Content	Result
2017.03.01	Pre-meeting	internal audit officer	1. To report the Company's internal report for the fourth quarter of 2016. 2. To approve "Internal Control System Statement" of the Company.	Well
2017.03.09	Audit Committee	CPA	To present the comments for the financial reports in 2016.	Well
2017.03.09	Audit Committee	internal audit officer	To approve "Internal Control System Statement" of the Company.	To submit to the Board of Directors for a resolution
2017.03.09	Board of Director	internal audit officer	To report the Company's internal report for the fourth quarter of 2016.	Noted
2017.05.03	Pre-meeting	internal audit officer	1. To report the Company's internal report for the first quarter of 2017. 2. To amend the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company's stock affair department.	Well
2017.05.12	Audit Committee	CPA	To present the comments for the financial reports of the first quarter of 2017.	Well
2017.05.12	Audit Committee	internal audit officer	To amend the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company's stock affair department.	To submit to the Board of Directors for a resolution
2017.05.12	Board of Director	internal audit officer	To report the Company's internal report for the first quarter of 2017.	Noted
2017.05.22	Pre-meeting	internal audit officer	To report the status of correction of defects and irregularities of internal control systems for 2016.	Well
2017.05.26	Board of Director	internal audit officer	To report the status of correction of defects and irregularities of internal control systems for 2016.	Noted
2017.08.02	Pre-meeting	internal audit officer	To report the Company's internal report for the second quarter of 2017.	Well
2017.08.11	Audit Committee	CPA	To present the comments for the financial reports of the second quarter of 2017.	Well
2017.08.11	Board of Director	internal audit officer	To report the Company's internal report for the second quarter of 2017.	Noted
2017.10.30	Pre-meeting	internal audit officer	To report the Company's internal report for the third quarter of 2017.	Well
2017.11.10	Audit Committee	CPA	To present the comments for the financial reports of the third quarter of 2017.	Well
2017.11.10	Board of Director	internal audit officer	To report the Company's internal report for the third quarter of 2017.	Noted
2017.12.11	Pre-meeting	internal audit officer	1. To report the Company's internal report in October and November for 2017. 2. To approve the Company's internal audit plan in 2018	Well
2017.12.22	Board of Director	internal audit officer	To report the Company's internal report in October and November for 2017	Noted
2017.12.22	Board of Director	internal audit officer	To approve the Company's internal audit plan in 2018	Approved by the Board of Directors

4.3 Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(1) Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	✓		The Board of the Company approved the establishment of the "Nanya Corporate Governance Principles" of the Company in the Board meeting dated November 10, 2014, which is available in NTC's website.	None
(2) Ownership structure and shareholders' equity A. Does the Company adopt internal procedures for appropriate handling shareholders' suggestions, doubts, disputes and litigation matters, and implementation in accordance with procedures?	✓		a. The Company has designated a spokesman and deputy spokesman, and established the investor relationship department to handle shareholders' suggestions and complaints.	None
B. Does the Company monitoring the status of major shareholders with control over the Company and their ultimate control persons?	✓		b. The Company has kept monitoring the changes in shareholdings of Directors, Supervisors, Managerial Officers and shareholders with more than 5% of total outstanding shares. The required information has been disclosed monthly on MOPS as per SFB's regulation about more than 10% of total outstanding shares.	
C.Does the Company set up and execute the risk management and firewall between the Company and its affiliates?	✓		c. Company has separated its personnel and property definitely from other affiliates without any abnormal transactions. All transactions with affiliated companies are conducted on a legitimate basis and at arm's length. For banks, customers, and suppliers, we make a comprehensive risk arrangement through checking from computer and stop paying if any problems from same supplier.	
D. Does the Company establish internal rules prohibiting Company insiders from trading securities using information not disclosed to the market?	✓		d. The Company's insiders have signed respective declarations, indicating their knowledge and willingness to follow the relevant laws and regulations on insider trading. The Company has the internal restrictions with the prohibiting insiders from making their own illegitimate profits based on the company's non-public information.	

<table>
<tr><th rowspan="2">Assessment item</th><th colspan="2">Implementation status</th><th rowspan="2">Non-implementation and its reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>(3) Composition and duties of the Board of Directors

A. Does the Company set up the various policies for the composition of Board of Directors, and to implement the policies?

B. Does the Company establish other functional committee voluntarily, besides the remuneration committee and audit committee?

C. Does the Company set up its evaluation standard for Board of Director performance, and to perform its evaluation regularly?

D. Does the Company evaluate the independence and suitability of the CPA regularly?</td><td>✓

✓</td><td>

✓

✓</td><td>a. The Directors of the Company possess various professional specialties and substantial experiences, there are currently 2 female directors, directors of the qualifications, gender, professional qualifications and work experience, please refer to the corporate governance report 2. Directors and Management Team. Independent directors, are in compliance with the Code of Practice for Independent Directors of FSC. For each director, please refer to the Participation and Corporate Governance Report (I) Director's Information for academic qualifications, gender, professional qualifications and work experience.
<table>
<tr><th>Title</th><th>Name</th><th>gender</th><th>Management</th><th>Leadership decision</th><th>Industry knowledge</th><th>International outlook</th><th>Accounting Analysis</th></tr>
<tr><td>chairman</td><td>Chia-Chau Wu</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Wen-Yuan Wang</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Ruei-Hua Wang</td><td>female</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Independent Director.</td><td>Ching-Chyi Lai</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Independent Director</td><td>Shu-Po Hsu</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Independent Director</td><td>Tsai-Feng Hou</td><td>female</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Pei-Ing Lee</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Shih-Ming Hsieh</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Ming-Jen Tzou</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Otto Chang</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Wen-Yao Wang</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>director</td><td>Lin-Chin Su</td><td>male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
</table>
b. NTC has established remuneration committee that approved by the Board of Directors on Aug. 26, 2011. In addition to establish the audit committee and approved by the Board of Directors on June. 22, 2016.The company has not established other functional committees.
c. The Company has not set its evaluation standard on its BoD performance.
d. The Company regularly evaluates the independence and qualification of external auditors annually, and asks the auditing CPA to provide the related information based on the evaluated index.It’s reported the evaluation result to the BoD on Feb. 26, 2018.</td><td>None</td></tr>
</table>

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(4) Have the listed and OTC Company setup the Corporate Governance department or someone to deal with corporate governance related matters?	✓		The general manager's office of the Company is responsible for the related matters of corporate governance. The General Management Office assisted with, including the provision of information required by the directors to carry out the business, the matters relating to the meetings of the board of directors and the shareholders 'meeting, the production of the board of directors and the shareholders', company registration and change registration. In order to strengthen the company's sustainable management, special units have been set up to enhance corporate social responsibility and risk management operations since 2018.	None
(5) Does the Company build channels of communication with its stakeholders and establish a designated section for stakeholders on the Company website to respond stakeholders' CSR concerns?	✓		The Company will comply with relevant regulations to establish a designated section for stakeholders on the company website to maintain good communication with our stakeholders. Stakeholders and investors can communicate with the company by telephone, letters, facsimile, and e-mails at any time if needed.NTC responds to stakeholders' concerns at the appropriate time through the following channels: a. Shareholder: The general shareholders can learn about the company's operations through the annual shareholders' meetings and annual reports. They can usually be queried by telephone or email. For corporate shareholders, there are quarterly legal briefings and global conference calls, participation in investment seminars at home and abroad, participation in brokers' forums for unscheduled investors, telephone interviews, or visits. b. Employee: Issues such as workplace safety, employee benefits, human rights protection, and employment relationships include corporate announcements, human resources service representatives, and regular meetings (such as the general manager's meal narration, staff meetings, production department TA season meeting). A variety of education and training, irregular communication meetings, employee relations department channels of communication, suggestion boxes, company publications, electronic platforms, questionnaires (such as education and training satisfaction, catering satisfaction) and other channels to communicate with employees. c. Client: Respond to customer-focused product quality, after-sales service and other issues by visiting customers, customer meetings, maintenance services, dealer meetings, regular technical support, customer education and training, and customer satisfaction surveys. In addition, the website lists the sales service line and e-mail address, and handles customer complaints through the "customer opinion response form" and "customer complaint processing form". d. Supplier: The company upholds the spirit of sustainable development and adheres to the principle of fair trade. It strives to require the compliance of manufacturers with environmental protection, work safety, and human rights standards. It conducts public tendering through the Formosa Plastics Network electronic trading platform procurement contracting system, and regularly organizes company briefing sessions to strengthen the two-way Communication and advocacy.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
			In addition, it provides an instant supplier information platform, regular face-to-face review reports or meetings, supplier surveys, audits and guidance, and supplier delivery stability and quality assessment. e. Government: Communication channels, correspondence, regulatory briefings, company financial reports, relevant information required by competent authorities and regulations, and communication with the competent authorities through the industrial parks, computer associations, etc. f. Community: Through the announcement on the website of the company to inform the community and the establishment of society within the company to participate in community volunteer activities, launching donation activities to participate after the disaster. There is a reflection mailbox (audit@ntc.com.tw) to provide communication channels for community residents and the factory has a management office to govern and communicate with the community. g. Media: Communication methods, press releases, quarterly press conferences, company official website, and interviews with speakers.	None
(6) Does the Company appoint a professional stock agency to deal the shareholders affairs?		✓	The Company has its own in-house stock affair department to handle shareholding affairs.	
(7) Information disclosure A. Does the Company establish a corporate website to disclose information regarding the Company's financials, operation and corporate governance	✓		a.The Company has disclosed information regarding the Company's financials, operation and corporate governance on its corporate website at www.nanya.com	None
B. Does the Company adopt other disclosure methods(i.e. setting of English website, appointed personnel responsible for information gathering and disclosing, implement of spokesperson system, and uploading the materials of investor conferences on website)	✓		b. The Company has designated dedicated responsible personnel to gather and disclose the Company’s information and implemented a spokesperson system. The Company has also disclosed information in English and uploaded the materials of investor conference and relating CSR report and business magazine on its corporate website.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(8) Does the Company have any other helpful information regarding corporate governance (i.e. the interest and care of employees, investor relations, relationship with vendors, stakeholders' rights, attendance of training courses by Directors and Supervisors, the implementation status for a risk management policy and risk measurement, the implementation status of protection for consumers or customers and liability insurance for Directors and Supervisors with respect to their liabilities resulting from exercising their duties) ?			a. The Company keeps good relationships with employees and pay attention for rights of expressing opinions and suggestions. We set boxes for employees to provide their opinions at the entry of working place and through computer system as well. All are replied by designated person and we make policy of abnormal event arrangement to the protection. In the same time, Unions hold supervisory board and labour conference regularly and department head should attend the meeting and communicate with others. b. The company makes budget plan available to take care of employees' health inspection and relating examination to enhance own body. On the part of diet, we make health regulations to exam the source, people, storage, usage and clearance to protect employee's health and safety. c. The company has stock affairs department as a channel with stockholders and also provide investor section on website。We take part in investment forum held by foreign broker and hold seminars with domestic and foreign periodically. d. The rule of Purchasing activities of the company is creating a fair and competitive environment and seeking for qualified vendors to coordinate with each department by reasonable price, material, equipment and engineering. e. The company keeps going on own business and performance and achieve mission of caring employees, customer service, and reward shareholder. We also improve competitiveness internationally, create shareholder equity, supply stable product line, and attribute to social responsibilities.	None

<table>
<tr><th rowspan="2">Assessment item</th><th colspan="3">Implementation status</th><th rowspan="2">Non-implementation and its reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>f. Advanced studies of Directors and supervisors：
<table>
<tr><th>Name</th><th>Course time</th><th>program</th><th>organizer</th><th>hours</th></tr>
<tr><td>Wen-Yuan Wang
Susan Wang
Chia-Chau Wu
Tsai-Feng Hou
Shih-Ming Hsie
Ming-Jen Tzou
Otto Chang
Wen-Yao Wang
Lin-Chin Su</td><td>2017.11.17</td><td>From Big Data to Artificial Intelligence</td><td>Securities and Futures Institute</td><td rowspan="2">6</td></tr>
<tr><td>From Ethics to Getting Rich - The Insights of Insider Trading</td><td>Dharma Drum Mountain Humanities and Social Improvement Foundation</td></tr>
<tr><td rowspan="2">Pei-Ing Lee</td><td>2017.11.09</td><td>Case Study on the Fraud in Corporate Financial Statements</td><td>Securities and Futures Institute</td><td rowspan="2">6</td></tr>
<tr><td>2017.11.23</td><td>Discovering the Opportunities in Sustainability from SDGs</td><td>Taiwan Institute for Sustainable Energy Center for Corporate Sustainability</td></tr>
<tr><td rowspan="3">Ching-Chyi Lai</td><td>2017.04.07</td><td>2017 Insider Trading and Corporate Social Responsibility Forum</td><td rowspan="2">Securities and Futures Institute</td><td rowspan="3">9</td></tr>
<tr><td rowspan="2">2017.11.17</td><td>From Big Data to Artificial Intelligence</td></tr>
<tr><td>From Ethics to Getting Rich - The Insights of Insider Trading</td><td>Dharma Drum Mountain Humanities and Social Improvement Foundation</td></tr>
<tr><td rowspan="2">Shu-Po Hsu</td><td>2017.04.07</td><td>2017 Insider Trading and Corporate Social Responsibility Forum</td><td>Securities and Futures Institute</td><td rowspan="2">6</td></tr>
<tr><td>2017.08.14</td><td>How Directors and Supervisors Assist the Companies to Handle Risks and Crisis</td><td>Taiwan Corporate Governance Association</td></tr>
</table>
g. Risk management policies and measurement:
(a) The company's risk management steering committee is the highest decision-making unit for risk management and bears the ultimate responsibility for the operation of the company's risk management system. The steering committee is chaired by the president and is responsible for formulating risk management policies, structure, and organizational functions.</td><td>None</td></tr>
</table>

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
			(b) The steering committee will meet quarterly to review the performance of risk management operations and operational continuity plans of each functioning committee to ensure the suitability, relevance and effectiveness of its ongoing operations. The risk management steering committee has set up five risk management committees for operations, safety, legal affairs, finance, and security, in accordance with the company's operational goals. Each committee, in addition to collecting internal and external environmental risk information and performing daily risk monitoring, the risk level is assessed according to the assessed items, timely improvement measures are taken, and the executive results are reported to senior managers quarterly. (c) The continuous process of risk management is as follows: background data collection → risk analysis → operational impact analysis → confirmation of control mechanisms and setting of regulatory indicators → risk assessment → prevention and improvement measures → selection of recovery plan and strategy. (d) Emergency response mechanism and measures: The company has a complete set of operational norms and methods for handling emergency anomalies, covering manufacturing, supply chain and warehousing, information security, human resources and other aspects, and established related specifications for project update and operational continuity plan in the year of 2017(BCP/BCM), make it more complete and in line with the practice in the factory. Through the pre-sufficient plan, can immediately take response measures in the event of an emergency, mitigate the impact of the incident and quickly recover, ensure the normal operation to meet client needs. For example, raw material shortage, affecting 10% of output (such as earthquakes, typhoons, toxic gases, fire alarms, labor shortages, etc.), abnormal utilities systems, abnormal automation systems, abnormal outsourcing capacity, and large number of customer returns, all have specific treatment steps and improvement measures. In addition, the emergency response to personnel safety, such as fire alarm, gas leakage, leakage, odor, earthquake and radiation leakage, emergency response measures, notification procedures and command systems are all in accordance with safety and hygiene relevant regulations and drilled regularly. (e) Risk management education and training: In addition to the board members attending the risk management courses be held by the government approved agencies annually, the company internally compiles risk management materials, assigns employees to read to improve risk awareness, and encourages proposals to explore potential risks, and all employees completed training is the target of the year of 2018. The company also implements the spirit of risk management in daily management. For example, various standard operating practices and various types of management functions regularly perform self-inspection operations to identify potential risks as early as possible for prevention and improvement.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
			(f) Risk culture construction: In order to raise the awareness of risk among all employees and build a risk culture, two executive directors (president and senior vice president) will serve as chairpersons and deputy chairmen of the risk management steering committee to establish a consensus of the management hierarchy, enhance the operation of risk management organizations, and review annually the implementation of annual risk management performance and emerging risks in the future. In addition, a variety of incentives are provided to encourage employee proposals and stimulate peers to think innovatively to explore potential risks. To provide peers with immediate response by setting up 24-hour instant case report system, the information security line, employee feedback mechanisms etc., meanwhile, through TV walls, posters, and computer wallpapers to propagate the risk management culture and makes it deep-rooted among all employees. (g) In the year of 2017, the company had 356 risk projects submitted by the risk management committees. According to statistics, 5 items need to be improved immediately, 20 items will be improved depending on situation, 166 items are acceptable level, and 165 items are no actions required. The major high risks were information security and protection, power supply, wafer supply, and exchange rate changes. Due to the strategy was continuously implemented, the current level of those items has been re-classed to acceptable level or lower, meanwhile, long-term management planning and crisis management mechanisms were established. (h) In order to achieve the business objectives of sustainable development, the company established a dedicated risk management department in the year of 2018 to assist the risk management steering committee in promoting related activities, formulate management guidelines, supervise the operation of committees to implement risk monitoring, and plan regular reports to the board of directors. h. Implementation of Customer Policy: (a) Customer royalty will be helpful to expand the business scope and strengthen the good partnership with customers. Creating quality service is one of the core values of the company. The company's goal is to maintain its service in leading position among DRAM manufacturers, and believes that maintaining the aforementioned service objectives and attitudes will help to enhance the existing customer relationship and establish a reputation in the industry, which will be beneficial to attracting new customers. (b) Product design and test verification stage: In order to reinforce the efficiency and frequency of customer service and to have a closer relationship with customers, the Market Application Division, from headquarter, provides customers' technical solutions in various regions including Taiwan, mainland China, Southeast Asia, Europe, America, Japan and South Korea. We provide technical support and assist in solving the problems faced by the customer's engineering staff in design and testing.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
			In addition, the company's high-efficiency, intensive, and high-quality customer platform parameter measurement services help customers understand the characteristics of their product platforms, greatly accelerate the development and verification cycle of new client products, reduce investment risks, and assist terminals. Real-time input into demand market. (c) Production and sales stage：The company's business staff continuously communicates with the customer through the weekly feedback of the customer's future demand forecast. The company's production and sales system converts into a production plan after the head office aggregates the needs of global business feedback. According to weekly feedback from business staff, it is continuously adjusted to facilitate production to meet customer needs. To ensure that product shipments can meet customer needs, the company cooperates with several of the world's top international express delivery companies to select the most appropriate delivery company based on customer area and delivery efficiency. (d) After-sales service stage: When the customer feedbacks the product problem, the market application engineering department from headquarters will contact and assist the customer in the shortest time to solve the problem; if further analysis is required, the company's quality and engineering department will step in to clarify the problem and provide solutions to help customers to resume production as soon as possible. In addition, the headquarters market application engineering department will also take the initiative to visit customers regularly or conduct technical discussion meetings at the request of customers to assist them in resolving problems related to DRAM usage. (e) Customer privacy protection: The customer is an important partner of the company. Therefore, the customer's privacy and confidential information are classified as confidential information. In order to ensure the protection of confidential information, the company has established "company confidentiality management regulation" for employees to follow when dealing with customers' information. The company will also regularly conduct advocacy and audits to enhance the awareness and ability of all employees in the process of classifying and handling confidential information. In addition, only authorized workers have the access to read customers' information stored into the document control center. If customers have any concerns or facts concerning leakage of information, they can also file a complaint through the company's report box. Their email address is forcibly printed on each employee's business card. The customer can be obtained from the company's employee's business card.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
			(f) Customer Satisfaction: The company conducts a comprehensive customer satisfaction survey every year for direct transactions and uses a customer satisfaction electronic system to send questionnaires. The survey includes "products," "delivery," "quality," and "technical services." For the low-satisfaction items, the relevant departments are responsible for reviewing the improvement measures, and presenting the results of the customer satisfaction survey at the top management meeting. The business staff then will feedback the improvements to customers. To better understand our customers' needs in an equitable and objective way, survey to end customers will be conducted in 2018, using the Internet or interviews by neutral third-party consultancy companies. The average score will decline slightly due to the increasing numbers of our customer and will continue to work hard to increase customer satisfaction. In addition to customer satisfaction surveys, the company's service team also conducts business reviews with its customers on a quarterly basis, and can maintain close contact with customers to provide better services. The company focus on both internal process quality improvement and external customer satisfaction. Whether internal or external, it uses the PDCA (Plan→ Do→ Check→ Action) management cycle approach to apply to various indicators to reach an unity direction and mutual goal. i. Case where the company purchased liability insurance for directors: NTC has insurance coverage for all directors, please refer to MOPS.	

(9) Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the Taiwan Stock Exchange Co., Ltd. and provide priority measures and measures for those who have not yet improved.

The Stock Exchange's Corporate Governance Center released the results of the fourth corporate governance assessment in April, 2017. NTC listed the top 20% of the listed companies and improved the Company's assessment of the fourth corporate governance priority to improve the response measures, as follows:

a. The Company released its annual financial report of Y2017 on February.26, 2018.
b. The company established "Human Rights Protection Policy" in April 2018.

4.4 Composition, Responsibilities and Operations of NTC's Remuneration Committee

Table 4.4.1 Professional Qualifications and Independence Analysis of Remuneration Committee

2018.03.26

Title	Criteria / Name	Meet the following professional qualification requirements, together with at least five years work experience			Independence (Note)								Number of other public companies concurrently serving as a member of remuneration committee
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, accounting, or otherwise necessary for the business needs of the Company	A	B	C	D	E	F	G	H	
Independent Director	Ching-Chyi Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Independent Director	Shu-Po Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Independent Director	Tsai-Feng Hou			✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note：Tick "✓" in the appropriate corresponding boxes if Board Directors and Supervisors qualify the following conditions during the two years before being elected or during the term of office:

A. Not an employee of the Company or an affiliated Company.
B. Not a director and supervisor of the Company or an affiliated Company (The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares.)
C. Not an individual shareholder holding 1% or more than 1% of the total issued shares of the Company, including his or her spouse, minor children or a person holding such shares on behalf of him or her, or not one of the top 10 individual shareholders of the Company.
D. Not a spouse, a relative within second-degree of kinship or a relative within third-degree of consanguinity of the persons referred to in the previous three paragraphs;
E. Not a director, supervisor or employee of the institutional shareholder directly holding 5% or more than 5% of the total stocks issued by the Company; or not a director, supervisor or employee of one of the top five institutional shareholders of the Company.
F. Not a director, supervisor, manager of, or a shareholder holding 5% or more of the total stocks issued by any specified Company or institution engaging in financial or business dealings with the Company.
G. Not a professional, the owner, partner, director, supervisor, manager or the spouse of the aforesaid persons of a solely-owned business, partnership, Company or institution that has provided financial, business, legal or other services and consultation to the Company or its affiliated companies.
H. No circumstances set forth in the subparagraphs of Article 30 of the Company Law.

Table 4.4.2 Remuneration Committee Meeting Status

(1) There were 3 members of NTC's Remuneration Committee.

(2) There were 3 meetings【A】of the remuneration committee convened in 2017. The attendance status is shown as follows:

Title	Name	Attend in person	By proxy	Attendance rate in person (%)	Remark
Convener	Shu-Po Hsu	2	1	66.7	
Committee Member	Ching-Chyi Lai	3	0	100	
Committee Member	Tsai-Feng Hou	3	0	100	

4.5 Implementation Status of Corporate Social Responsibility

For the Company's corporate social responsibility implementation status, please refer to "NANYA Corporate Social Responsibility Report" on the company's website: (http://www.nanya.com/tw/Csr)

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(1) Exercising Corporate Governance				
A. Does the Company declare its CSR policy, system or relevant management guidelines and review the results of the implementation?	✓		Please refer to "Chapter 1 Sustainable Communication and Governance" of NANYA CSR Report.	None
B. Does the Company organize education and training on the implementation of CSR initiatives on a regular basis?	✓		The company organizes training and promotion in respect of social responsibility on a regular basis, such as employee code of conduct, information security guideline, sexual harassment prevention, and encourages employees to participate in the related activities.	
C. Does the Company establish an exclusively (or concurrently) dedicated unit to be in charge of CSR and appoint executive-level positions by the board of directors with responsibility for CSR issues, and to report the status of the handling to the board of directors?	✓		Please refer to "1.2 Sustainable Management Mechanism" of NANYA CSR Report	
D. Does the Company adopt reasonable remuneration policies and combine the employee performance evaluation system with CSR policies, and that a clear and effective incentive and discipline system be established?	✓		Please refer to "Chapter 5 - Building Together A Healthy and Happy Workplace" of NANYA CSR Report	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(2) Fostering a Sustainable Environment				
A. Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		Please refer to "4.2 Eco-friendly Products" of NTC CSR Report.	None
B. Does the Company establish proper environment management systems based on the characteristics of their industries?	✓		Please refer to "4.3 Environmental sustainability management" of NTC CSR Report.	
C. Does the Company monitor the impact of climate change on their operations and establish Company strategies for energy conservation, carbon and greenhouse gas reduction?	✓		Please refer to "4.4 Climate Change Management" of NTC CSR Report.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(3) Preserving Public Welfare				
A. Does the Company comply with relevant laws and regulations, and the International Bill of Human Rights and adopt relevant management policies and procedure?	✓		Please refer to "1.4 Corporate Governance" of NTC CSR Report.	None
B. Does the Company provide an employee grievance mechanism and respond to any employee's grievance in an appropriate manner?	✓		Please refer to "1.4 Corporate Governance" of NTC CSR Report.	
C. Does the Company provide safe and healthful work environments for their employees and organize training on safety and health for their employees on a regular basis?	✓		Please refer to "5.3 Safe Workplace" of NTC CSR Report.	
D. Does the Company establish a platform to facilitate regular communication between the management and the employees and inform employees of operation changes that might have material impacts?	✓		Please refer to "5.2 Employee Remuneration and Benefits" of NTC CSR Report.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
E. Does the Company establish effective training programs to foster career skills?	✓		Please refer to "5.4 Talent Cultivation and Development" of NTC CSR Report.	None
F. Does the Company establish policies on consumer rights and interests and accept consumer complaints in the process of research and development, procurement, production, operations and services?	✓		Please refer to "2.3 Customer Relations Management" of NTC CSR Report.	
G. Does the Company follow relevant laws, regulations and international guidelines when marketing or labeling their products and service?	✓		Please refer to "2.3 Customer Relations Management" and "4.2 Eco-friendly Products" of NTC CSR Report.	
H. Does the Company assess whether there is any record of a supplier's impact on the environment and society prior to engaging in commercial dealings?	✓		Please refer to "Chapter 3 Working Together - Sustainable Supply Partners" of NTC CSR Report.	
I.Does the Company enter into a contract with any of its major suppliers including terms that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society?	✓		Please refer to "Chapter 3 Working Together - Sustainable Supply Partners" of NTC CSR Report.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(4) Enhancing Disclosure of CSR Information Does the Company fully disclose relevant and reliable information relating to their CSR initiatives on Company's website and MOPS website?	✓		The Company has established a designated section of "Corporate Social Responsibility Report" for stakeholders to download and refer to NTC CSR Report, as well as disclosing its CSR implementation status and related information on MOPS website. Website: http://www.nanya.com/tw/Csr	None
(5) If the Company has established its corporate social responsibility code of practice according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe the operational status and differences: The Company has established its corporate social responsibility policies and code of practice which comply with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies". For the implementation status, please refer to NTC CSR Report and our corporate social responsibility related information on our website: http://www.nanya.com				
(6) Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility: Please refer to NTC CSR Report and our corporate social responsibility related information on our website: http://www.nanya.com (7) If the Company's "Corporate Social Responsibility Report" has been verified against assurance standards of the relevant certification bodies, the Company shall describe: BSI (British Standards Institution) reviewed this report against AA 1000 Type II High Assurance Level and the GRI Standards. It also verified that this report is in accordance with the core option of the GRI Standards , and issued by the third party fair office-" British Standards Association (BSI)" to verify the principle of disclosure after the publication of the " GRI Standards Independent inspection opinion statement ".				

4.6 Implementation Status of Operational Integrity

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(1) Establishing the policies and external rams of ethical corporate management A. Does the Company clearly specify ethical corporate management policies, guidelines and the commitments of the board of directors and management team to implement the policies in its rules and external documents?	✓		a. At NTC we comply with laws and pursue our business objectives with integrity. “Integrity” is a major core value of the Company’s operational philosophies. NTC has established the Ethical Corporate Management Principles, the Code of Ethical Conduct and the Employee Code of Conduct to require those Directors, managers and each employee bears a heavy personal responsibility to uphold NTC’s ethics value. All details of the ethics policies and the measures that the Board and the management team take to ensure compliance are reported in our annual report and the Corporate Social Responsibility Report.	None
B. Does the Company establish relevant policies, including operational procedures, guidelines, disciplinary rules for violations and complaint channel, for preventing any unethical conduct? Does the Company implement the policies?	✓		b. NTC has established the Codes of Ethical Conduct and Employee Code of Conduct available on our internet for all employees understanding of the Company's resolve to implement ethical corporate management, the related policies, complaint channel, and the consequences of committing unethical conduct. In order to promote a culture of awareness, we require all employees to be trained periodically on our core values and passed the qualification.	
C. Does the Company adopt any prevention program for the items of the Article 7.2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or higher potential unethical conduct within other business activities?	✓		c. NTC has established the Codes of Ethical Conduct and Employee Code of Conduct. All employees shall follow this Employee Code of Conduct and act with integrity to ensure the relationships with our customers, shareholders, colleagues, suppliers and the communities, in which we live and work, are built on trust. The Company prohibits the employee to accept any improper gifts and entertainment. d. We also require our vendors to accept and abide by the same ethical standard that not to engage in any fraud or provide unethical conduct when dealing with us or our officers and employees.	
(2) Corporate conduct and ethics compliance practice A. Does the Company assess ethical records of business counterparties? Does the Company include business conduct and ethics related clauses in the business contracts?	✓		NTC requires our stakeholders such as our suppliers, vendors and other partners to accept and abide by the same ethical standard when dealing with NTC.	None

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
B. Does the Company set up dedicated unit under the board of directors in charge of promotion of the ethical corporate management and report the execution to the board of directors periodically?	✓		At NTC, under the General Manager's Office, is in charge of carrying out the ethical corporate management policies and reporting to the board of directors on a regular basis.	None
C. Does the Company establish policies to prevent conflicts of interest, provides appropriate communication channels and implement the policies?	✓		The Company promulgates policies of preventing conflicts of interests in the Codes of Ethical Conduct and Employee Code of Conduct to protect the Company's interests. We also require our vendors to accept and abide by the same ethical standard that not to engage in any fraud or provide unethical conduct when dealing with us or our officers and employees. We have established internal and external "Hotline "that employees or any relevant person may use to report any ethical irregularities.	
D. Does the Company establish effective accounting systems and internal control systems for the implementation of policies? Does the Company audit such execution and compliance by internal audit unit or entrusted CPA?	✓		The Company promulgates policies of preventing conflicts of interests in the Employee Code of Conduct to protect the Company's interests. We also require our vendors to accept and abide by the same ethical standard that not to engage in any fraud or provide unethical conduct when dealing with us or our officers and employees. We have established internal and external "Hotline "that employees or any relevant person may use to report any ethical irregularities.	
E. Does the Company periodically provide internal or external training courses of ethics corporate management?	✓		The Company sets up the effective accounting and internal control system. Connecting each operational function via comprehensive computerization to implement cross audit and abnormal management. The Company also forms the professional and independent framework of internal audit. Three levels of internal audit are implemented: Corp. Audit Department under the Board of Directors is responsible for level one internal audit; head Office is responsible for regular and special level two internal audit; Besides, on the basis of internal audit is the duty of whole employees, each department are requested to perform regular self-inspection of business activities to carry out level three internal audit. The Company provides new hire orientation and annual refreshed training to all employees for their understanding of the Company's resolve to implement ethical corporate management, the related policies, prevention program and the consequences of committing unethical conduct.	

Assessment item	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(3) The channels for reporting any ethical Irregularities A. Does the Company set up specific reporting and reward system, convenient reporting channel and assign appropriate and dedicated sponsor to handle the case? B. Does the Company establish standard operation procedures for the investigation and security mechanism? C. Does the Company adopt protection measures of non-retaliation?	✓ ✓ ✓		a. The Company has established internal and external "Hotline "to accept any accusation of unlawful or unethical conduct. An independent and dedicated unit is in charge of any investigation from Hotline, and keeps the reporter's identity and content of the report confidential. b. The Company has established internal and external "Hotline "to accept any accusation of unlawful or unethical conduct. An independent and dedicated unit is in charge of any investigation from Hotline, and keeps the reporter's identity and content of the report confidential. c.NTC will not tolerate threats or acts of retaliation against the informer. If the informer wishes, his/her report can be made anonymously: his/her name on the report will be replaced by one given tracking number. d.NTC has set up the "Report Method" in 2016. Our official website also set up a dedicated line and the mailbox, and have someone to deal with problems when employees, partners or customer have rights damage appeals.	None
(4) Enhancing disclosure of ethical corporate Does the Company disclose the content and the implement status? of the Ethical Corporate Management Policies on the Company's website and MOPS?	✓		NTC discloses the Ethical Corporate Management Policies and the relevant information in its' Annual Report which is available in NTC external website.	None
(5) For The Company which has established the policies of ethical corporate management based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", the Company shall elaborate on any departure from the principles: The Company has established the "Ethical Corporate Management Principles". We abide by to build up the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.				
(6) Other helpful information regarding ethical corporate management: The Company arrange directors and managers to take part in corporate governance course to enhance supervise and governance ability.				

4.7 NTC's Corporate Governance Guidelines and Regulations:

Please refer to Inotera website at http://www.nanya.com and the MOPS website at http://mops.twse.com.tw.

4.8 Other Important Corporate Governance Information

NTC published the "Corporate Social Responsibility Report" to unroll its strategies and related activities in terms of economic, governance, environmental and social aspects. With that, the Company strengthens the communication with employees, shareholders and all stakeholders, as well as demonstrates its efforts in continuous improvement. And the Company has established "Code of Ethical Conduct", please refer to the MOPS website at http://www.mops.twse.com.tw

4.9Implementation Status of the Internal Control System

(1) Internal Control System Statement

Nanya Technology Corp.

Internal Control System Statement

Date: 2018.2.26

The Company states the following with regard to its internal control system in 2017, based on the findings of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communications 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on 2017.12.31 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on 2018.2.26, where 0 of the 11 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nanya Technology Corp.

Chairman: Chia-Chau Wu

President: Pei-Ing Lee

(2) Audit report of internal control system reviewed by independent auditors: None

4.10 Reprimands on the Company and its Employees in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None

4.11 Major Resolutions of Shareholders' Meetings and Board Meetings:

Annual Shareholders' Meeting of May 26, 2017:

(1) Ratify the Business Report and Financial Statements for 2016

(2) Ratify the Proposal for Distribution of 2016 Profits

(3) The Amendment to the Articles of Incorporation of the Company

(4) The Amendments to the "Convention Rules and Procedures for Shareholders' Meeting" of the Company

(5) The Amendments to the "Procedure of Acquisition or Disposal of Assets" of the Company

(6) The Amendments to the "Handling Procedures to Engage in the Derivative Transaction of Products" of the Company

(7) The Amendments to "The Procedure of Loans of Funds to Others" of the Company

(8) The Amendments to "The Procedure of Making Endorsements or Guarantees" of the Company

Implementation Status:

(1) The 2017 Annual Shareholders' Meeting resolved to distribute cash dividends of NT$1.5 per share. The Board Meeting of May 26, 2017 approved ex-dividend record date on June 26, 2017 and payment date on July 14, 2017.

(2) The resolutions in 2017 Annual Shareholders' Meeting included the Amendment to the Articles of Incorporation of the Company was approved by the Ministry of Economic Affairs on June 7, 2017 to change the Company's registration. The Company disclosed it on Company's website.

(3) The resolutions in 2017 Annual Shareholders' Meeting included the Amendment to the "Convention Rules and Procedures for Shareholders' Meeting", "Procedure of Acquisition or Disposal of Assets", "Handling Procedures to Engage in the Derivative Transaction of Products", "The Procedure of Loans of Funds to Others" and "The Procedure of Making Endorsements or Guarantees" of the Company have been fully implemented in accordance with the resolutions.

Major Resolutions of Board Meetings in 2017:

(1) 2017.03.09 Convened the 2017 Annual Shareholders' Meeting and Approved the Proposal for Distribution of 2016 Profits.

(2) 2017.03.09 Approved Capital Expenditure Budget of NT$19.8 billion for the third Phase of 20nm Technology Conversion.

(3) 2017.05.26 Approved to dispose the shareholding of Micron Technology, Inc.

Major Resolutions of Board Meetings in 2018

(1) 2018.02.26 Convened the 2018 Annual Shareholders' Meeting and Approved the Proposal for Distribution of 2017 Profits.

(2) 2018.02.26 Approved to dispose the shareholding of PieceMakers Technology, Inc.

4.12 Major issues of record or written statements made by any directors or supervisors which specified his/her dissent to important resolutions passed by the Board of Directors in 2016, and as of the publication date of the Annual Report: None

4.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

2018.04.24

Title	Name	Date of appointed	Date of termination	Reasons for resignation or dismissal
Financial officer	Joseph Wu	2014.11.10	2017.03.09	Job adjustment

5. Information Regarding NTC's Audit Fees

5.1 Table of Audit Fees

Unit: NT$ thousands

Name of audit firm	CPA name	Audit fee	Non-audit fee					Audit period	Note
			System Design	Business registration	Human Resources	Other	Total		
KPMG Certified Public Accountants Firm	Delphi Chen	3,780	-	54	-	2,629	2,683	2017.1.1 ~ 2017.12.31	The "other" items of non-audit public funds are mainly related to the payment of the relevant final payment and transfer pricing report of overseas convertible bonds.
	Astor Kou							2017.1.1 ~ 2017.12.31	

5.2 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: None

5.3 Audit fee reduced more than 15% year over year: None

6. Replacement of Independent Auditors

6.1 About former accountant

Change date	2017.03.08		
Reason for replacement and description	internal job adjustment		
Note that the appointment or accountant terminates or does not accept the appointment	Party / situation	accountant	appointer
	Take the initiative to terminate the appointment	V	
	No longer accept (continue) appointment		

Comments and reasons for the issuance of unqualified opinions outside the latest two years	None	
The disagreement opinion with the issuer or not	Yes	Accounting principles or practices
		Disclosure of financial reports
		Check the scope or step
		other
	No	V
	Description	

6.2 About successor accountant

Office name	KPMG Certified Public Accountants Firm
Name of accountant	Delphi Chen, Astor Kou
Date of appointment	2017.03.08
Consultation matters of accounting Approach or accounting principles for specific transactions prior to appointment and advice on possible issuance of financial statements	None
Successful accountant's written opinion on the different opinions of the former accountant	None

7. The Company’s Chairman, President or Managers in charge of Finance or Accounting has been under Current Audit Firm or its Affiliates’ Employment in 2017: None

8. Changes in Shareholding

8.1 Change in Shareholding of Directors, Managers and Major Shareholders

Unit: shares

Title	Name	2017		As of March 26, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Corporate Director Major shareholder	Nan Ya Plastics Corporation	6	0	0	0
Chairman	Representative of Nan Ya Plastics Corp. Chia-Chau Wu	0	0	0	0
Director	Wen-Yuan Wang	0	0	0	0
Director	Susan Wang	0	0	0	0
Independent Director	Ching-Chyi Lai	0	0	0	0
Independent Director	Shu-Po Hsu	0	0	0	0
Independent Director	Tsai-Feng Hou	0	0	0	0
Director President	Pei-Ing Lee	0	0	0	0
Corporate Director	Formosa Taffeta Co., Ltd.	0	0	(3,855,000)	0
Director	Representative of Formosa Taffeta Co., Ltd. Shih-Ming Hsieh	0	0	0	0
Director	Representative of Nan Ya Plastics Corp Ming-Jen Tzou	0	0	0	0
Director	Representative of Nan Ya Plastics Corp. Wen-Yao Wang	(495,000)	0	(297,000)	0
Director	Otto Chang	0	0	0	0
Director Senior Vice President	Representative of Nan Ya Plastics Corp. Lin-Chin Su	0	0	0	0
Vice President	Joseph Wu (Note 1)	0	0	0	0
Vice President	Rex Chuang (Note 1)	(64,000)	0	0	0
Assistant Vice President	Yau-Ming Chen	0	0	0	0
Assistant Vice President	Wesley Chang	0	0	0	0
Assistant Vice President	Chi-Meng Su	0	0	0	0
Assistant Vice President	Mark Mao (Note 2)	0	0	0	0
Assistant Vice President	Jengping Lin (Note 2)	0	0	0	0
Assistant Vice President	Rex Chen (Note 2)	0	0	0	0
Assistant Vice President	Chuan-Jen Chang (Note 2)	0	0	0	0

Title	Name	2017		As of March 26, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Finance Officer	Philip Jao	0	0	0	0
Accounting Officer	Hung-Chi Kuo	0	0	0	0
Major Shareholder	Formosa Plastics Corporation	(32,722,445)	0	0	0
Major Shareholder	Formosa Chemical & Fibre Corporation	(30,000,000)	0	0	0
Major Shareholder	Formosa Petrochemical Corporation	(30,000,000)	0	0	0

Note 1: Mr. Joseph Wu and Rex Chuang, two of NTC's former Assistant Vice Presidents, were promoted to Vice Presidents on December 20, 2017.

Note 2: Mr. Mark Mao, Jengping Lin, Rex Chen, and Chuan-Jen Chang, four of NTC's former Senior Directors, were promoted to Assistant Vice Presidents on December 20, 2017.

8.2 Stock Trade/Pledge with Related Party by Directors, Managers and Major Shareholders with 10% Shareholding or More: None

9. Relationship among the Top Ten Shareholders

As of 2018/3/26

Name	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Nan Ya Plastics Corporation (NPC) Chairman：Chia-Chau Wu	907,303,775	29.65	-	-	-	-	FPC	NPC is one of FPC's Board Directors. FPC is one of NPC's Board Directors.	
							FCFC	The Chairman of FCFC is one of NPC's Executive Directors. NPC is one of FCFC's Board Directors. FCFC is one of NPC's Board Directors.	
							FPCC	NPC is one of FPCC's Board Directors. FPCC is one of NPC's Board Directors. NPC invests in FPCC under equity method.	
							MLPC	The Chairman of NPC is one of MLPC's Board Directors. NPC is one of MLPS's Board Directors. NPC invests in MLPC under equity method.	
Formosa Chemical & Fibre Corporation (FCFC) Chairman：Wen-Yuan Wang	334,815,409	10.94	-	-	-	-	FPC	The Chairman of FCFC is one of FPC's Executive Directors. FCFC is one of FPC's Board Directors.	
							NPC	The Chairman of FCFC is one of NPC's Executive Directors. NPC is one of FCFC's Board Directors. FCFC is one of NPC's Board Directors.	
							FPCC	The Chairman of FCFC is one of FPCC's Executive Directors. FCFC is one of FPCC's Board Directors. FPCC is one of FCFC's Board Directors. FCFC invests in FPCC under equity method.	
							MLPC	The Chairman of FCFC is one of MLPC's Board Directors. FCFC is one of MLPC's Supervisors. FCFC invests in MLPC under equity method.	
Formosa Plastics Corporation (FPC) Chairman：Chien-Nan Lin	334,815,409	10.94	-	-	-	-	NPC	NPC is one of FPC's Board Directors. FPC is one of NPC's Board Directors.	
							FCFC	The Chairman of FCFC is one of FPC's Executive Directors. FCFC is one of FPC's Board Directors.	
							FPCC	FPC is one of FPCC's Board Directors. FPCC is one of FPC's Board Directors. FPC invests in FPCC under equity method.	
							MLPC	The Chairman of FPC is one of MLPC's Board Directors. FPC is one of MLPC's Board Directors. FPC invests in MLPC under equity method.	
Formosa Petrochemical Corporation (FPCC) Chairman：Pao-Lang Chen	334,815,409	10.94	-	-	-	-	FPC	FPC is one of FPCC's Board Directors. FPCC is one of FPC's Board Directors. FPC invests in FPCC under equity method.	
							NPC	NPC is one of FPCC's Board Directors. FPCC is one of NPC's Board Directors. NPC invests in FPCC under equity method.	
							FCFC	The Chairman of FCFC is one of FPCC's Executive Directors. FCFC is one of FPCC's Board Directors. FPCC is one of FCFC's Board Directors. FCFC invests in FPCC under equity method.	
							MLPC	The Chairman of FPCC and MLPC is the same person. FPCC is one of MLPC's Board Directors. FPCC invests in MLPC under equity method.	

Name	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Fidelity Select Portfolios – Technology Portfolio	50,664,000	1.66	-	-	-	-	None	None	
Chase Bank in Custody for Fidelity Information Technology Central Fund	35,016,000	1.14	-	-	-	-	None	None	
New Labor Pension Fund	31,383,778	1.03	-	-	-	-	None	None	
Mai-Liao Power Corporation (MLPC) Chairman：Pao-Lang Chen	26,261,393	0.86	-	-	-	-	FPC	The Chairman of FPC is one of MLPC's Board Directors. FPC is one of MLPC's Board Directors. FPC invests in MLPC under equity method.	
							NPC	The Chairman of NPC is one of MLPC's Board Directors. NPC is one of MLPS's Board Directors. NPC invests in MLPC under equity method	
							FCFC	The Chairman of FCFC is one of MLPC's Board Directors. FCFC is one of MLPC's Supervisors. FCFC invests in MLPC under equity method.	
							FPCC	The Chairman of FPCC and MLPC is the same person. FPCC is one of MLPC's Board Directors. FPCC invests in MLPC under equity method.	
HSBC in Custody for Morgan Stanley Investment Account	22,458,826	0.73	-	-	-	-	None	None	
HSBC in Custody for IB Asian SBL Investment Account	17,326,791	0.57	-	-	-	-	None	None	

10. The total number of shares and total equity stake held in any single enterprise by the Company, the Company's directors, managers, and any companies controlled either directly or indirectly by the Company: None

IV. Capital and Shares

1. Capitalization

Year / Month	Issue price (NT$ per share)	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increased by assets other than cash	notes
2011/01	13.2~16	6,000,000,000	60,000,000,000	4,034,341,549	40,343,415,490	Exercised ESOP	None	Note1
2011/04	13.2	6,000,000,000	60,000,000,000	4,034,575,549	40,345,755,490	Exercised ESOP	None	Note1
2011/11	**2.77**	**19,100,000,000**	**191,000,000,000**	**14,864,900,455**	**148,649,004,550**	**Private Placement**	None	
2012/09	**1.7**	**19,100,000,000**	**191,000,000,000**	**18,664,900,455**	**186,649,004,550**	**Private Placement**	None	
2012/12	**1.7**	**30,000,000,000**	**300,000,000,000**	**23,959,018,099**	**239,590,180,990**	**Private Placement**	None	
2013/07	5.5~6.9	30,000,000,000	300,000,000,000	23,960,473,099	239,604,730,990	Exercised ESOP	None	Note2
2013/08	5.5	30,000,000,000	300,000,000,000	23,960,851,099	239,608,510,990	Exercised ESOP	None	Note2
2014/03	5.5	30,000,000,000	300,000,000,000	23,961,008,099	239,610,080,990	Exercised ESOP	None	Note2
2014/07	--	30,000,000,000	300,000,000,000	2,396,100,810	23,961,008,100	Cash capital dicrease	None	Note3
2014/08	5.5	30,000,000,000	300,000,000,000	2,398,335,810	23,983,358,100	Exercised ESOP	None	Note2
2014/12	55	30,000,000,000	300,000,000,000	2,409,527,810	24,095,278,100	Exercised ESOP	None	Note2
2015/03	55~81.9	30,000,000,000	300,000,000,000	2,426,697,810	24,266,978,100	Exercised ESOP	None	Note2
2015/05	55	30,000,000,000	300,000,000,000	2,428,400,810	24,284,008,100	Exercised ESOP	None	Note2
2015/08	55	30,000,000,000	300,000,000,000	2,428,565,810	24,285,658,100	Exercised ESOP	None	Note2
2016/01	36.5	30,000,000,000	300,000,000,000	2,748,565,810	27,485,658,100	Cash capital increase	None	Note4
2017/08	-	30,000,000,000	300,000,000,000	2,751,054,227	27,510,542,270	Overseas Convertible Bonds convert to Commom Stock	None	Note5
2017/12	-	30,000,000,000	300,000,000,000	2,963,938,253	29,639,382,530	Overseas Convertible Bonds convert to Commom Stock	None	Note5
2018/03	-	30,000,000,000	300,000,000,000	3,002,881,979	30,028,819,790	Overseas Convertible Bonds convert to Commom Stock	None	Note5
Note6	-	30,000,000,000	300,000,000,000	3,059,617,894	30,596,178,940	Overseas Convertible Bonds convert to Commom Stock	None	Note5

Note1: Approval document No. and approval date: SFB. jin guen jen yi tzi No. 0910158515 approval on2002/11/05, SFB. jin guen jen yi tzi No. 0920162597 approval on2004/01/09.

Note2: Approval document No. and approval date: SFB. jin guen jen yi tzi No. 0940124580 approval on 2005/06/20, SFB. jin guen jen yi tzi No. 0950125067 approval on 2006/06/20, SFB. jin guen jen yi tzi No. 0970038705 approval on 2008/07/31.

Note3: Approval document No. and approval date: SFB. jin guen jen yi tzi No. 1030022998 approval on 2014/06/24.

Note4: Approval document No. and approval date: SFB. jin guen jen yi tzi No. 1040026195 approval on 2015/07/20.

Note5: Approval document No. and approval date: SFB. jin guen jen yi tzi No.1050051255 approval on 2016/12/22.

Note6: There have 56,735,915 shares have not been registered for change.

Unit: share; 2018/03/26

Type of stock	Authorized capital			Remark
	Outstanding	Outstanding Un-issued shares	Total shares	
Common Stock	3,059,617,894	26,940,382,106	30,000,000,000	-

2. Composition of Shareholders

2018/03/26

Type of shareholders	Government agencies	Financial institutions	Other juridical person	Domestic natural person	Foreign institutions & natural person	Total
Number of shareholders	2	131	229	98,481	900	99,743
Shareholding (shares)	31,383,802	69,902,149	2,003,613,980	170,807,864	783,910,099	3,059,617,894
Holding (percentage)	1.03	2.29	65.48	5.58	25.62	100

3. Distribution of Shareholding

Par value: NT$10per share As of 2018/03/26

Common shares ownership (Unit: share)	Number of shareholders	Ownership (shares)	Ownership (percentage)
1 ～ 999	76,797	10,269,187	0.34
1,000 ～ 5,000	17,681	32,961,615	1.08
5,001 ～ 10,000	2,195	17,157,446	0.56
10,001 ～ 15,000	650	8,177,797	0.27
15,001 ～ 20,000	456	8,495,203	0.28
20,001 ～ 30,000	399	10,185,251	0.33
30,001 ～ 40,000	216	7,670,621	0.25
40,001 ～ 50,000	157	7,305,994	0.24
50,001 ～ 100,000	361	26,173,169	0.85
100,001 ～ 200,000	266	38,550,577	1.26
200,001 ～ 400,000	202	58,580,780	1.92
400,001 ～ 600,000	70	34,809,015	1.14
600,001 ～ 800,000	53	36,574,362	1.19
800,001 ～ 1,000,000	38	34,045,717	1.11
1,000,001and over	202	2,728,661,160	89.18
Total	99,743	3,059,617,894	100

4. Major Shareholders

As of 2018/3/26

Top 10 shareholder	Ownership Shares	Ownership Percentage
Nan Ya Plastics Corporation	907,303,775	29.65
Formosa Plastics Corp.	334,815,409	10.94
Formosa Chemicals & Fibre Corp.	334,815,409	10.94
Formosa Petrochemical Corp.	334,815,409	10.94
Fidelity Featured Portfolio - Technology Portfolio	50,664,000	1.66
Chase Host Fidelity: Fidelity Information Technology Core Fund	35,016,000	1.14
New Labor Pension Fund	31,383,778	1.03
Mai-Liao Power Corp.	26,261,393	0.86
HSBC Hosts Investment Account for Morgan Stanley International Co., Ltd.	22,458,826	0.73
HSBC Hosts British HSBC Bank - IB Asia SBL Investment Account	17,326,791	0.57

5. Market Price, Net Worth, Earnings, and Dividends per Common Share

Item \ Year		2016	2017
Market price per share	Highest market price	50.60	91.20
	Lowest market price	35.15	43.80
	Average market price	40.07	61.68
Book value per share	Before distribution	31.13	44.54
	After distribution	29.63	Undistributed
Earnings per share	Weighted average shares	2,736,512	2,806,025
	Not-adjusted earnings per share	8.67	14.36
	Adjusted earnings per share	—	—
Dividends per share	Cash dividends（Note 2）	1.5	3.6229488
	Stock dividends from retained earnings	—	—
	Stock dividends from capital surplus	—	—
	Accumulated undistributed dividends	—	—
Return on Investment	Price / earnings ratio（Note 3）	4.62	4.30
	Price / dividend ratio（Note 4）	26.71	—
	Cash dividend yield rate（Note 5）	3.74	17.02

Note1: Per share of market price is based on the information of Taiwan Stock Exchange Co., Ltd.
Note2: Its expected number from earning distribution in 2017 and not approval by Regular Shareholders' Meeting's yet.
Note3: Price / earnings ratio = average market price / adjusted earnings per share
Note4: Price / dividend ratio = average market price / cash dividends per shar
Note5: Cash dividend yield rate = cash dividends per share / average market price

6. Dividend Policy and Implementation Status

6.1 Dividend Policy

(1) Whenever there are profits of the Company, it shall be used to pay all outstanding taxes, recover the Company's accumulated losses, and set aside 10% thereof in a legal reserve. Thereafter, the remaining profit, if any, after set aside a special reserve or reserves for certain undistributed earnings for business purposes, shall collectively with any undistributed surplus earnings from previous fiscal years, be included in a surplus earning distribution plan submitted by the Board of Directors for approval at a Annual Shareholders' Meeting.

The Company belongs to a high-technology and capital intensive industry and its operations are still experiencing significant growth. To accommodate the long-term financial projection of the Company, the Company adopts the policy that dividends shall be distributed appropriately in accordance with the Company's budget of capital expenditures. In principle, the stock dividends distributed by the Company shall not exceed 50% of the total distributable dividends of that year.

The Company will strive to maintain a stable dividend policy, and mainly dividends will be distributed by cash when free cash flow is sufficient to cover capital expenditure and other payment. The target of dividend policy will be not less than 45% of the operation income.

(2) Proposal to Distribute Year 2017 Profits

The Board Meeting of February 26, 2018 approved to distribute cash dividends for a total of NT$10,879 milion. The dividends distribution proposal will be resolved at Annual Shareholders' Meeting on May 24, 2018. The total outstanding shares may increase as bondholders have converted their bonds into common shares or the Company's employees may elect to exercise their stock option rights. It is proposed that the Board of Directors be authorized to adjust the final cash dividend per share accordingly.

(3) Expect material change in dividend policy: None

7. Effect upon Business Performance and EPS of the Proposed Stock Dividends Distribution: None

8. Compensation of Employees and Directors

8.1 The percentages or ranges of employees, director's compensation as stated in the Company's Articles of Incorporation:

The Company shall appropriate 1% to 12% for employees' compensation from its profit, if any, before tax. However, the Company's accumulated losses shall have been covered.

The Company may have the profit distributable as employees' compensation distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive compensation shall be determined by the Board of Directors.

8.2 The accounting treatment of the discrepancy between the actual distributed amount and the estimated figure for the current period:

The bases for estimating the amount of employee and director remuneration are based on relevant laws, the Company's Article of Incorporation, and past experience. The difference, if any, between actual distribution and estimated amount will be included in the profit or loss in the following fiscal year based on relevant accounting principles.

8.3 Distribution of 2017 Compensation Approved by the Board of Directors:

The Board Meeting of February 26, 2018 approved:

(1) The amounts of employees' cash compensation are NT$1,364,013,000; Directors' cash compensation is NT$0. The above amounts are consistent with the estimated amounts.

(2) Share amount of employees' stock compensation is 0, percentage of the share amount to that of all stock dividends are 0%.

8.4 Distribution of 2016 Compensation of Employees, Directors and Supervisors:

The Board Meeting of March 9, 2017 approved:

(1) The actual amounts of employees' cash compensation are NT$460,347,000, Directors' and Supervisors' cash compensation is NT$0.

(2) Actual share amount of employees' stock compensation is 0, percentage of the share amount to that of all stock dividends are 0%.

(3) The actual amount of employees', Directors' and Supervisors' compensation is consistent with the amount approved by the Board Meeting.

9. Repurchase of Common Stock: None

10. Status of Corporate Bonds:

Corporate Bond Type	Unsecured Euro Convertible Bonds Due 2022
Issue date	2017.01.24
Denomination	US$200,000
Issuing and transaction location	Singapore
Issue price	Issue by denomination
Total price	US$500,000,000
Coupon rate	0% per annum
Tenor	5 years, Maturity: 2022.01.24
Guarantee agency	None
Trustee	Citicorp International Limited
Underwriting institution	UBS AG, Hong Kong Branch、Yuanta Securities (Hong Kong) Company Limited、DBS BANK Ltd.
Certified lawyer	AY Commercial Law Office
CPA	KPMG
Repayment method	Unless the Bonds have been redeemed, repurchased and cancelled or converted, the Bonds will be redeemed on the Maturity Date at their principal amount with a yield of 1.75% per annum, calculated on a semi-annual basis (the "Redemption Amount").
Outstanding principal	US$500,000,000
Terms of redemption or advance repayment	**Redemption at the Option of the Bondholders:** The holders of the Bonds ("Bondholders") shall not request the Issuer to redeem the Bonds in whole or in part prior to the Maturity Date except in the following circumstances: (1) Unless the Bonds have been redeemed, repurchased and cancelled or converted, the holders shall have the right to require the Issuer to early redeem the Bonds, in whole or in part, on the third anniversary from the Issue Date at the principal amount of the Bonds with a yield of 1.75% per annum, calculated on a semi-annual basis (the "Early Redemption Amount"). (2) In the event that the Issuer's common shares cease to be listed on the Taiwan Stock Exchange ("TWSE"), each holder of the Bonds may request that Issuer redeem the Bonds, in whole or in part, at the Early Redemption Amount. (3) Upon the occurrence of a Change of Control as defined in the Indenture("Indenture"), each holder of the Bonds may request that Issuer redeem the Bonds, in whole or in part, at the Early Redemption Amount.

Corporate Bond Type	Unsecured Euro Convertible Bonds Due 2022
Terms of redemption or advance repayment	(4) Unless the Bonds have been redeemed, repurchased and cancelled or converted, the holders shall have the right to require the Issuer to early redeem the Bonds, in whole or in part, on the third anniversary from the Issue Date at the principal amount of the Bonds with a yield of 1.75% per annum, calculated on a semi-annual basis (the "Early Redemption Amount"). (5) In the event that the Issuer's common shares cease to be listed on the Taiwan Stock Exchange ("TWSE"), each holder of the Bonds may request that Issuer redeem the Bonds, in whole or in part, at the Early Redemption Amount. (6) Upon the occurrence of a Change of Control as defined in the Indenture("Indenture"), each holder of the Bonds may request that Issuer redeem the Bonds, in whole or in part, at the Early Redemption Amount. (7) The Bondholder shall exercise the redemption right and the Issuer shall handle such redemption in accordance with the procedure provided in the Indenture. The payment of the Early Redemption Amount will be made by the Issuer in cash on the payment date pursuant to the Indenture. **Redemption at the Option of the Issuer:** (1) Beginning from 3 years after the Issuance Date to the Maturity Day, the Issuer may redeem the Bonds in whole or in part, at the Early Redemption Amount, provided that the closing price of Issuer's common shares on the Taiwan Stock Exchange ("TWSE"), converted into US dollars at the prevailing rate, for a period of 20 out of 30 consecutive trading days is at least 130% of the amount, which is the price of Early Redemption Amount (as defined below) multiplied by the then Conversion Price divided by the principal amount of the Bonds, converted into US dollars at the pre- determined exchange rate set on the Pricing date. (2) The Issuer may redeem all of the Bonds at the Early Redemption Amount in the event that more than 90% of the Bonds issued have been previously redeemed, converted, repurchased or cancelled.

Corporate Bond Type		Unsecured Euro Convertible Bonds Due 2022
Terms of redemption or advance repayment		(3) The Issuer may redeem all of the Bonds at the Early Redemption Amount in the event of changes in ROC taxation laws resulting in an increase in tax obligation, the necessity to pay additional interest expense, or additional costs to the Issuer after the Issue Date. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax. "Early Redemption Amount" means the principal amount of the Bonds with a yield of 1.75% per annum, calculated on a semi-annual basis.
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	The bonds US$500,000,000 are fully converted into 311,052,084 common shares of the Company (including 56,735,915 shares need to be registered for change).
	Issuance and conversion (exchange or subscription) method	Unless during the Closed Period or other Lock-up Period (if any), the bonds may be converted into the newly-issued common shares of the Company from 2017.03.06 to 2022.01.14 in lieu of the cash paid by the Company.
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		The converted securities for the bonds are the newly-issued common shares of the Company. The bonds are fully converted on March 7, 2018, the dilution effect to original shareholders is 10.17%. The impact to original shareholders is limited.
Transfer agent		Citibank, N.A., London Branch

Convertible Bonds

Corporate bond type		Unsecured Euro Convertible Bonds Due 2022	
Item \ Year		2017	As of the printing date of this annual report (Note 2)
Market price of the convertible bond	Highest	180.823	192.573
	Lowest	103.750	153.271
	Average	131.227	168.518
Convertible Price		NT$50.94 (Note 1)	
Issue date and conversion price at issuance		Issue Date: 2017.01.24 Conversion price at issuance: NT$52.47/share	
Conversion methods		Issuing of new stocks	Issuing of new stocks

Note 1: The bonds' convertible price is adjusted downward by the Company distribute cash dividends on June 26, 2017.

Note 2: The bonds are fully converted on March 7, 2018.

11. Status of Preferred Stock: None

12. Issuance of Global Depositary Receipts: None

13. Status of Employee Stock Options Plan

13.1 Issuance of Employee Stock Options

2018.03.26

ESOP granted	100-1	104-1	104-2
Approval date by the securities & futures bureau	2011.01.07	2015.08.24	2015.08.24
Issue (grant) date	2011.03.21	2016.05.10	2016.08.11
Number of options granted	70,000 Unit	97,500 Unit	2,500 Unit
Percentage of shares exercisable to outstanding common shares	2.29%	3.19%	0.08%
Option duration	8 Years	8 Years	8 Years
Source of option shares	Issuing new common shares		
Vesting schedule	■ Upon 2 years from the issue date, available subscription ratio for exercising: 50% (accumulated). ■ Upon 3 years from the issue date, available subscription ration for exercising: 75% (accumulated). ■ Upon 4 years from the issue date, available subscription ration for exercising: 100% (accumulated).		
Shares exercised	0 Unit	0 Unit	0 Unit
Value of shares exercised	NT$0	NT$0	NT$0
Shares unexercised	70,000 Unit	97,500Unit	2,500Unit
Exercise price per share	NT$36.9	NT$34.3	NT$35.5
Percentage of shares unexercised to outstanding common shares	2.29%	3.19%	0.08%
Impact to shareholders' equity	Dilution to shareholders’ equity is 2.29%.	Dilution to shareholders’ equity is 3.19%.	Dilution to shareholders’ equity is 0.08%.

13.2 Employee stock options granted to management team and to top 10 employees:

As of Mar.26, 2018

	Title	Name	Number of Options Granted	% of shares exercisable to outstanding common shares	Shares exercised				Shares unexercised (Note4)			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares	Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares
managers	Pesident SVP VP VP AVP AVP AVP AVP AVP AVP AVP AVP/Former CFO Accounting Supervisor	Pei-Ing Lee Lin-Chin Su Joseph Wu(Note1) Rex Chuang(Note1) Yau-Ming Chen Wesley Chang Chi-Meng Su Mark Mao(Note2) Jeff J.P. Lin (Note2) Rex Chen(Note2) Chuan-Jen Chang(Note2) Philip Jao Hung-Chi Kuo	6,082 Thousand shares	0.1988%	-	-	-	-	6,082 Thousand shares	NT34.3 ~ NT36.9	210,151.8 KNT	0.1988%

Note1: Joseph Wu and Rex Chuang were promoted to Vice President on Dec.20, 2017.

Note2: Mark Mao, Jeff J.P. Lin, Rex Chen and Chuan-Jen Chang were promoted to AVP on Dec.20, 2017.

Note3: The data of unexercised shares and values were collected on the date of Mar.26, 2018.

As of Mar.26, 2018

	Title	Name	Number of Options Granted	% of shares exercisable to outstanding common shares	Shares exercised				Shares unexercised (note1)			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares	Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares
Employees	Executive Administrator Senior Director Senior Director Director Director Director Director Director Deputy Director Deputy Director Deputy Director	Yao-Hsiung Kung Wooder Yang Hsu-Cheng Fan Dong-Liung Yang Wen-Hao Chang Peter Chen Eric Chuang Carver Liu Yen-Nan Chang Chiang-Lin Shih Benjamin Huang	1,950 Thousand shares	0.0637%	-	-	-	-	1,950 Thousand shares	NT 34.3	66,885 KNT	0.0637%

Note1: The data of unexercised shares and values were collected on the date of Mar.26, 2018.

14. Status of new shares issuance in connection with mergers and acquisitions: None

15. Financing plans and implementation-cash capital increase shares offering in 2017.

15.1 Content of investment plan:

(1) The fund was used to procure 20nm technology transition equipment. The company plan to transform the technology mix to monthly capacity of 30,000 WSPM in 20nm technology and 30,000 WSPM in 30nm technology instead of all 60,000 WSPM in 30nm technology before conversion.

(2) Funding Sources:

A. Total amount required for the plan: NT$42,988,285 thousand for the procurement of equipment and machinery.

B. Cash capital increase by issuing common shares of 320,000 thousand shares, the total funding amount is NT$11,680,000 thousand. The case has been approval by the Financial Supervisory Commission dated July 20, 2015 and the letter Jin-Guan-Zheng-Fa-Zi-Di No. 1040026195. The funding collection period is prolonged to the date of January 19, 2016 with the approval by the Financial Supervisory Commission dated October 7, 2015 and the letter Jin-Guan-Zheng-Fa-Zi-Di No. 1040041154. The new shares have been issued on January 14, 2016.

C. Unsecured Euro Convertiable bond of US$ 500 million dollars dued 2022, with the coupon rate of 0% and 5 years of maturity, the total funding amount is NT$ 15.845 billion dollars (with the exchange rate of 31.69). The case has been approval by the Financial Supervisory Commission dated Dec 22, 2016 and the bond was issued on Jan 24, 2017.

D. The remaining of NT$15,463,285 thousand will be financed by operating cash inflows, bank borrowings or other sources.

(3) Project items and fund implementation schedule:

Unit: NT$ thousands

Project Item	Expected Completion Date	Total Funds Required	Expected funds implementation schedule							
			2015				2016			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
20nm Technology Transition	Dec.31, 2018	42,988,285	-	3,228	60,242	637,986	841,877	1,188,971	3,668,564	18,346,782
			2017				2018			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			6,876,247	4,226,281	4,939,776	1,694,489	430,353	68,515	2,321	2,653

15.2 Execution

(1) Expected benefits

Unit: 4G K equiv.; NT$thousands

Year	Item	Production Amount	Sales Amount	Sales Value	Operating Margin	Operating Income
2017	DRAM	24,684	24,684	2,157,270	377,600	278,359
2018	DRAM	225,250	225,250	15,157,492	5,252,242	4,915,397
2019	DRAM	260,364	260,364	16,874,441	7,241,839	6,939,877
2020	DRAM	265,231	265,231	17,166,707	7,405,287	7,127,051
2021	DRAM	265,231	265,231	16,833,049	7,143,763	6,870,443
Total		1,040,760	1,040,760	68,188,959	27,420,731	26,131,127

Note: The items above are calculated by the difference of the technology migration.

(2) Actual funds implementation progress of the plan

Unit: NT$ thousands

Items of the Plan	Implementation Progress		As of the end of Q1'17	Reasons or improvement plans of implementation progress surpass or fall behind the plan
20nm Technology Migration	Amount	Projection	42,914,796	The progress of 20nm migration is better than expected, so the capital expenditure is invested ahead of schedule accordingly. The proceeds of ECB were all used up before Q3'17..
		Actual	42,988,285	
	Progress (%)	Projection	99.8%	
		Actual	100.0%	

V. Operations overview

1. Business content

1.1 Business scope

NTC has been focusing as a key supplier in global specialty DRAM market with outstanding product research and development capabilities and competitive production cost advantage. We have been committed to providing high quality and advanced memory products and services.

Our main product lineup:

(1) DRAM chips:

A. DDR DRAM

-Density:512 Mb

-Speed:400 Mb/s

B. DDR2 DRAM

-Density: 512 Mb, 1Gb

-Speed: 800 Mb/s, 1066 Mb/s

C. DDR3 DRAM

-Density: 1Gb, 2Gb, 4Gb

-Speed: 1600 Mb/s, 1866 Mb/s, 2133 Mb/s

D. DDR4 DRAM

-Density: 4Gb, 8Gb

-Speed: 2400 Mb/s, 2667 Mb/s, 3200 Mb/s

E. LPDDR

-Density: 512 Mb,1Gb

-Speed: 333 Mb/s, 400 Mb/s

F. LPDDR2

-Density: 1Gb, 2Gb, 4Gb

-Speed: 1066 Mb/s

G. LPDDR3

-Density: 4Gb

-Speed: 1600 Mb/s, 1866 Mb/s

(2) Wafer production services

In response to market demand in the future, NTC continue to develop products toward higher speed and lower power consumption. Under the cooperation of our R&D teams, we continue to introduce new generation of memory components to market. Meanwhile, we also provide foundry service for value-added semiconductor products.

(3) Plans of developing new products and services

The business focuses are aiming at the applications of consumer electronic, mobile devices and servers with the offering of comprehensive product lineup for fulfilling the variety of market needs.

Our product portfolio includes 512Mb/1Gb DDR2, 1/2/4Gb DDR3, 4/8Gb DDR4, 512Mb/1Gb LPDDR, 1/2/4/8Gb LPDDR2, 4/8Gb LPDDR3 and 4/8Gb LPDDR4/4X. The mass production of 20nm 8Gb DDR4 already started from Q4'16. We will also roll out the new spec of 4Gb DDR4, 8Gb LPDDR3 and 4Gb LPDDR4 in 2018 to fully satisfy customers' needs.

1.2Industry Overview

(1) DRAM industry current status and development

DRAM is an oligopoly market controlled by top 3 suppliers including Samsung, SK Hynix and Micron with more than 90% market share in total. Under current industry structure, the main suppliers will be more conservative in capacity investment and focus on keeping profitability first. The capacity expansion is expected to be rational and disciplined. The conversion of advanced techlology is much more difficult than before. In 2017, our market share was about 3%. Except for main stream application markets, we continually focus on these niche markets such as consumer electronics, mobile and industrial applications. According to the report of research companies, the growth rate of DRAM supplies in 2018 is around 20%. Along with the development in AI (Artificial Intelligence), the demand of DRAM in server and mobile applications will keep growing up. The growth rate of DRAM demand in 2018 is predicted above 22%.

(2) DRAM industry supply chain

IC industry (including DRAM) is categorized as IC design, mask making/wafer material in upstream area, IC production in midstream area, IC packing and testing in downstream area. The whole industry system is illustrated as below table. Our operations involve upstream DRAM design and midstream DRAM manufacturing.

(3) Product Development Trend

DRAM development can be summarized into the following several trends:

A. The main application trends:

In recent years, smart phone shipments growth is steady and has become the largest sector of electronic devices. It is equipped with low power mobile DRAM featuring power saving functions. The ratio of mobile DRAM shipment accounts for more than 40% of worldwide production. The DRAM content of high-end mobile is about 4 to 6 GB per set. The contributions to DRAM growth mainly come from the growth in the content of middle and low end mobiles. The average DRAM content is estimated about 2.45GB per set. With the momentum of cloud storage and IoT application, the growth of server demand comes from the data center applcations. The average DRAM content of server will grow up about 30%. The server application already become one of main applications for DRAM.

PC market has bottomed out in 2017. The demand mainly comes from business and gaming requirements. Regarding to the average DRAM content of PC, 8GB becomes the basic requirement. The shipments and DRAM demands in PC market will keep stable.

Consumer electronics applications are still driven by DTV, STB, Networking.With 2018 important sports events, it'll be helpful to keep DRAM demand growth. Infotainment and intelligentized vehicles become the mainstream trend in automotive market. It will be the potential market for DRAM.

In summary, main DRAM product requirements are high speed, low power consumption and high density.

B. Performance requirements

(A) High Density:

Currently, 20nm and 1x technology generations are coming. In 2018, the mainstream is 8Gb. The mainstream applications are smart phones, servers, PCs, SSD (Solid State Disk) and switches. The main 3 DRAM suppliers will continually improve yield of 1x technology to increase the output.

(B) High Speed:

In response to the need of huge transmission for video/graphic data, the highest speed DDR4 can reach is DDR4-3200 Mb/s and LPDDR4 can run is LPDDR4-4266 Mb/s.

(C) Low Power Consumption:

Mobile devices require system at always-on state and the threat of global warming is escalating, low voltage and low power features are key requirements for smart phones, servers, PCs, consumer electronic and automotive devices.

(D) Function Requirements:

a. high data rate and broadband:

New Generation DDR4 was adopted by the server to meet the high data rate requirements in the second half of 2014. Personal computers also used DDR4 in the second half of 2015. High end smart phones was the first user to adopt LPDDR4 from 2016.

b. Diverse package specifications:

In response to diversity of application needs, DRAM package specifications spectrum expanded including module for PC/servers, PoP /eMCP for smart phones, SiP (System in Package) for digital TV.

(4) Competition situation

The current global DRAM oligopoly market is mastered by Samsung, SK Hynix and Micron who own advanced technologies. In total, they account for more than 90% of DRAM market. These top 3 suppliers are aiming at the applications of smart phones, servers, PCs.

1.3Technology and R&D Status

(1) Development Strategy

To meet the market trends, Nanya has been focusing on specialty market development, which includes consumer, low power and server segments. The Company offers wide-range of product portfolio with 30nm for specialty customers. The migration to 20nm commenced in the first quarter of 2017. The developments of high speed DDR4 and low power LPDDR4 are also in progess. Nanya obtained option right to license Micron's 1X and 1Y technologies. The Company will continue to develop DRAM products with advanced technologies to provide comprehensive product lineup for fulfilling the requirements by next-generation consumer electronic devices.

(2) Annual R&D Expenses over the past 5 years (Based on Consolidated Financial Statements Report)

Unit：NTD, Thousand

Year	2013	2014	2015	2016	2017
R&D Expenses	1,404,013	1,377,524	1,953,662	2,478,069	3,673,056

(3) Successfully developed technologies and products

The Company has developed 16Mb, 64Mb, 128Mb, 256Mb, 512Mb, 1Gb, 2Gb and 4Gb DRAM products successfully. DDR4 8Gb DRAM has also been launched to the market. Below are the summaries:

A. Successfully transfer 0.45μm, 0.36μm, and 0.32μm 16Mb DRAM design, manufacturing process and element analysis from OKI within 2 years from setting up the 1st factory. Quickly achieve high yields in both wafer and finished goods, and immediately adopt computer automated production management.

B. Successfully self-development 0.32μm 5V 16Mb EDO DRAM.

C. Successfully finished design of 4 products, 0.32μm 16Mb SDRAM, 0.28μm 16Mb(2M×8),0.28μm 64Mb SDRAM and 0.28μm 16Mb SDRAM (1Mb×16), within 2 years. 0.32μm SDRAM and 0.28μm 16Mb SDRAM (1Mb×16) was the main products at that time.

D. Successfully transfer 0.2μm 64Mb and 0.175μm 256Mb DRAM from IBM. Self-develop 128Mb DRAM based on IBM technology platform, quickly introduce to production line and achieve the desired yield.

E. Successfully convert FAB-1 from stack technology process to trench technology process. Successfully convert FAB-2 from 0.20μm technology to 0.175μm technology within 8 months from start-up and achieve the desired yield.

F. Successfully shrink 64Mb and 128Mb DRAM to 0.175μm technology. As to the gross dies of 64Mb DRAM can exceed 1,100 ea per 8-inch wafer, it's very cost-competitive.

G. Successfully create the combo design of 0.175μm 128Mb and 256Mb SDR/DDR.

H. Successfully co-develop 0.14μm technology and products with IBM and quickly implement into production line.

I. Successfully design 0.175μm PC333 DDR product. Successfully develop DDR400 with 0.14μm technology product to ensure the leading position in DDR products.

J. Successfully design 0.14μm DDR1 128Mb specialty product and implement into mass production.

K. Successfully design 0.11μm DDR1 256Mb and 512Mb products and implement into mass production.

L. Successfully design 0.11μm DDR2 400, 533, 667 and 800 products and implement into mass production to ensure the leading position in DDR2 products.

M. Successfully design 0.90μm DDR1 512Mb and DDR2 400, 533, 667 and 800 products and implement into mass production to ensure the leading position in DDR2 products.

N. Successfully develop 0.70μm DDR2 512Mb, DDR2 1Gb and DDR3 1Gb products.

O. From Q4'2010, started convert to 42nm technology. Successfully develop 50nm DDR2 1Gb, 50nm DDR3 2Gb, 42nm DDR3 2Gb and 42nm DDR3 4Gb product.

P. Successfully develop low power LPDDR memory products in 2011, and 30nm DDR3 2Gb has implemented into mass production successfully.

Q. In 2013, finish low power product, LPDDR2 4Gb internal and customer qualification and implement into mass product in Q2'13.

R. In the 2nd half year of 2013, finish the internal qualification of 30nm DDR4 4Gb product. Start up the product qualification of DDR4, LPDDR3 4Gb and LPDDR2 1Gb.

S. In the 1st half year of 2014, finish the internal and customer qualification of LPDDR3 4Gb. In 3Q'14, start LPDDR3 4Gb mass production and trigger 30nm shrink products design to improve the product competitiveness.

T. In 2nd half year of 2014, finish 30nm shrink product development and implement to mass production, including 4Gb DDR3 and 1Gb LPDDR2.

U. In 1st half of 2015, finish 30nm shrink product development and implement to mass production, including 1/2/4Gb DDR3 consumer products. In 2nd half of 2015, finish 30nm 4Gb DDR4 product development and start to mass production. Finish internal qualification for 30nm shrink mobile products, including 2Gb LPDDR2 and 4Gb LPDDR3.

V. In 1st half year of 2017, finish 20nm 4Gb DDR3 consumer product qualification and implement to mass production.

W. In 4rd quarter of 2018, finish 20nm 8Gb DDR4 product development, qualification and implement to mass production.

1.4Long-Term and Short-Term Sales Development Plan

(1) Short-Term Sales Development Plan

A. Target Consumer Electronics and Mobile devices as the major markets.

B. Return to server markets and cooperate with select customers.

C. Offer a complete product portfolio to meet up various demand and to offer low/ middle/ high densities.

(2) Long-Term Sales Development Plan

A. Continue migration to advanced tech node and deliver a wider range of product mix.

B. Dedicate to consumer, mobile and server markets.

C. Provide packaged devices, KGD, automotive grade, industrial grade, Multi-Chip Package (MCP), and customized services to enhance product added-value, margin and competitiveness.

2. Market Status and the Overview of Sales and Production

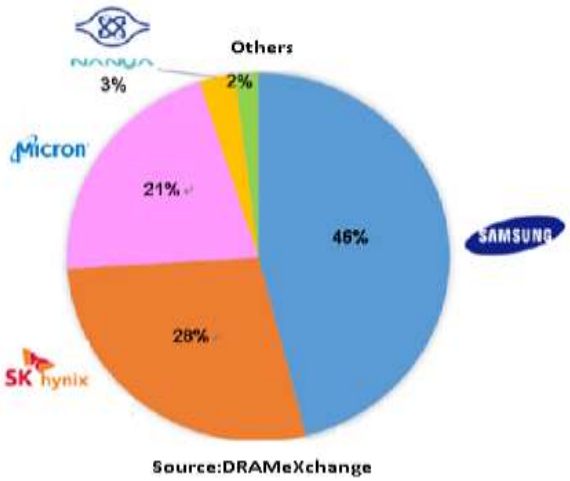
2.1 Market Status

(1) Sales Regions

NTC has worldwide customers. To provide the fast and real time service, we set up a global sales network, includes the U.S., Europe, Japan, China and Taiwan. The sales to China and Asia PMacific are about 79% of total revenue. We will keep expanding the customer groups in all sale regions, and the revenues from all regions will keep growing due to diversify market applications and customize products.

(2) Market Share

The top 3 DRAM suppliers are Samsung, Hynix, Micron. In 2017, Nanya was ranked number 4 with 3%.



(3) DRAM Market Outlook

Among all client applications, mobile application is the biggest market for DRAM. The server and data center application is the 2nd but the bit growth rate already exceeds mobile applications. Mobile computing, IoT, cloud applications are pushing the data center industry to grow significantly and the trend will keep. Consolidating the demands from all DRAM applications, the growth rate of DRAM demand in 2018 is about 22%.

During these years, top 3 suppliers built capacity and converse the technology with discipline to maintain a healthy demand and supply market condition. According to the forecasts by market intelligences, worldwide bit growth rate in 2018 will be about 21%. The bit growth mainly comes from technology conversion instead of new capacity. As to the impact of new DRAM makers from China, it still takes time to watch. In overall of view, the DRAM demand is still bigger than supply this year. The DRAM market still keep health.

(4) Competitive Niche

There are diverfied applications and a lot of product spec in DRAM market, our company is identified as the key vendor who provides the nich memory products.

(5) Favorable and Unfavorable Factors Affecting Our Development

A. Favorable Factors

(A) DRAM market structure already became an oligopoly. The market will remain steady and disciplined.

(B) Focus on the consumer and low power niche markets, and continue to expand market shares in automotive, networking, customized segments which require long-term and stable supply.

(C) Develop and offer customers our complete product lines with advanced 20nm and future 1x/1y plan.

(D) With the strong support from Formosa Group, and its strict production management system and great bargaining power, we are superior to other suppliers in cost control area.

B. Unfavorable Factors

(A) The difficulties of DRAM advanced technology are high and the investment amout become huge.

(B) The market applications are diversified and new applications are introduced at any time.

(C) The threats come from new comers.

C. Response Measures

(A) Develop 10nm technology to keep competivity.

(B) Develop high density products and back to server market.

(C) To deeply-root in consumer and low power memory markets such as automotive, networking, industrial niche markets which require long-term and stable supply.

(D) Systematically collect and analyze market information and customer needs. Flexibly adjust product mix, increase the revenue ratio of specialty and fully utilize equipments and capacity in order to maintain steady operation.

2.2 key Applications of Primary Products and the Production Process

(1) Important Applications of Primary Products

NTC’ s primary products are DRAM（Dynamic Random Access Memory） and other memory products. DRAM products are used to store the data while data processing and have a wide range of applications, such as mobile phones, servers, PC, consumer electronics and automotive applications.

(2) Production Process

The production of integrated circuits can divide into three stages: making the silicon wafers, making the integrated circuits, and packing the integrated circuits. Nanya focuses making of integrated circuits. The process, which takes approximately one to two months from start to finish, is very complicated and basically comprised several hundreds of different steps. The circuits are printed on the wafer using layers of masks by repeating processes including lithography, etching, oxidation, ion implantation, and thin film several timers. Then, the wafers are sent to the testing area to verify the functions of each IC. Then afers are sent to packaging house for assembling and final testing.

2.3 Supply of Raw Materials

Raw materials include silicon wafers and chemicals such as photoresist, special gases, and abrasives, and they are provided by the world’s leading semiconductor material suppliers from Japan, the U.S. and Taiwan who guarantee quality and stable supply. To diversify the riskof material supply, the Company also has alternative solution to ensure the supply chain will not be suspended by accidents.

2.4 Suppliers/Customers Accounted for at Least 10% of Annual Procurement/Sales

(1) Major Customers for the Last Two Years

Unit: NT$ thousands

	2016				2017			
Item	Company Name	Sales Amount	Percent〔%〕	Relation to NTC	Company Name	Sales Amount	Percent〔%〕	Relation to NTC
1	KINGSTON	4,740,333	11.39	None	WPI	7,001,118	12.7	None
2	-	-	-		KINGSTON	6,538,291	11.9	None
	Others	36,892,172	88.61		Others	41,378,815	75.4	
	Total Sales	41,632,505	100.00		Total Sales	54,918,224	100.0	
Analysis of Variation for 2017 vs 2016:Nanya added and adjusted customer groups for some consumer products in 2017.								

(2) Major Suppliers for the Last Two Years

Unit: NT$ thousands

	2016				2017			
Item	Company Name	Procurement Amount	Percent〔%〕	Relation to NTC	Company Name	Procurement Amount	Percent〔%〕	Relation to NTC
1	FORMOSA SUMCO Technology Corp.	942,790	11.45	Interested party	FORMOSA SUMCO Technology Corp.	1,375,540	13.9	Interested party
	Others	7,289,825	88.55		Others	8,555,255	86.1	
	Total Procurement	8,232,615	100.00		Total Procurement	9,930,795	100.00	
Analysis of Variation for 2017 vs 2016：FORMOSA SUMCO Technology Corp. is still the major supplier for NTC.								

2.5 Production over the Last Two Years

Unit: NT$ thousands/ Kpcs

Year / Output / Products	2016			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Memory	740K wafer/year	1,056,261	39,727,156	750 K wafer/year	972,664	51,938,180
Total	-	-	39,727,156	—	—	51,938,180

2.6 Shipments over the Last Two Years

Unit: NT$ thousands/ Kpcs

Year / Sales / Products	2016				2017			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Memory	437,969	14,523,116	663,405	26,956,320	337,757	15,289,059	700,283	39,482,100
Others	-	150,743	-	2,326	—	145,288	—	1,777
Total	-	14,673,859	-	26,958,646	—	15,434,347	—	39,483,877

3. Employees

Year		2016	2017	The year before 31 March,2018
Number of Employees	Indirector labor	1,747	1,974	1,954
	R&D staff	485	540	502
	Direct labor	497	525	523
	total	2,729	3,039	2,979
average age		37.03	36.75	36.88
average seniority		9.69	9.2	9.51
educational background	PhD	0.73	0.92	0.87
	Master	31.04	33.33	33.10
	Bachelor	58.9	57.39	57.67
	higher School	9.31	8.33	8.32
	Under high school	0.04	0.03	0.03

4. Environmental expenses Information

Nanya Technology Corporation (NTC) considerable importance to the pollution control work, has invested a lot of money to environmental protection facilities and pollution control management. Furthermore, according to the law, we had send personnel, who will operate and maintain pollution prevention equitments, to obtain qualified certificate for manage air pollution prevention, waste water treatment, waste clean up, and handling toxic substances, to ensure the facilities are under normal operation. NTC is to make efforts in promoting the management of environmental protection, all facilities operation is in accordance with environmental laws and regulations. In 2015, the main environmental expenses include environmental permit application and certificate, waste clean-up costs, environmental monitoring costs, improve facilities protection improvement, etc.

NTC is committed to promoting environmental protection management, formulating environmental and safety performance indicators, promoting various waste reduction and resource reuse, greenhouse gas reduction and other projects, in order to comply with the trend of global environmental protection. NTC environmental protection certificate management, testing contents, and reporting items were all handled according to law. There was no violation of environmental protection regulations in 2017.

5. Labor Relations

5.1 Employee Welfare Benefits

(1) **Employee Welfare measure**

We have convenience stores, coffee shops, health care center and plan to set gym, Basketball and Badminton court. In additional, we provide employee dormitory for single personnel; Shuttle bus services are available in several routes. The Employee Welfare Committee plans several activities and provides gives employees with a gift coupon on the Dragon Boat Festival, Moon Festival, and Birthday.

(2) **Training and Development**

In order to maintain NTC's development strategy and employee's demand of self-development, we provide a series of complete training courses and advanced studies ways. Its inculding New Employee training, helping they could adapt to company's environment and culture quickly. NTC also plans on-the-job training, professional training, leading and management training. Besides, we also cooperate with well-known univesities to set up further study programs, satisfing employee's self-development demand. We will keep going to offer multiple resources and emhance our demand of employee's competitive in global.

(3) **Retirement Plan and Its Practices**

To keep employee's mind on his work and make his retirement life with good quality, NTC has established a Retirement Plan according to Regulations Governing the Retirement of the Factory Workers of Taiwan Province, Labor Standards Act, and Labor Retirement Pension. For those choosing the old pension fund system, the Company has deposit 2% monthly salary to a special retirement Account of Taiwanese bank. It has been supervised by NTC Worker Retirement Fund Supervisory Committee. For the others choosing the new pension fund system, the Company contributes 6% monthly salary to employee's individual retirement account in accordance with Monthly Contribution Wages Classification of Labor Pension. Employees are eligible to contribute more amounts voluntarily, and the amount will be deposit into his retirement account also. The execution of Pension Plan is under a good condition.

(4) In order to enhance the interaction and relationship between Labor and Management, we provide a variety of communication channels to realize employee satisfaction of Company's system.

(5) NTC has good relationship between Labor and Management until now.

5.2 Case of Labor Management Conflict which results in any losses at the moment or in the future and disclosure of estimated amount and applicable solutions as of the most recent fiscal years, and during the current fiscal year up to the date of printing of the Annual Report:

NTC complies with local labor laws and protects employees' basic work rights and employee benefits. Keep abreast of the update of labor laws and regulations, review the timeliness of the company's internal management methods, and revise relevant regulations to implement the legal compliance system.NTC keeps abreast of the update of labor laws and regulations, reviewing the timeliness of the company's internal management methods, and revise relevant regulations to implement the legal compliance system.NTC was fined NT$80,000 for employees who arrived at the factory early and the competent authority determined that they did not pay overtime due to extension of working hours in 2017. In response to this penalty, NTC has actively established improvement mechanisms and strengthened the promotion of employees without having to go to the factory early or delaying the departure. As long as colleagues are required by their official duties, they can apply for overtime according to the company's regulations to the supervisor for approval. The company must pay overtime according to law. Through the concept of self-inspection and risk prevention, the goal of improving labor rights and improving the quality of the work environment has been eliminated, resulting in unnecessary labor disputes due to lack of understanding.

6. Material Contracts

Agreements	Interest Parties	Term	Summary	Restriction Clause
Service Agreement	Inotera Memory Inc. (Renamed Micron Memory Taiwan, MMT)	From 15th July, 2003 till certain termination terms	Service provision	N/A
Amended and Restated Technology Transfer and License Agreement	Micron Technology Inc.	From 26th Nov. ,2008 till certain termination terms or mutual termination	Technology transfer and license	N/A
Technology Transfer and License Option Agreement for 20nm Process Node	Micron Technology Inc.	From 1st Jan. ,2013 till certain termination terms or mutual termination	Technology transfer and license	N/A
Technology Transfer and License Option Agreement for 1xnm and 1ynm Process Node	Micron Technology Inc.	From 3rd Feb. ,2016 till certain termination terms or mutual termination	Technology transfer and license	N/A

VI. Financial Information

1. Five-Year Financial Summary

1.1 Condensed Statements of Financial Position and Comprehensive Income by – by IFRSs

(1) Condensed Statements of Financial Position – Consolidated by IFRSs

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary（Note1）				
		2017	2016	2015	2014	2013
Current assets		62,406,327	25,211,686	17,822,621	21,262,018	22,045,965
Property,plant and equipment		86,241,880	67,917,337	49,763,526	51,175,927	52,798,680
intangible assets		136,550	272,185	406,193	537,136	137,532
Other assets		1,994,545	43,575,934	36,013,697	31,577,231	18,344,642
Total assets		150,779,302	136,977,142	104,006,037	104,552,312	93,326,819
Current liabilities	Before Dist.	14,703,104	33,709,907	35,229,599	49,179,746	77,692,393
	After Dist.	Note 2	37,831,724	42,925,583	54,033,142	77,692,393
Non-current liabilities		3,961,010	17,622,088	13,922,063	13,695,508	5,629,289
Total liabilities	Before Dist.	18,664,114	51,331,995	49,151,662	62,875,254	83,321,682
	After Dist.	Note 2	55,453,812	56,847,646	67,728,650	83,321,682
Equity attributable to owners of the parent		131,999,865	85,542,818	47,041,705	36,748,057	9,873,778
Common stock		29,863,340	27,485,658	24,285,658	24,748,843	239,608,511
Capital surplus		27,277,191	11,523,007	7,812,701	6,377,936	3,696,784
Retained earnings	Before Dist.	74,898,497	39,092,585	22,991,433	10,816,268	(233,081,650)
	After Dist.	Note 2	34,970,768	15,295,449	5,962,872	(233,081,650)
Other equity		(39,163)	7,789,101	(4,570)	5,939	(2,334)
Treasury stock		-	(347,533)	(347,533)	(347,533)	(347,533)
Non-controlling interest		115,323	102,329	116,686	75,605	131,359
Total equity	Before Dist.	132,115,188	85,645,147	54,854,375	41,677,058	10,005,137
	After Dist.	Note 2	81,523,330	47,158,391	36,823,662	10,005,137

Note1：The Financial Statements from 2013 to 2017 have been audited by KPMG.

Note2：Its expected number from earning distribution in 2017 and not approval by Regular Shareholders' Meeting's yet.

(2) Condensed Statements of Comprehensive Income – Consolidated by IFRSs

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary（Note1）				
		2017	2016	2015	2014	2013
Operating revenue		54,918,224	41,632,505	43,875,905	49,107,622	45,224,061
Gross profit		24,644,147	12,851,093	17,307,996	22,169,028	8,121,974
Operating income		18,791,300	8,552,235	13,487,386	18,804,572	4,960,734
Non-operating income and expenses		23,039,231	17,173,495	4,190,042	12,928,124	4,099,100
Income before income tax		41,830,531	25,725,730	17,677,428	31,732,696	9,059,834
Profit from Continuing Operation		40,294,624	23,728,585	17,171,400	29,251,497	9,020,501
Income (Loss) from Discontinued Operation		—	—	—	(1,056,131)	(910,038)
Net income(Loss)		40,294,624	23,728,585	17,171,400	28,195,366	8,110,463
Other comprehensive income (net after tax)		(7,897,606)	7,871,871	(123,115)	65,870	578
Total comprehensive income		32,397,018	31,600,456	17,048,285	28,261,236	8,111,041
Net Income attributable to owners of the parent		40,281,927	23,721,277	17,141,167	28,242,317	8,137,820
Net income attributable to non-controlling interests		12,697	7,308	30,233	(46,951)	(27,357)
Total comprehensive income attributable to owners of the parent		32,384,321	31,593,148	17,018,052	28,308,187	8,138,398
Total comprehensive income attributable to noncontrolling interests		12,697	7,308	30,233	(46,951)	(27,357)
Earnings per share (NT$)	Before adjustment	14.36	8.67	7.07	11.77	0.34
	After adjustment	—	—	—	—	3.40

Note1: The Financial Statements from 2013 to 2017 have been audited by KPMG.

(3) Condensed Statements of Financial Position – Stand-alone by IFRSs

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary（Note1）				
		2017	2016	2015	2014	2013
Current assets		61,632,067	24,563,252	17,105,847	20,560,689	20,313,948
Property, plant and equipment		86,218,545	67,886,857	49,722,671	51,157,114	51,238,671
intangible assets		136,442	272,185	406,193	537,136	137,532
Other assets		2,529,325	43,987,041	36,279,328	31,767,031	19,358,591
Total assets		150,516,379	136,709,335	103,514,039	104,021,970	91,048,742
Current liabilities	Before Dist.	14,580,862	33,378,569	34,640,036	48,510,026	75,260,075
	After Dist.	Note 2	37,501,417	42,336,020	53,363,422	75,260,075
Non-current liabilities		3,935,652	17,787,948	14,136,314	13,910,491	5,914,889
Total liabilities	Before Dist.	18,516,514	51,166,517	34,640,036	62,420,517	81,174,964
	After Dist.	Note 2	55,289,365	42,336,020	67,273,913	81,174,964
Equity attributable to owners of the parent		—	—	—	—	—
Common stock		29,863,340	27,485,658	24,285,658	24,748,843	239,608,511
Capital surplus		27,277,191	11,523,007	7,812,701	6,377,936	3,696,784
Retained earnings	Before Dist.	74,898,497	39,092,585	34,640,036	10,816,268	(233,081,650)
	After Dist.	Note 2	34,969,737	42,336,020	5,962,872	(233,081,650)
Other equity		(39,163)	7,789,101	(4,570)	34,640,036	(2,334)
Treasury stock		—	(347,533)	(347,533)	(347,533)	(347,533)
Non-controlling interest		—	—	—	—	—
Total equity	Before Dist.	131,999,865	85,542,818	54,737,689	41,601,453	9,873,778
	After Dist.	Note 2	81,419,970	47,041,705	36,748,057	9,873,778

Note1: The Financial Statements from 2013 to 2017 have been audited by KPMG.

Note2: Its expected number from earning distribution in 2017 and not approval by Regular Shareholders' Meeting's yet.

(4) Condensed Statements of Comprehensive Income– Stand-alone by IFRSs

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary（Note1）				
		2017	2016	2015	2014	2013
Operating revenue		54,086,251	41,023,122	43,129,599	48,589,951	44,686,542
Gross profit		24,257,260	12,503,534	16,914,128	21,727,434	7,657,748
Operating income		18,706,036	8,520,796	13,390,105	18,611,318	4,713,686
Non-operating income and expenses		23,087,047	17,174,078	4,235,753	12,036,503	3,424,134
Income before income tax		41,793,083	25,694,874	17,625,858	30,647,821	8,137,820
Profit from Continuing Operation		40,281,927	23,721,277	17,141,167	28,242,317	8,137,820
Income (Loss) from Discontinued Operation		—	—	—	—	—
Net income(Loss)		40,281,927	23,721,277	17,141,167	28,242,317	8,137,820
Other comprehensive income(net after tax)		(7,897,606)	7,871,871	(123,115)	65,870	578
Total comprehensive income		32,384,321	31,593,148	17,018,052	28,308,187	8,138,398
Net Income attributable to owners of the parent		—	—	—	—	—
Net income attributable to non-controlling interests		—	—	—	—	—
Total comprehensive income attributable to owners of the parent		32,384,321	31,593,148	17,018,052	28,308,187	8,138,398
Total comprehensive income attributable to non-controlling interests		—	—	—	—	—
Earnings per share (NT$)	Before adjustment	14.36	8.67	7.07	11.77	0.34
	After adjustment	—	—	—	—	3.40

Note1: The Financial Statements from 2013 to 2017 have been audited by KPMG.

1.2 Condensed Balance Sheets and Statements of Operations– by ROC GAAP

NTC has adopted International Financial Reporting Standard(s) since 2013. Please refer to the information in the above table for 2013-2017 financial data.

1.3 Auditors' Opinions from 2013 to 2017

Year	CPA Firm	CPA's Name	Auditing Opinion
2013	KPMG Taiwan	Eric Wu, CPA Isabel Lee, CPA	An Unqualified Opinion Subsequent to Revision
2014	KPMG Taiwan	Eric Wu, CPA Isabel Lee, CPA	An Unqualified Opinion Subsequent to Revision
2015	KPMG Taiwan	Delphi Chen, CPA AIsabel Lee, CPA	An Unqualified Opinion Subsequent to Revision
2016	KPMG Taiwan	Delphi Chen, CPA AIsabel Lee, CPA	An Unqualified Opinion Subsequent to Revision
2017	KPMG Taiwan	Delphi Chen, CPA Astor Kou, CPA	An Unqualified Opinion Subsequent to Revision

2. Five-Year Financial Analysis

2.1 Financial Analysis – Consolidated by IFRSs

Item \ Year			Five-Year Financial Summary（Note1）				
			2017	2016	2015	2014	2013
Capital structure	Debt ratio (%)		12.37	37.47	47.25	60.13	89.27
	Long-term fund to property, plant and equipment ratio (%)		157.78	152.04	138.20	108.20	29.61
Liquidity	Current ratio (%)		424.44	74.79	50.58	43.23	28.37
	Quick ratio (%)		366.56	55.90	29.22	30.95	16.67
	Times interest earned (times)		92.00	37.47	21.54	27.44	7.17
Operating performance	Accounts receivable turnover (times)		7.68	7.42	7.63	7.73	7.9
	Days sales outstanding		47.52	49.19	47.83	47.21	46.2
	Inventory turnover (times)		5.15	5.33	4.78	4.18	3.30
	Accounts payable turnover (times)		6.74	8.02	19.18	17.12	16.49
	Inventory turnover days		70.87	68.48	76.35	87.32	110.60
	Property, plant and equipment turnover (times)		0.71	0.70	0.86	0.94	0.85
	Total assets turnover (times)		0.38	0.34	0.42	0.49	0.46
Profitability	Return on total assets (%)		28.27	20.17	17.15	29.50	9.60
	Return on total equity (%)		37.00	33.77	35.57	109.15	137.34
	Pre-tax income to paid-in capital ratio (%)		140.07	93.59	72.78	128.21	3.78
	Net margin (%)		73.37	56.99	39.13	57.41	17.93
	Earnings per share(NT$)	Before adjustment	14.36	8.67	7.07	11.77	0.34
		After adjustment	—	—	—	—	3.40
Cash flow	Cash flow ratio (%)		154.33	47.30	52.57	54.92	17.16
	Cash flow adequacy ratio (%)		112.39	106.63	45.87	15.83	(32.12)
	Cash flow reinvestment ratio (%)		8.00	4.33	9.20	20.88	15.30
Leverage	Operating leverage		1.45	1.70	1.42	1.29	2.36
	Financial leverage		1.02	1.08	1.06	1.06	1.41
	1. Long-term borrowing at the end of 2017 and borrowings by related parties decreased compared to the end of 2016 because of repayment of due loans in 2017. 2. Profitability increased mainly due to the increase in operating income. 3. Due to the decrease of current debt and the increase of operation cash inflow in 2017, the current ratio in 2017 is higher than previous year. 4. The increase of operation cash inflow and the decrease of available-for-sale financial assets resulted in times interest earned increased in 2017.						

Note1：The Financial Statements from 2013 to 2017 have been audited by KPMG.

2.2 Financial Analysis – Stand-alone by IFRSs

Item(Note2) \ Year			Five-Year Financial Summary（Note1）				
			2017	2016	2015	2014	2013
Capital structure	Debt ratio (%)		12.30	37.42	47.12	60.00	89.15
	Long-term fund to property, plant and equipment ratio (%)		157.66	152.21	138.51	108.51	30.81
Liquidity	Current ratio (%)		422.69	73.58	49.38	42.38	26.99
	Quick ratio (%)		365.31	55.11	28.07	30.59	16.20
	Times interest earned (times)		92.47	37.83	21.69	26.72	6.57
Operating performance	Account receivable turnover (times)		7.18	6.98	7.01	7.35	7.79
	Days sales outstanding		50.83	52.29	52.06	49.65	46.85
	Inventory turnover (times)		5.22	5.44	4.92	4.50	3.46
	Account payable turnover (times)		6.69	8.02	19.18	18.39	17.64
	Inventory turnover days		69.92	67.09	74.18	81.11	105.49
	Property, plant and equipment turnover(times)		0.70	0.69	0.85	0.94	0.86
	Total assets turnover (times)		0.37	0.34	0.41	0.49	0.46
Profitability	Return on total assets (%)		28.31	20.23	17.20	29.96	9.80
	Return on total equity (%)		37.03	33.81	35.58	109.77	139.97
	Pre-tax income to paid-in capital ratio (%)		139.94	93.48	72.57	123.83	3.39
	Net margin (%)		74.47	57.82	39.74	58.12	18.21
	Earnings per share(NT$)	Before adjustment	14.36	8.67	7.07	11.77	0.34
		After adjustment	—	—	—	—	3.40
Cash flow	Cash flow ratio (%)		152.27	48.17	53.03	55.52	18.55
	Cash flow adequacy ratio (%)		112.25	109.19	68.65	23.60	(38.19)
	Cash flow reinvestment ratio (%)		7.80	4.40	9.09	20.79	15.89
Leverage	Operating leverage		1.45	1.70	1.43	1.30	2.40
	Financial leverage		1.02	1.08	1.06	1.06	1.44

1. Long-term borrowing at the end of 2017 and borrowings by related parties decreased compared to the end of 2016 because of repayment of due loans in 2017.
2. Profitability increased mainly due to the increase in operating income.
3. Due to the decrease of current debt and the increase of operation cash inflow in 2017, the current ratio in 2017 is higher than previous year.
4. The increase of operation cash inflow and the decrease of available-for-sale financial assets resulted in times interest earned increased in 2017.

Note1: The Financial Statements from 2013 to 2017 have been audited by KPMG.

Note 2：The above ratios of financial analysis are calculated based on the following equations:

1. Capital structure

(1) Debt ratio = Total liabilities / Total assets

(2) Long-term fund to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current liabilities

(3) Times interest earned = Net Income before tax and interest expenses / Interest expenses

3. Operating performance

(1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance

(2) Days sales outstanding = 365 / Receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Account payable turnover (including accounts payable and notes payable) = Cost of goods sold /Average account payable (including account payable and notes payable) balance

(5) Inventory turnover days = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment

(7) Total assets turnover = Net sales / Average total assets

4. Profitability

(1) Return on total assets = [Net income after tax + interest expense x (1-interest rate)] / Average total assets]

(2) Return on total equity = Net income after tax / Average shareholders' equity

(3) Pre-tax income to paid-in capital ratio = Income before tax / paid-in capital

(4) Net margin = Net income / Net sales

(5) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash flow reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

(1) Operating leverage = (Operating revenues – variable cost and expense) / Operating Income

(2) Financial leverage = Operating income / (Operating income – interest expenses)

2.3 Financial Analysis – by ROC GAAP

NTC has adopted International Financial Reporting Standard(s) since 2013. Please refer to the information in the above table for 2013-2017 financial analysis data.

3. Audit Committee's Review Report for the Most Recent Year:

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 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 CORPORATION. According to the Article of the Securities and Exchange Act and Article of the Company Law, we hereby submit this report.

NANYA TECHNOLOGY CORPORATION

Chairman of the Audit Committee: Ching-Chyi Lai

February 26, 2018

4. Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report:

Please refer to Appendix I of the Annual Report.

5. Stand-alone Financial Statements for the Year Ended December 31, 2017 and 2016, and Independent Auditors' Report:

Please refer to Appendix II of the Annual Report.

6. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2017 and as of the date of this Annual Report: None

VII. Financial Status, Operating Results and Risk Management

1 Financial Status: Consolidated Report – IFRSs:

Unit: NT$ thousands

Item \ Year	2017	2016	Difference	
			Amount	%
Current assets	62,406,327	25,211,686	37,194,641	147.5
Available for sale financial assets – non-current	-	40,950,942	(40,950,942)	-
Property, plant and equipment	86,241,880	67,917,337	18,324,543	27.0
Total Assets	**150,779,302**	**136,977,142**	**13,802,160**	**10.1**
Current liabilities	14,703,104	33,709,907	(19,006,803)	(56.4)
Non-current liabilities	3,961,010	17,622,088	(13,661,078)	(77.5)
Total Liabilities	**18,664,114**	**51,331,995**	**(32,667,881)**	**(63.6)**
Common stock	29,863,340	27,485,658	2,377,682	8.7
Capital surplus	27,277,191	11,523,007	15,754,184	136.7
Retained earnings	74,898,497	39,092,585	35,805,912	91.6
Total Equity	**132,115,188**	**85,645,147**	**46,470,041**	**54.3**

Explanation for Significant Changes：

(1) Current assets increased due to the increase of cash inflow from operating and investing activities.

(2) The decrease of non-current available for sale financial assets is mainly because the disposition of Micron’s stock.

(3) The amount of PP&E increased mainly because of the procurement of 20nm equipment.

(4) The decrease of Current liabilities is mainly because of the repayment of loan from related parties.

(5) The decrease of non-current liabilities is mainly because of the repayment of long-term loan.

(6) Capital Surplus increased mainly due to the premium of ECB conversion.

(7) Retained earnings increased from the profit earned during the period.

2. Operating Results

2.1 Consolidated Report – IFRSs

Unit: NT$ thousands

Item \ Year	2017	2016	Difference	
			Amount	%
Operating revenues	54,918,224	41,632,505	13,285,719	31.9
Cost of goods sold	30,274,077	28,781,412	1,492,665	5.2
Gross profit	24,644,147	12,851,093	11,793,054	91.8
Operating expenses	5,852,847	4,298,858	1,553,989	36.1
Operating income	18,791,300	8,552,235	10,239,065	119.7
Non-operating income and expenses	23,039,231	17,173,495	5,865,736	34.2
Income before income tax	41,830,531	25,725,730	16,104,801	62.6
Income tax expense	1,535,907	1,997,145	(461,238)	(23.1)
Net income	40,294,624	23,728,585	16,566,039	69.8

Analysis for Significant Changes:

(1) Operating revenues increased mainly due to the rising of average selling price.

(2) Gross profit increased mainly due to the rising of average selling price.

(3) Operating expenses increased mainly due to the development of 20nm products.

(4) Operating income increased mainly due to the increase of revenue and gross profit.

(5) Non-operating income and expenses increased mainly due to the gain from disposal of Micron shares.

(6) Income before tax is higher than last year mainly due to the increase of operating income and the gain from disposal of Micron shares.

(7) Income tax expense of Y2016 was higher mainly due to the alternative minimum tax caused by disposal of Inotera shares.

(8) Net income is higher than last year mainly due to the increase of operating income and the gain from disposal of Micron shares.

2.2Gross Profit Variance Analysis – Consolidated Report by IFRSs:

Unit: NT$ thousands

Item	Variances between 2017 and 2016	Effect of variances			
		Sales variances	Cost variances	Product mix	Quantity variances
Gross profit	11,793,054	13,176,454	(2,234,619)	735,950	115,269

The variance analysis of gross profit：

(1) Sales variances: The rising of average selling price had positive impact on sales variances.
(2) Cost variances: The increase of depreciation cost by process transition had positive impact on cost variances.
(3) Product mix: The rising sales portion of higher margin product had positive impact.
(4) Quantity variances: The increase of sales volume had positive impact on quantity variances.

3. Cash Flow

3.1 Cash Flow Analysis for 2016

Unit: NT$thousands

Cash balance-beginning (1)	Net cash provided by operating activities (2)	Net cash used in investing and financing activities (3)	Cash balance (deficit) (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financing plan
9,101,632	22,691,854	(69,250,552)	(37,457,066)	55,019,607	15,604,577

(1)Operating activities: The net profit of 2017 is NT $ 40.3 billion, plus depreciation expenses, deduct the profit from disposal of available-for-sale financial assets and others, net cash inflow from operating activities is NT $ 22.7 billion.
(2)Cash outflow from investing activities: To acquire machine and equipment for 20nm manufacturing, the total procurement of machinery resulted in cash outflow of NT $ 29.4 billion.
(3)Cash outflow from financing activities: The repayment of both bank loans and borrowings from FPG and cash dividends distribution resulted in a cash outflow of NT $ 39.8 billion.
(4) Remedies for insufficient cash:
Investment Plan: Acquired/disposed available-for-sale financial assets resulted in a cash inflow of NT$ 55 billion.
Financing Plan:The company issued unsecured euro convertible bond in 2017 and acquired NT $ 15.6 billion.

A. Liquidity:

Item \ Year	2017	2016	Difference (%)
Current Ratio (%)	154.3	47.3	226.3
Quick Ratio (%)	112.4	106.6	5.4
Times Interest Earned (Times)	8.0	4.3	84.8

Explanation for significant changes:
(A) Current Ratio: Due to the decrease of current debt and the increase of operation cash inflow in 2017, the current ratio in 2017 is higher than previous year.
(B) Time’s interest earned: The increase of operation cash inflow and the decrease of available-for-sale financial assets resulted in times interest earned increased in 2017.

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3.2Cash flow projection for next year:

Unit: NT$ thousands

Cash balance-beginning	Net cash provided by operating activities	Net cash used in investing and financing activities	Cash balance (deficit)	Remedy for insufficient cash	
				Investment plan	Investment plan
33,768,677	37,754,432	(8,321,816)	63,201,293	—	—

The expected cash inflow from operating activities for next year is around NT $ 37.7 billion. The net cash used in investing and financing activities is around NT $ 8.3 billion which mainly spent in 20nm machinery procurement, cash dividend distribution and plus a portion of the proceeds from disposal of Micron shares. The yearly cash surplus is around NT $ 63.2 billion.

4. Major Capital Expenditures

4.1 Major Capital Expenditures and Sources of Funding:

Unit: NT$ billion

Project	Sources of Funding	Actual accumulated Capx AMT (2015~2017)	Actual Capex AMT		
			2015	2016	2017
20nm Migration	Cash capital increase、ECB、operating cash inflow、syndicated loan and others	50	0.7	19..9	29.4

With the above mentioned capital expenditures and some allocated in 2017, the company is able to upgrade its technology mix from 30nm/60K to 30nm/30K+20nm/38K WSPM.

5. Reinvestment Policy, Cause of Gain or Loss, Corrective Action, and Future Investment Plan:

2017/12/31 Unit：NT$ thousands

Company	Investment	Policy	Cause of Gain or Loss	improvement plan	Other investment plan
NTC-USA	20,392	Selling of semiconductor products.	Gain $ 1,051 from investment	—	—
NTC-Delaware	36,005	Designing of semiconductor products.	Gain $ 8,864 from investment	—	—
Pei-Jen Co., Ltd.	325,348	Import/export business and business investment	Loss $ 12,536 from investment	Mainly due to the one-time loss caused by the sale of all shares held	—
NTC-HK	66,271	Selling of semiconductor products.	Loss $ 2,022 from investment	Mainly due to the recognition of reinvested in the profits and losses of NTC-German and NTC-Shenzhen companies	—
NTC-Japan	20,161	Selling of semiconductor products.	Gain $ 33,713 from investment	—	—
PieceMakers Tech Inc.	21,246	Designing and Selling of products.	Gain $ 14,649 from investment	—	—
NTC-Germany	30,056	Import/Export Business	Gain $ 3,331 from investment	—	—
NTC-Shenzhen	29,400	Selling of semiconductor products.	Loss $ 8,473 from investment	Strengthen business development and cost reduction.	—

6. Risk Management

6.1 Risk Associated with Interest Rates, Foreign Exchange and Inflation:

(1) Interest rate: The company and its affiliates repaid the borrowings from related parties of NT$ 12.7 billion and repaid all its long term bank loan of NT$ 23 billion (NT$ 17.6 billion were repaid ahead of schedule). The balance of bank interest bearing debt at the end of 2017 is zero. Since current assets of the Company exceed current liabilities at the end of 2017 and cash are mainly invested in short-term investments, future interest rate fluctuations should have no significant impact on the company's profit.

(2) Foreign exchange: The functional currency of the company is NTD. However, since DRAM product are mainly transacted in US dollars, over 90% of the company's revenue are in US dollars. Therefore, when the US dollar depreciates against other currencies, exchange rate fluctuation will affect both the company's revenue and asset/liability assessment from balance sheet and thus have negative impact on the company's profits. Meanwhile, the company's annual capital expenditure exceeds 50% to be paid in U.S. dollars or other foreign currencies. Therefore, the company will retain appropriate U.S.

dollar cash positions depending on the operating conditions and the remaining will be transferred to NTD dollars. In order to minimize the impact to the company's profit and loss from exchange rate fluctuation, the Company can also buy/sell Foreign Exchange Forward for hedging purposes, if needed.

(3) Inflation: According to the announcement by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), the annual growth rate of Consumer Price and Core Consumer Price in 2017 is 0.62% and 1.03% respectively, the impact on the Company's 2017 profitability was insignificant.

6.2 Risks Associated with High-risk/high-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions:

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures of Lending" and "Procedures of Endorsement Guarantee.". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".

The principle of leading target is our affiliate companies with unified funds. The amount of loans is base on Article 15 of the Companies Act, and is implemented by the Board of Directors. The purposes of loan are mostly short-tem fund dispatching, and object are usually parent company and affiliates.

6.3 Future Research & Development Plans and Expected R&D Spending:

The Company will continuously focus on consumer and low power product markets. In product development area, we strengthened low power product design and related engineering capabilities. To fulfill the needs from mobile customers, we also developed multi-chip –package solutions. To continuously enhance product performance including higher speed and lower power consumption, we will achieve that goal by deploying advanced 20nm technology to develop new generation products in order to meet specialty market requirements. The R&D expense in 2018 is approximately NT$ 4.46 billion, increased 49% compared with 2017.

6.4 Risks Associated with Changes in the Government Policies and Regulatory Environment:

NTC pays close attention to changes in domestic and international politics and economic situations, major policy formation, and regulation amendments. Professional training is provided to NTC employees as needed. The following summarizes major regulation changes related to Nanya's finances and operations from 2017 to February 28, 2018.

(1) According to the amended Income Tax Act promulgated by Presidential Order Hua-Tsung-Yi-Yi-Tzu No.10700015201 on Feb 7, 2018, it revised Income Tax Rate increased to 20%, Undistributed Surplus Tax Rate Reduced to 5%. The increase in the withholding rate of foreign shareholders to 21%, the cancellation of the two-in-one tax calculation system and other requirements. Overall, this revision will increase the company's tax cost; in addition, the elimination of the two-in-one tax system will eliminate the need for the company to set a shareholder's deductible tax amount, which simplifies the accounting process.

(2) According to the amendment of labor Standard Act announced by Presidential Order Hua-Tsung-Yi-Yi-Tzu No.10700009781 on Jan 31, 2018, there adopt restoration of overtime pays for verification calculations during rest days.Increase the maximum number of hours of overtime, the specific industry has to work for 12 days in special circumstances, and the shift change between shifts is 8 hours due to work characteristics or special reasons.On the whole, although this amendment has been slightly relaxed, but the burden on personnel costs has been reduced to a limited extent, the company will continue to recommend that the competent authorities relax the relevant regulations to meet the needs of industrial operations.

(3) The Executive Yuan approved the draft amendment to the company law of the Ministry of Economic Affairs on December 21, 2017:

The revised surplus may be distributed twice a year, more than half of the directors and shareholders holding more than half of the shares may call the board of directors and the shareholders meeting. Before the 15th of each month, it is required to declare the beneficiary information on the government platform, the board of directors does not review the candidates of the directors and supervisors, the company can set up corporate governance personnel in accordance with the provisions of the articles of association, and the increase in the number of shareholders' meeting convening matters. The amendments are expected to have an impact on the company's operations, corporate governance, etc. However, the Legislative Yuan has not yet passed the legislation, the company will continue to track the progress of the amendments, and to assess the impact and develop response measures.

6.5Risks Associated with Changes in Technology and Industry: None

(1) Memory Development and Impact in China

a. The DRAM industry is currently in an oligarchic state, but three major memory chip manufacturers have been newly established in China, which may undermine the balance between supply and demand in the future. According to understanding, currently existing DRAM manufacturers do not cooperate with DRAM manufacturers in China. In the short-term, it is not easy for China's manufacturers to develop their own technology. However, NTC still needs to pay attention to its development and adopt countermeasures to reduce operational risks.

b. DRAM makers in China have leaned over Taiwan's former senior semiconductor executives to lead factories and their technological development. NTC has strengthened its safety and security control measures to avoid the risk of technology outflows and formulate relevant contingency measures, strengthening employee communication and increasing employee retention by retention policies.

c. NTC continue to research and develop new technologies and new product development, actively expand the market with higher added value, increase the proportion of revenue. For example, automotive, industrial, Netcom, etc., to reduce operational risks and reduce the impact of China's DRAM mass production.

(2) The possibility of emerging memory replacing DRAM

The new memory is classified into three types according to the operating principle: MRAM, ReRAM and Phase Change memory (PCM). The new memory currently released cannot reach the same specifications as DRAM in terms of speed, read/write times and high density, and it cannot replace DRAM in the short term. However, NTC will continue to pay attention to the development schedule of emerging memory, adjusting operational strategies and adopting response measures in due course.

6.6Changes in Corporate Image and Impact On Company's Crisis Management:

NTC "keep inquiring to the very root" and "rest only when perfection is achieved" and insist on such determination to face problems openly and solve problems with practical methods. Also, we constantly keep the idea of "work hard, rest only when perfection is achieved, devote ourselves to society, and sustainable management."

6.7 Risks Associated with Mergers and Acquisitions: Not applicable

6.8 Risks Associated with Capacity Expansion:

Please see VII. "Financial Status, Operating Results and Risk Management": 4. Major Capital Expenditures.NTC will take the best operational strategy for capacity expansion plans or production adjustments depending on customer needs, market supply and demand and funding sources.

6.9 Risks Associated with Sales Concentration and Purchase Concentration:

(3) Concentration of sales

Please reference to V. Operations overview "Suppliers/Customers Accounted for at Least 10% of Annual Procurement/Sales". NTC added and adjusted some customer groups of consumer products, and there was no concern about the concentration of sales of products in 2017.

(4) Concentration of purchase

Please reference to V. Operations overview "Suppliers/Customers Accounted for at Least 10% of Annual Procurement/Sales". NTC's main production material is still silicon wafers supplied by Formosa Sumco Technology Corporation as main supplier in 2017. NTC established a purchasing system which can maintain multiple sources and screen qualified suppliers to ensure stability and quality of manufacturing materials. Therefore, the concentration risk of manufacturing material purchase is minimum.

6.10 Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by Nanya's Directors, Supervisors, and/or Major Shareholders Who Own 10% or More of Nanya's Total Outstanding Shares: Not applicable

6.11 Risks Associated with Change in Management: Not applicable

6.12 Risks Associated with Litigation：

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

(2) In mid of 2010, Nanya Technology Corporation ("Nanya"), other manufacturers and individuals were alleged to international cartel in the industry for DRAM, which may have effected the Brazilian market. Nanya has engaged counsels to deal with the case to protect Nanya's interests.

(3) In October, 2016, Lone Star Silicon Innovations accused Nanya Technology Corporation and its subsidiaries (collectively "Nanya") in U.S District Court of East Texas for patent infringement. The case was transferred to the U.S District Court of Northern District of California in July, 2017 and the Court adjudicated the dismissal of the case in January 2018. The Plaintiff is appealing against the dismissal. Nanya has engaged counsels to properly handle it to ensure Nanya's rights.

6.13 Other Material Risks:

(1) Guidelines of internal material information

a. FPG emphasize diligent and humble as corporate theme. The company also set strict moral conduct for its employees to follow. Any employee who transmit business confidentiality to public, fraud for personal interest and spreading rumors are prohibited.

b. The Company has a "Personnel Management Rules" and informs the Employee that, without written permission, it shall not disclose any internal information to the public, nor shall it be used for personal or other business purposes.

c. Regarding information transparency and any material accident, there is a handbook specify the operation directions. All employees, except the spokesman, shall not express corporate policy, operating and business information to public to avoid insider trading.

(2) Hacker Attack Risk

a. The popularity of Internet and mobile devices has provided more attack channels and opportunities for hackers, and hacking attacks have gradually transformed from early self-challenge to economic crime. In recent years, there have been numerous incidents involving the leakage of capital from large-scale enterprises, the theft of financial institutions and the rampage of ransomware. With the development of artificial intelligence, it is expected that in the next 3 to 5 years, there will be an attack technique using this emerging technology combined with big data. In the face of increasingly intelligent and targeted hacking threats, any company will be exposed to the risk of attack and cannot be exempted.

b. In order to reduce the risk of hacker attacks, the first priority is to prevent it. NTC has already introduced many protection systems and anti-virus software to block most of the malicious program attacks. Through education and training to develop peer safety awareness, to avoid falling into the trap of social engineering. In addition, abnormal use of the account (for example: multiple login failures in a short time) will also provide warning in order to detect potential customers potentially lurking in the company and avoid the risk of continued expansion. NTC continues to focus on security related issues, master the latest hacking attack tactics, and conduct security offensive and defensive drills to ensure freedom from hacker’s attacks and threats.

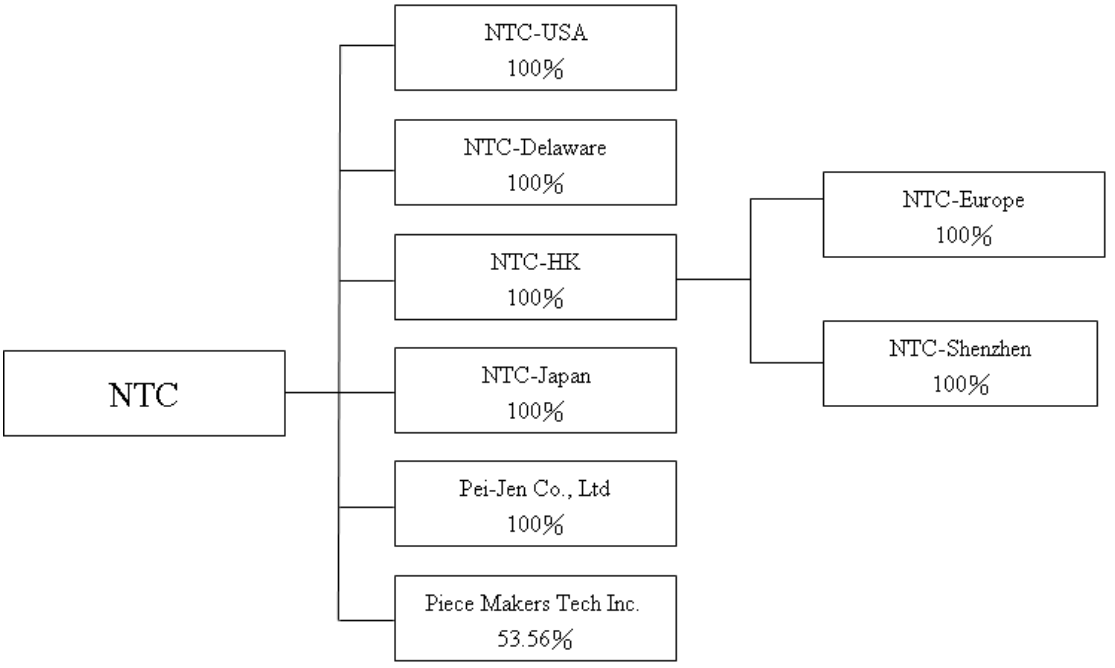
7. Other Important Matters: None

VIII. Other Special Notes

1. Summary of NTC's Subsidiary

(1) Subsidiary Chart:

2017/12/31



Note: NTC has resolved to dispose of all the Piece Makers Tech. Inc. shares and completed the equity transaction on February 26, 2018.

(2) Subsidiary Information:

2017/12/31 Unit: Thousands

Subsidiaries	Date of Incorporation	Address	Capital Stock	Business Activities
NTC-USA	1997.04	1735 Technology Drive, Suite 400, San Jose, CA 95110	USD 720	Selling of semiconductor products.
NTC-Delaware	2008.10	20 Winter Sport Ln., Suite 105, Williston, VT 05495	USD 1,100	Designing of semiconductor products.
NTC-HK	2002.04	7th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	HKD 15,366	Selling of semiconductor products.
NTC-Japan	2002.09	8F Moriden Building, 3-9-9 Mita, Minato-ku,Tokyo, 108-0073, Japan	JPY 70,000	Selling of semiconductor products.
Pei-Jen Co., Ltd.	1978.11	1F., No.201, Dunhua N. Rd., Songshan Dist., Taipei City 10508, Taiwan (R.O.C.)	NTD 293,520	Import/Export Business Business investment
Piece Makers Tech Inc.	2006.01	9F.-1, No.89, Dongmei Rd., East Dist., Hsinchu City 30070, Taiwan (R.O.C.)	NTD 162,633	Designing and selling of products.
NTC-Germany	2002.09	Pempelforter Strasse 50, 40211 Duesseldorf, Germany	EUR 800	Import/Export Business
NTC-Shenzhen	2006.08	Area N,3rd Floor, Block B, Junxiangda Building , Zhongshanyuan Road ,Nanshan District ,Shenzhen	USD 985	Selling of semiconductor products.

(3) Shareholders in Common of NTC and Its Subsidiary with Deemed Control and Subordination: None

(4) Business Scope of NTC's Subsidiary:

The subsidiary overall is engaged in research, development, design, manufacturing and sale of semiconductor products. NTC-USA, NTC-Japan, NTC-HK, NTC-Germany and NTC-Shenzhen those are selling semiconductor products on behalf of NTC.

(5) Directors, Supervisors and Presidents of NTC's Subsidiaries

As of 2017/12/31 Unit: shares；%

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares	%
Nanya Technology Corporation, USA.	Chairman	Nanya Technology Corporation Representative: Pei-Ing Lee	2,400	100.00
	Director	Nanya Technology Corporation Representative: Rex Chuang	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: Rex Chen	Same as above	Same as above
	Director	Brian Donahue	—	—
	President	Brian Donahue	—	—
Nanya Technology Delaware	Chairman	Nanya Technology Corporation Representative: Pei-Ing Lee	1	100.00
	Director	Nanya Technology Corporation Representative: Chi-Meng Su	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: Chih-Hsiang Wu	Same as above	Same as above
	Director	Douglas Lewellen	—	—
	President	Douglas Lewellen	—	—
Nanya Technology (HK) Corporation	Director	Nanya Technology Corporation Representative: Pei-Ing Lee	19,700	100.00
	Director	Otto Chang	—	—
	Director	Rex Chen	—	—
	President	Pei-Ing Lee	—	—
Nanya Technology Japan	Chairman	Nanya Technology Corporation Representative: Pei-Ing Lee	1,000	100.00
	Chairman	Nanya Technology Corporation Representative: Chin-Lu Pan	Same as above	Same as above
	Director	Otto Chang	—	—
	Director	Chih-Hsiang Wu	—	—
	Director	Rex Chen		
	Supervisor	Hung-Chi Kuo	—	—
	President	Chin-Lu Pan	—	—
Nanya Technology (Shenzhen) Co., Ltd.	Chairman	Nanya Technology (HK) Corporation Representative: Pei-Ing Lee	—	100.00
	Director	Otto Chang	—	—
	Director	Rex Chuang	—	—
	Supervisor	Hung-Chi Kuo		
	President	Johnny Wang	—	—

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares	Shares
Nanya Technology Germany	Managing Director	Jean-Louis Freart	—	—
Pei. Jen Co., Ltd.	Chairman	Nanya Technology Corporation Representative: Pei-Ing Lee	2,935,200	100.00
	Director	Nanya Technology Corporation Representative: Nelson Chien	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: Hung-Chi Kuo	Same as above	Same as above
	Supervisor	Nanya Technology Corporation Representative: L. T. Pai	Same as above	Same as above
	President	Nelson Chien	—	—
Piecemakers Tech. Inc.	Chairman	Nanya Technology Corporation Representative: Pei-Ing Lee	8,709,891	53.56
	Director	Nanya Technology Corporation Representative: Otto Chang	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: ming-zhong Ye	Same as above	Same as above
	Director	Hsiao-Wen Lee	659,648	4.06
	Director	Joe Ting	531,137	3.27
	Supervisor	L. T. Pai	—	—
	President	Hsiao-Wen Lee	659,648	4.06

(6) Operational Highlights of NTC's Subsidiaries:

2017/12/31 Unit: NT$ thousands

Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	Earnings per share (NT$)
NTC-USA	20,392	688,873	568,994	119,879	3,292,806	3,695	1,051	438
NTC-Delaware	36,005	143,580	13,618	129,962	327,878	15,613	8,864	8,864,199
NTC-HK	66,271	999,005	957,125	41,879	3,607,847	7,590	(2,022)	(103)
NTC-Japan	20,161	1,034,197	862,239	171,957	4,015,787	45,663	33,713	33,713
Pei-Jen Co., Ltd.	293,520	44,331	640	43,691	-	(192)	(299,644)	(156.72)
PieceMakers Tech Inc.	162,633	441,080	192,777	248,303	886,779	11,695	27,346	1.68
NTC-Germany	30,065	949,617	890,086	59,531	3,254,250	12,735	3,331	-
NTC-Shenzhen	29,400	18,046	10,704	7,342	24,505	(8,002)	(8,473)	-

Total assets, Total liabilities	Operating revenue, Operating income, Net income
(1) 1USD = NT$29.848	1USD = NT$30.4212
(2) 1JPY = NT$0.2641	1JPY = NT$0.2711
(3) 1EUR = NT$35.6081	1EUR = NT$34.3711
(4) 1HKD = NT$3.8153	1HKD = NT$3.9007
(5) 1CNY = NT$4.5642	1CNY = NT$4.5009

1.2 Consolidated Financial Statements of Affiliated Enterprises

(1) Representation Letter

Representation Letter

The entities to be included in the consolidated financial statements of affiliates which is required of Nanya Technology Corporation as of and for the year ended December 31, 2017, in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same entities included in the consolidated financial statements for the same period of Nanya Technology Corporation and its subsidiaries prepared in conformity with the International Accounting Standards No.10 as endorsed by the ROC Financial Supervisory Commission (FSC). In addition, the information required to be disclosed in the above-mentioned consolidated financial statements of affiliates is also included in the said consolidated financial statements of parent company and its subsidiary. Therefore, Nanya Technology Corporation and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

NANYA TECHNOLOGY CORPORATION

Chairman: Jia-Zhao, Wu

February 26, 2018

(2) Affiliated company's Consolidated Financial Statements: same as NTC's Financial Statements.

(3) Consolidated Business Reports of Affiliated Enterprises: None

2. Private Placement Securities in 2017 and as of the Date of this Annual Report: None

3. NTC's Shares Acquired, disposed of, and Held by its Subsidiary in 2017 and as of the Date of this Annual Report:

Name of subsidiary	Capital	Souce of capital	NTC Shareholding Ratio (%)	Acquired, Disposed of Date	Acquired amount	Disposed amoun	Investmetn Gain Or Loss	Shareholding number and amount(As of 2017/12/31)	creation of pledge	Money of Endorsement and Guarantee	amount of Lending money
Pei-Jen Co., Ltd.	NT$48,000K	The creation of capital And Earning of Capital Injuction	100.00%	2017	—	687,588shares NT$59,394K	NT$ (288,139)K	0 shares NT$0	none	none	none

4. Other Necessary Supplement: None

5. Any Events in 2017 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Share Prices as Stated in Item 3 Paragraph 2 of Article36 of Securities and Exchange Law of Taiwan: None

Appendix A

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS with Independent Accountants' Review Report

Stock Code: 2408

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

Address: No.98, Nanlin Rd., Dake Vil., Taishan Dist., New Taipei City, Taiwan (R.O.C.)
Telephone: (02)2904-5858

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Nanya Technology Corporation as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanya Technology Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Nanya Technology Corporation
Chairman: Chia-Chau Wu
Date: February 26, 2018

安侯建業聯合會計師事務所
KPMG
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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 balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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 of December 31, 2017 and 2016, 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 Auditors' 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(o) to the consolidated financial statements for the details of the accounting policy of revenue recognition.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 quarterly basis. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the consolidated financial statements. Please refer to Notes 4(h), 5(a) and 6(f) 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.

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

Other Matter

Nanya Technology Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, 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, interpretation as well as related guidance endorsed by the Financial Supervisory Commission 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditors' 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 and 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 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2018

Notes to Readers

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

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

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

Nanya Technology Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 33,768,677	21	9,101,632	7
1125	Current available-for-sale financial assets (Note 6(c))	-	-	2,000,360	2
1170	Notes and accounts receivable, net (Note 6(e))	8,525,608	6	5,768,718	4
1200	Other receivables (Notes 6(e)(i))	11,601,416	8	1,973,908	1
1310	Inventories (Note 6(f))	6,888,530	5	4,849,492	4
1470	Other current assets	1,622,096	1	1,517,576	1
	Total current assets	62,406,327	41	25,211,686	19
	Non-current assets:				
1523	Non-current available-for-sale financial assets (Note 6(c))	-	-	40,950,942	30
1600	Property, plant and equipment (Notes 6(h), 7 and 8))	86,241,880	57	67,917,337	50
1780	Intangible assets	136,550	-	272,185	-
1840	Deferred tax assets (Note 6(n))	922,559	1	876,312	-
1935	Long-term lease payments receivable (Note 6(i))	1,043,501	1	1,353,253	1
1990	Other non-current assets (Notes 8)	28,485	-	395,427	-
	Total non-current assets	88,372,975	59	111,765,456	81
	Total assets	$ 150,779,302	100	136,977,142	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2120	Current financial liabilities at fair value through profit or loss (Notes 6(b)(k))	$ 2,238,441	1	-	-
2170	Notes and accounts payable	3,072,987	2	5,443,555	4
2180	Accounts payable to related parties (Note 7)	299,746	-	165,183	-
2200	Other payables (Note 6(l))	6,297,730	4	3,991,544	3
2220	Other payables to related parties (Note 7)	1,065,854	1	13,993,373	10
2230	Current tax liabilities	1,726,392	1	2,138,229	2
2322	Long-term borrowings, current portion (Notes 6(j) and 8)	-	-	7,786,000	6
2399	Other current liabilities	1,954	-	192,023	-
	Total current liabilities	14,703,104	9	33,709,907	25
	Non-Current liabilities:				
2530	Bonds payable (Note 6(k))	3,286,711	3	-	-
2540	Long-term borrowings (Notes 6(j) and 8)	-	-	15,174,000	11
2570	Deferred tax liabilities (Note 6(n))	63,699	-	1,631,924	1
2613	Non-current lease obligations payable (Note 6(l))	-	-	265,093	-
2640	Net defined benefit liability, non-current (Note 6(m))	525,797	-	453,513	-
2670	Other non-current liabilities	84,803	-	97,558	-
	Total non-current liabilities	3,961,010	3	17,622,088	12
	Total liabilities	18,664,114	12	51,331,995	37
	Equity (Notes 6(m)(n)(o)):				
3110	Ordinary share	29,639,382	20	27,485,658	20
3130	Certificate of entitlement to new shares from convertible bond	223,958	-	-	-
3200	Capital surplus	27,277,191	18	11,523,007	8
3310	Legal reserve	5,164,057	3	2,791,929	2
3320	Special reserve	-	-	4,570	-
3350	Unappropriated retained earnings	69,734,440	47	36,296,086	27
3400	Other equity interest	(39,163)	-	7,789,101	6
3500	Treasury shares	-	-	(347,533)	-
	Total equity attributable to owners of parent	131,999,865	88	85,542,818	63
36xx	Non-controlling interests	115,323	-	102,329	-
	Total equity	132,115,188	88	85,645,147	63
	Total liabilities and equity	$ 150,779,302	100	136,977,142	100

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 Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (Note 7)	$ 54,918,224	100	41,632,505	100
5000	Operating costs (Notes 6(f)(m)(p)(r) and 7)	30,274,077	55	28,781,412	69
	Gross profit from operations	24,644,147	45	12,851,093	31
	Operating expenses (Notes 6(m)(p)(r) and 7):				
6100	Selling expenses	782,434	1	753,417	2
6200	Administrative expenses	1,397,357	3	1,067,372	3
6300	Research and development expenses	3,673,056	7	2,478,069	6
	Total operating expenses	5,852,847	11	4,298,858	11
	Net operating income	18,791,300	34	8,552,235	20
	Non-operating income and expenses (Notes 6(d)(g)(h)(k)(l)(s)):				
7010	Other income	393,071	1	252,405	1
7020	Other gains and losses, net	23,105,821	42	17,786,474	43
7050	Finance costs	(459,661)	(1)	(705,321)	(2)
7060	Share of profit (loss) of associates accounted for using equity method, net	-	-	(160,063)	-
	Total non-operating income and expenses	23,039,231	42	17,173,495	42
7900	**Profit before tax**	41,830,531	76	25,725,730	62
7950	Tax expense (Note 6(n))	1,535,907	3	1,997,145	5
	Profit	40,294,624	73	23,728,585	57
8300	**Other comprehensive income (Notes 6(m)(n)(t)):**				
8310	**Items that may not be reclassified to profit or loss:**				
8311	Remeasurements of the net defined benefit	(83,545)	-	130,091	-
8320	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)	-
8349	Income (loss) tax related to items that may not be reclassified to profit or loss	14,203	-	(22,115)	-
	Total amount of items that may not be reclassified subsequently to profit or loss	(69,342)	-	78,200	-
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(22,317)	-	(5,258)	-
8362	Unrealized (losses) gains on valuation of available-for-sale financial assets	(9,408,293)	(17)	9,401,275	23
8399	Income (loss) tax related to items that may be reclassified to profit or loss	1,602,346	3	(1,602,346)	(4)
	Total amount of items that may be reclassified subsequently to profit or loss	(7,828,264)	(14)	7,793,671	19
8300	**Other comprehensive (loss) income, net**	(7,897,606)	(14)	7,871,871	19
8500	**Comprehensive income**	$ 32,397,018	59	31,600,456	76
	Profit, attributable to:				
8610	Profit (loss), attributable to owners of parent	$ 40,281,927	73	23,721,277	57
8620	Profit (loss), attributable to non-controlling interests	12,697	-	7,308	
		$ 40,294,624	73	23,728,585	57
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 32,384,321	59	31,593,148	76
8720	Comprehensive income, attributable to non-controlling interests	12,697	-	7,308	-
		$ 32,397,018	59	31,600,456	76
	Earnings per share (Note 6(q))				
9750	Basic earnings per share	$ 14.36		8.67	
9850	Diluted earnings per share	$ 13.92		8.64	

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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital			Retained earnings			Other equity interest					
	Ordinary share	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2016	$ 24,285,658	-	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(347,533)	54,737,689	116,686	54,854,375
Profit for the year ended December 31, 2016	-	-	-	-	-	23,721,277	-	-	-	23,721,277	7,308	23,728,585
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	78,200	(5,258)	7,798,929	-	7,871,871	-	7,871,871
Comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	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 and associates accounted for using equity method	-	-	(5,060,764)	-	-	(2,341)	-	-	-	(5,063,105)	-	(5,063,105)
Adjustments of capital surplus for cash dividends distributed to 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	-	-	-	-	-	-	-	-	-	-	(22,550)	(22,550)
Balance as of 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
Profit for the year ended December 31, 2017	-	-	-	-	-	40,281,927	-	-	-	40,281,927	12,697	40,294,624
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(69,342)	(22,317)	(7,805,947)	-	(7,897,606)	-	(7,897,606)
Comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	40,212,585	(22,317)	(7,805,947)	-	32,384,321	12,697	32,397,018
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	2,372,128	-	(2,372,128)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,122,848)	-	-	-	(4,122,848)	-	(4,122,848)
Reversal of special reserve	-	-	-	-	(4,570)	4,570	-	-	-	-	-	-
Other changes in capital surplus:												
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	1,031	-	-	-	-	-	-	1,031	-	1,031
Conversion of convertible bonds	2,153,724	223,958	15,297,911	-	-	-	-	-	-	17,675,593	-	17,675,593
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	(4,331)	-	-	(283,808)	-	-	347,533	59,394	-	59,394
Changes in ownership interests in subsidiaries	-	-	-	-	-	(17)	-	-	-	(17)	17	-
Recognized compensation costs on employee stock options	-	-	459,573	-	-	-	-	-	-	459,573	-	459,573
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	280	280
Balance as of December 31, 2017	$ 29,639,382	223,958	27,277,191	5,164,057	-	69,734,440	(39,163)	-	-	131,999,865	115,323	132,115,188

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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Profit before tax	$ 41,830,531	25,725,730
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	8,429,032	5,900,734
Amortization expense	141,094	134,008
Provision for bad debt expense	-	16,012
Net loss on financial liabilities at fair value through profit or loss	7,981,043	-
Interest expense	459,661	705,321
Interest income	(390,855)	(246,635)
Dividend income	(2,216)	(2,770)
Share-based payments	459,573	295,029
Share of loss (profit) of associates accounted for using equity method	-	160,063
(Gain) loss on disposal of property, plant and equipment	(3,089)	7,809
Gain on disposal of lease payable	(63,542)	-
Gain on disposal of financial assets in available-for-sale	(32,093,172)	-
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	488,988	1,158,201
Unrealized foreign exchange gain	(371,365)	(170,079)
Discount amortization of financial liabilities	-	6,000
Amortization costs of issuing bonds	5,739	-
Total adjustments to reconcile loss	(14,959,109)	(11,915,666)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(2,805,016)	(310,623)
Other receivable	1,044,604	(348,002)
Inventories	(2,039,038)	1,096,227
Other current assets	(63,313)	78,882
Notes and accounts payable (including related parties)	(2,212,483)	838,437
Other payable (including related parties)	4,119,274	-
Other current liabilities	(231,289)	1,822,056
Net defined benefit liability	(11,261)	(194,278)
Other liabilities	34,135	(2,860)
Total changes in operating assets and liabilities	(2,164,387)	2,979,839
Cash inflow generated from operations	24,707,035	16,789,903
Interest received	215,739	242,952
Dividends received	2,216	2,770
Interest paid	(327,035)	(699,628)
Income taxes paid	(1,906,101)	(389,988)
Net cash flows from operating activities	22,691,854	15,946,009
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(1,900,000)	(41,562,001)
Proceeds from disposal of available-for-sale financial assets	56,919,607	8,114,519
Proceeds from disposal of investments accounted for using equity method	-	47,751,373
Acquisition of property, plant and equipment	(29,394,879)	(22,335,748)
Proceeds from disposal of property, plant and equipment	3,130	653
Decrease (increase) in refundable deposits	(92)	(733)
Acquisition of intangible assets	(117)	-
Decrease in long-term lease and installment receivables	429,330	429,330
Decrease (increase) in other non-current assets	361,688	(7,280)
Net cash flows from (used in) investing activities	26,418,667	(7,609,887)
Cash flows used in financing activities:		
Increase in short-term loans	-	24,148,900
Decrease in short-term loans	-	(27,454,900)
Proceeds from issuing convertible bonds	15,604,577	-
Proceeds from long-term debt	-	11,000,000
Repayments of long-term debt	(23,000,000)	(1,261,000)
Increase in guarantee deposits received	12,976	-
Decrease in other payables to related parties	(12,733,856)	(12,785,669)
Decrease in lease payable	(4,138)	(8,327)
Proceeds from issuing shares	-	11,675,000
Change in non-controlling interests	280	(22,550)
Cash dividends paid	(4,121,817)	(7,695,984)
Net cash flows used in financing activities	(24,241,978)	(2,404,530)
Effect of exchange rate changes on cash and cash equivalents	(201,498)	66,335
Net increase in cash and cash equivalents	24,667,045	5,997,927
Cash and cash equivalents at beginning of year	9,101,632	3,103,705
Cash and cash equivalents at end of year	$ 33,768,677	9,101,632

See accompanying notes to consolidated financial statements.

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2018.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial Assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

(Continued)

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

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

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

(i) IFRS 9 "Financial Instruments"

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

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

2) Impairment-Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; The Group also choose to apply this policy also for trade receivables with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group estimated the application of IFRS 9's impairment requirements would not have any material impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and other interpretations related to other revenue.

For the sale of semiconductor products, revenue is currently recognized based on individual terms of sales contract and the related risks and rewards of ownership transfers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group has performed a preliminary assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred and the Group does not expect that there will be a significant impact on its consolidated financial statements.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Group are set out below:

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

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

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

The consolidated financial statement is the combined financials for a parent company and its subsidiaries. A company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee company and has the ability to affect those returns through its power over the investee company.

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

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

(Continued)

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

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

Investor	The name of subsidiaries	Business activity	Shareholdings December 31, 2017	Shareholdings December 31, 2016	Note
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00 %	100.00 %	
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00 %	100.00 %	
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00 %	100.00 %	
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00 %	100.00 %	
The Company	PEI JEN Co., Ltd.	Investment in enterprise	100.00 %	100.00 %	
The Company	PIECEMAKERS TECHNOLOGY CORP.	Design and sales of products	53.56 %	53.57 %	Note
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Germany	Sales of semiconductor products	100.00 %	100.00 %	
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzen	Sales of semiconductor products	100.00 %	100.00 %	

Note: The board of directors of PIECEMAKERS TECHNOLOGY CORP. approved its employees to exercise the stock options and issued new shares in September, 2017. The Group decreased its shareholdings from 53.57% to 53.56%.

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

(Continued)

(ii) Foreign operations

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

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

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

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

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

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

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

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

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

(iii) The liability is due to be settled within twelve months after the balance sheet date; or

(iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

Financial assets are categorized into Available-for-sale financial assets, loans and receivables.

1) Available-for-sale financial assets

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

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

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

2) Loans and Receivables

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

(Continued)

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

3) Impairment of financial assets

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

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

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

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

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

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

Impairment losses on available for sale financial assets are recognized by reclassifying the gains or losses accumulated in the fair value reserve in other comprehensive income (loss) to profit or loss.

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

(Continued)

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized being in profit or loss.

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

4) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instrument

1) Classification of liabilities or equity instruments

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

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

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

The Company ceased to adopt the equity method when the investee company is no longer an associate. The retained equity of the original affiliated company is measured at fair value; the difference between the fair value, disposition price and the book value of the investee on the day the Company ceased to adopt the equity method is recognized in profit or loss.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

1) Buildings: 25 years.

2) Machinery and equipment: 5 to 16 years.

3) Other equipment: 3 to 15years.

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

(k) Leases

(i) Lesser

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

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

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

(ii) Lessee

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

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

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

(l) Intangible assets

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

Other development expenditure is recognized as an expense when incurred.

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

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

(m) Impairment of non-derivative financial assets

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

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

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

(n) Treasury stock

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

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

(o) Revenue recognition

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer usually occurs upon loading the goods onto the relevant carrier at the port. All the risks and rewards have been transferred when products are insured against global cargo movement. For domestic sales, transfer occurs upon receipt by the customer.

(p) Employee benefits

(i) Defined contribution plan

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

(ii) Defined benefit plan

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

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

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

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

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

(iii) Short-term employee benefits

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

(q) Share-based payment

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

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

(r) Income taxes

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

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

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

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

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

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

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

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

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

1) The same taxable entity; or

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

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

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Petty cash	$ 156	150
Demand deposit and checking accounts	3,943,055	2,327,842
Cash equivalents:		
Time deposits	29,188,507	5,829,667
Commercial paper	302,838	694,473
Repurchase agreements collateralized by corporate bonds	334,121	249,500
	$ 33,768,677	**9,101,632**

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

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

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

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

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

(c) Available-for-sale financial assets

(i) The details are as follows:

	December 31, 2017	December 31, 2016
Domestic money Market Fund	$ -	2,000,360
Foreign listed stock	-	40,882,664
Domestic listed stock	-	68,278
	$ -	42,951,302
Current	$ -	2,000,360
Non-Current	$ -	40,950,942

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

	For the years ended December 31,	
	2017	2016
Security price on reporting date	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Appreciation of 1%	$ -	340,009
Depreciation of 1%	$ -	(340,009)

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

The Group purchased a two-year interest-free convertible bond of USD6,000 thousand issued by Memoright in August 2015. The conversion rights embedded in the corporate bond are accounted for separately as the economic characteristics and risks are not specifically associated. On December 31, 2016, an impairment loss of $190,620 was recognized because the management evaluated that it was not possible to collect the future cash flows of the convertible bond, with objective indications. The conversion rights of the corporate bond, which are linked to unlisted preference shares of $0 and the corporate bonds of $0, were accounted for as financial assets carried at cost— non-current and investment in debt securities with no active market—non-current, respectively, as of December 31, 2017 and 2016.

(e) Notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Notes and accounts receivable	$ 8,534,467	5,778,002
Other receivables	11,601,416	1,973,908
Less : allowance for doubtful receivables	(8,859)	(9,284)
	$ 20,127,024	7,742,626

(Continued)

The aging analysis of notes and accounts receivable and other receivables was as follows:

	Neither past due nor impaired	Past due but not impaired			
		Within 30 days	31 to 60 days	over 61 days	total
December 31, 2017	$ 20,077,140	49,884	-	-	20,127,024
December 31, 2016	7,722,187	12,843	334	7,262	7,742,626

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

	Collectively assessed impairment loss
Balance as of January 1, 2017	$ 9,284
Foreign exchange gain	(425)
Balance as of December 31, 2017	$ 8,859
Balance as of January 1, 2016	$ 9,177
Foreign exchange loss	107
Balance as of December 31, 2016	$ 9,284

(f) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 400,607	217,708
Work in progress	5,393,122	2,712,196
In-transit inventory	1,067,788	1,893,102
Merchandise	27,013	26,486
Total	$ 6,888,530	4,849,492

Inventory cost charged to cost of goods sold amounted to $29,581,144 and $28,288,402 for the years ended December 31, 2017 and 2016, respectively. The circumstance that caused the net realizable value to be lower than the cost no longer exists, therefore, the net realizable value of inventories had increased and the Group derecognized a loss from devaluation of inventories of $5,072 for the year ended December 31, 2017. The loss from measuring inventories at net realizable value of $908 was charged to cost of goods sold for the year ended December 31, 2016, because the carrying value exceeded the net realizable value of inventories.

(g) Investments accounted for using equity method

Inotera Memories, Inc. (''Inotera'') was a significant associate for the Group.

In December 31, 2016, Micron Semiconductor Co. (''MST'') completed the share-swap with Inotera Memories, Inc. (Inotera). The Group disposed 1,596,502 thousand shares of Inotera on December 6, 2016(the date upon which the share-swap was recorded), with a selling price of $30 per share, in which the proceeds amounted to $47,751,373, which was deducted from the transaction cost. The Group recognized a gain on disposal of investments accounted for using equity method amounting to $20,069,979 and a deduction of capital surplus amounting to $5,063,746.

Inotera was no longer a related party of the Group since December 6, 2016 (the date upon which the share-swap was recorded).

Summary of shares of profit or loss of associates accounted for using equity method attributable to the Group were as follows:

	For the years ended December 31,	
	2017	2016
Share of loss of associates accounted for using equity method	$ -	(160,063)

(h) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2017	$ 1,013,924	4,197,562	125,215,286	1,431,504	25,574,275	157,432,551
Additions	-	-	860,111	43,379	26,548,823	27,452,313
Disposals	-	-	(363,296)	(25,054)	-	(388,350)
Derecognized lease assets	-	-	-	(345,636)	-	(345,636)
Reclassification	-	3,305,157	47,009,898	29,750	(50,344,805)	-
Effect of exchange rate change	-	(88)	(2,087)	(173)	-	(2,348)
Balance as of December 31, 2017	$ 1,013,924	7,502,631	172,719,912	1,133,770	1,778,293	184,148,530
Balance as of January 1, 2016	$ 1,013,924	4,197,540	124,544,160	1,428,002	1,275,203	132,458,829
Additions	-	-	537,393	42,923	24,642,370	25,222,686
Disposals	-	-	(214,985)	(29,674)	-	(244,659)
Reclassification	-	-	352,775	(9,477)	(343,298)	-
Effect of exchange rate change	-	22	(4,057)	(270)	-	(4,305)
Balance as of December 31, 2016	$ 1,013,924	4,197,562	125,215,286	1,431,504	25,574,275	157,432,551
Accumulated depreciation / impairment:						
Balance as of January 1, 2017	$ -	1,450,874	86,921,615	1,142,725	-	89,515,214
Depreciation for the period	-	226,107	8,162,788	40,137	-	8,429,032
Impairment loss	-	-	488,988	-	-	488,988
Disposals	-	-	(363,296)	(25,013)	-	(388,309)
Derecognized lease assets	-	-	-	(136,693)	-	(136,693)
Reclassification	-	-	(28,759)	28,759	-	-
Effect of exchange rate change	-	(54)	(1,404)	(124)	-	(1,582)
Balance as of December 31, 2017	$ -	1,676,927	95,179,932	1,049,791	-	97,906,650

(Continued)

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Balance as of January 1, 2016	$ -	1,290,719	80,274,330	1,130,254	-	82,695,303
Depreciation for the period	-	160,161	5,689,668	50,905	-	5,900,734
Impairment loss	-	-	1,157,024	1,177	-	1,158,201
Disposals	-	-	(205,982)	(30,173)	-	(236,155)
Reclassification	-	-	10,117	(10,117)	-	-
Effect of exchange rate change	-	(6)	(3,542)	679	-	(2,869)
Balance as of December 31, 2016	$ -	1,450,874	86,921,615	1,142,725	-	89,515,214
Carrying amounts:						
Balance as of December 31, 2017	$ 1,013,924	5,825,704	77,539,980	83,979	1,778,293	86,241,880
Balance as of December 31, 2016	$ 1,013,924	2,746,688	38,293,671	288,779	25,574,275	67,917,337

(i) Impairment loss

The impairment loss amounting to $488,988 and $1,158,201 were recognized for the years ended December 31, 2017 and 2016, respectively, because the Group expected the future recoverable amounts of equipment, which have been identified to be no longer used in its future operation, would be lower than the book value.

(ii) Leased assets

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

(iii) Property, plant and equipment under construction

	For the years ended December 31,	
	2017	2016
Capitalized interest amounts	$ 163,901	39,109
Capitalized interest rates	1.79%~1.98%	1.92%~2.09%

(iv) Secured

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

(i) Lease receivables

(i) On June 18, 2009, the Group signed an amended long term lease agreement with Inotera Memories, Inc. and MeiYa Technology Corp. on the lease of building, facilities and land located on 348, 348 1 and 348 3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However Inotera Memories, Inc. is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. In addition, Inotera Memories, Inc. has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

(ii) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the years ended December 31, 2017 and 2016, the Group recognized the interest revenue of $150,240 and $177,867, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2017,			December 31, 2016,		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 429,330	119,578	309,752	429,330	150,240	279,090
Between one and five years	1,057,320	268,124	789,196	1,222,320	352,504	869,816
More than five years	264,330	10,025	254,305	528,660	45,223	483,437
Sub-total	$ 1,750,980	397,727	1,353,253	2,180,310	547,967	1,632,343
Current			$ 309,752			279,090
Non-current			1,043,501			1,353,253
			$ 1,353,253			1,632,343

(Continued)

(j) Long-term borrowings

	December 31, 2017,			
	Currency	Interest rate range	Expiration	Amount
Unused long term of credit				$ 1,600,000

	December 31, 2016,			
	Currency	Interest rate range	Expiration	Amount
Secured bank borrowings	TWD	1.7895%~2.1668%	2019~2021	$ 22,960,000
Less: Current portion of long-term borrowings				(7,786,000)
Total				$ 15,174,000
Unused long term of credit				$ 1,300,000

(i) Issuance and redemption of loans

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

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

(ii) Collaterals for bank loans

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

(k) Bonds Payable

	December 31, 2017
Issuance of unsecured overseas convertible bonds	$ 15,218,000
Unamortized discount on bonds payable	(229,383)
Conversion of convertible bonds to ordinary shares	(11,701,906)
Balance at end of period	$ 3,286,711

	For the year ended, December 31, 2017
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included financial liabilities at fair value through profit or loss)	$ 1,856,146
Embedded derivatives-call and put options and conversion rights re-measured at fair value through loss (included other gain and losses)	$ 7,598,748

(Continued)

Item	The first unsecured overseas convertible bond
1. Issue amount	USD 500,000 thousand
2. Issue par value	USD 200 thousand
3. Issue period	2017.1.24～2022.1.24
4. Bond expiration	5 years
5. Coupon rate	0%
6. Conversion price	TWD 52.47 dollars
7. Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 day from the issuance date (excluding the issuance date itself).
8.Put option of bond holders	(A)Each bondholder may require the Company to redeem, in whole or in part, the convertible bonds at an amount, hereinafter referred to as "Early Redemption Amount"(ERA), calculated at par value, plus, interest compensation, which is calculated semi-annually at the rate of 1.75% per annum, after 3 years from the issuance date (excluding the issuance date itself). (B)Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange. (C)Each bondholder may redeem in advance, in whole or in part, the convertible bonds if the Company meets all the conditions on the changes in its rights of control in the contract.
9.Call option of issuer	(A)The issuer may redeem, in whole or in part, the convertible bonds at the ERA if the closing price of the Company's shares which translated into US dollars at the prevailing rate for a period of 20 trading days in any period of 30 consecutive trading days is above 130 percent of the ERA multiplied the conversion ratio and divided by par value. (B)The issuer may redeem its outstanding convertible bonds at their Early Redemption Amount if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled. (C)The issuer may redeem, in whole or in part, or the convertible bonds at their Early Redemption Amount if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.

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

(Continued)

(l) Finance lease liabilities

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

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

(iii) The rental expenses from the lease of land which was treated as an operating lease amounted to $620 and $3,719 for the years ended December 31, 2017 and 2016, respectively. These expense were fully paid as of December 31, 2017 and 2016.

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

	December 31, 2017,			December 31, 2016,		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ -	-	-	24,698	15,868	8,830
Between one and five years	-	-	-	98,792	57,807	40,985
More than five years	-	-	-	321,071	96,963	224,108
Subtotal	$ -	-	-	444,561	170,638	273,923
Current			$ -			8,830
Non-current			-			265,093
			$ -			273,923

(m) Employee benefits

(i) Defined benefit plan

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 984,774	898,602
Fair value of plan assets	(458,977)	(445,089)
Net defined benefit liabilities	$ 525,797	453,513

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

1) Composition of plan assets

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

As of December 31, 2017, the Group's pension fund with Bank of Taiwan amounted to $458,977. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

	For the years ended December 31,	
	2017	2016
Defined benefit obligation as of January 1,	$ 898,602	1,189,853
Current service and interest costs	16,893	23,623
Remeasurement of net defined benefit liabilities		
—actuarial losses arising from change in financial assumptions	82,226	(133,559)
Benefits paid	(12,947)	(181,315)
Defined benefit obligation as of December 31,	$ 984,774	898,602

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2017	2016
Fair value of plan assets as of January 1,	$ 445,089	433,993
Interest income	5,660	6,565
Remeasurement of net defined liabilities		
—return on plan assets (excluding interest income)	(1,319)	(3,468)
Contributions from employer	13,918	13,882
Benefits already paid by the plan	(4,371)	(5,883)
Fair value of plan assets as of December 31,	**$ 458,977**	**445,089**

4) Expenses recognized in profit or loss

	For the years ended December 31,	
	2017	2016
Current service costs	$ 5,660	5,822
Net interest income of net defined benefit liabilities	11,233	17,801
Expected rate of return for the plan asset	(5,660)	(6,565)
	$ 11,233	**17,058**
Cost of goods sold	$ 7,759	11,685
Operating expenses	3,474	5,373
	$ 11,233	**17,058**

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

	For the years ended December 31,	
	2017	2016
Balance of January 1,	$ (57,613)	50,363
Recognized during the period	69,342	(107,976)
Balance of December 31,	**$ 11,729**	**(57,613)**

6) Actuarial assumptions

	December 31, 2017	December 31, 2016
Discount rate	1.25 %	1.25 %
Future salary increases	2.85 %	2.50 %

Based on the actuarial report, the Group is expected to make contributions of $11,853 to the defined benefit plans in 2018.

The weighted average duration of the defined benefit plan is 20 years.

(Continued)

7) Sensitivity analysis

As of December 31, 2017 and 2016, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase Amount	Decrease Amount
December 31, 2017		
Discount rate (change 0.25%)	43,318	(41,134)
Future salaries (change1%)	184,951	(153,472)
December 31, 2016		
Discount rate (change 0.25%)	41,329	(39,181)
Future salaries (change1%)	177,222	(146,032)

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

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

(ii) Defined contribution plan

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

The overseas companies of the Group contribute an appropriate pension amount to the designated account of the local government in accordance with the statutory laws, under which, the Group is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Group's pension costs under the contribution pension plan amounted to $131,896 and $119,442 for the years ended 2017 and 2016, respectively.

(n) Income tax

(i) The Group's income tax expense recognized for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Current tax expense		
Current period	$ 20,826	1,351,767
Adjustment for prior periods	10,951	915
10% surtax on undistributed earnings	1,502,501	644,958
Deferred tax(income) expense	1,629	(495)
Tax expense	$ 1,535,907	1,997,145

The Group's tax (expense) income recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ 14,203	(22,115)
Items that may be reclassified subsequently to profit and loss:		
Unrealized (losses) gains on available-for-sale financial assets	$ (1,602,346)	1,602,346

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

	For the years ended December 31,	
	2017	2016
Income tax calculated based on local tax rate	$ 7,069,814	4,391,313
Effect of foreign tax rate change	8,668	14,482
Decrease of investment tax credit	(1,467)	-
Tax effect of permanent differences	1,368,820	5,838
Tax effect of unrecognized changes of temporary difference	95,645	-
Tax effect of unrecognized current-year loss carryforward	(8,519,047)	(4,395,000)
Income basic tax	68	1,335,947
Overstatement in prior year's income tax	10,951	915
10% surtax on undistributed earnings	1,502,501	644,958
Other	(46)	(1,308)
Total	$ 1,535,907	1,997,145

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

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

	December 31, 2017	December 31, 2016
Deductible temporary differences	$ 91	944
Net operating loss carry forwards	7,904,066	13,061,158
Decrease of investment tax credit	2,122	-
	$ 7,906,279	13,062,102

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

As of December 31, 2017, under ROC Income Tax, the unused loss carry forward benefits available to the Group were as follows:

Year	Unused loss carry forward	Expiry year
2009	$ 212,120	2019
2011	12,833,387	2021
2012	29,717,148	2022
2013	3,712,699	2023
2014	8,055	2024
2015	8,050	2025
Total	$ 46,491,459	

The subsidiary in China follows the Enterprise Income Tax Law of the People's Republic of China. According to the law, the losses suffered by an enterprise during a taxable year is allowed to be carried forward and made up by the income in subsequent years; however, the carry-forward period may not exceed 5 years. The expiration date and the amount could be carried forward were as follows:

Year	Unused loss carry forward	Expiry year
2017	$ 2,074	

As of December 31, 2017, the deduction of investment tax credit which has not been recognized as deferred tax assets by the subsidiaries was as follow:

Year	Unused loss carry forward	Expiry year
2016	$ 2,122	

According to The Statute for the Development of Small and Medium Enterprises, the above-mentioned tax amount, which has not been deducted, may be claimed as credit against the profit-seeking enterprise income tax within three years, starting from the current year, with a ceiling of 10% of the research and development expense and 30% of income tax payable for the same year.

2) Recognized deferred tax liabilities and assets

The changes in recognized deferred tax assets and liabilities in 2017 and 2016 were as follows:

Deferred tax assets：

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2017	$ 846,158	30,154	876,312
Recognized in profit or loss	(548,963)	581,503	32,540
Recognized in other comprehensive income	-	14,203	14,203
Exchange differences on translation of foreign financial statements	-	(496)	(496)
Balance as of December 31, 2017	$ 297,195	625,364	922,559
Balance as of January 1, 2016	$ 777,903	98,161	876,064
Recognized in profit or loss	68,255	(45,782)	22,473
Recognized in other comprehensive income	-	(22,115)	(22,115)
Exchange differences on translation of foreign financial statements	-	(110)	(110)
Balance as of December 31, 2016	$ 846,158	30,154	876,312

Deferred tax liabilities：

	Unrealized gains (losses) on available-for-sale financial assets	Unrealized foreign exchange gain	Others	Total
Balance as of January 1, 2017	$ 1,602,346	28,914	664	1,631,924
Recognized in profit or loss	-	34,218	(49)	34,169
Recognized in other comprehensive income	(1,602,346)	-	-	(1,602,346)
Exchange differences on translation of foreign financial statements	-	-	(48)	(48)
Balance as of December 31, 2017	$ -	63,132	567	63,699
Balance as of January 1, 2016	$ -	6,897	661	7,558
Recognized in profit or loss	-	22,017	(39)	21,978
Recognized in other comprehensive income	1,602,346	-	-	1,602,346
Exchange differences on translation of foreign financial statements	-	-	42	42
Balance as of December 31, 2016	$ 1,602,346	28,914	664	1,631,924

3) The Group's income tax returns have been examined by the ROC tax authority through 2015.

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

	December 31, 2017	December 31, 2016
Unappropriated retained earnings in 1998 and thereafter	$ 69,734,440	36,296,086
Imputation credit account balance	$ 1,771,664	240,779
	2017(estimated)	2016(actual)
Tax deduction ratio for earnings distribution to ROC residents	2.54 %	5.77 %

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

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system. The information presented above is for reference only.

(o) Capital and other equity

As of December 31, 2017 and 2016, the Group's government registered total authorized capital both amounted to $300,000,000 with $10 par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to $29,639,382 and $27,485,658 respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended December 31, 2017 and 2016 were as follows:

	Ordinary Shares	
	2017	2016
Balance as of January 1,	2,748,566	2,428,566
Conversion of convertible bonds	215,372	-
Issue of shares	-	320,000
Balance as of December 31,	**2,963,938**	**2,748,566**

(i) Ordinary Share

For the year ended December 31, 2017, the overseas convertible bondholders exercised some of their conversion rights and the Company issued 215,372 thousand ordinary shares and 22,396 thousand shares of certificates of entitlement at a par value which totaled $2,377,682. The process for the registration of 215,372 thousand ordinary shares had been completed.

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

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

(ii) Capital surplus

	December 31, 2017	December 31, 2016
Employee stock option plans	$ 2,127,034	1,667,461
Premium from the issuance of stock	25,150,157	9,852,246
Other	-	3,300
	$ 27,277,191	**11,523,007**

(Continued)

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

(iii) Retain earning

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

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

1) Legal reserve

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

2) Special Reserve

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

3) Earrings distribution

Earnings distribution for 2016 and 2015 was approved in the general meeting of shareholders held on May 26, 2017 and June 22, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

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

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

(iv) Treasury shares

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

	December 31, 2017	December 31, 2016
Numbers of shares as of December 31,	-	687
Ending balance as of December 31,	$ -	347,533
Book value per share	$ -	505.46
Price per share (dollars)	$ -	48.30

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

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(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets
Balance as of January 1, 2017	$ (16,846)	7,805,947
Exchange differences on translation of foreign financial statements, net of tax		
The Company	(22,317)	-
Unrealized losses on available-for-sale financial assets:		
The Company	-	(7,805,947)
Balance as of December 31, 2017	$ (39,163)	-
Balance as of January 1, 2016	$ (11,588)	7,018
Exchange differences on translation of foreign financial statements, net of tax:		
The Company	(5,258)	-
Unrealized gains Company on available for sale financial assets:		
The Company	-	7,798,929
Balance as of December 31, 2016	$ (16,846)	7,805,947

(p) Share-based payment

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

	The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan	The Subsidiaries' Employee Stock Option Plan of 2012
Grant date	2011.03.21	2016.5.10	2016.8.11	2012.4.5
Grant unit	70,000	97,500	2,500	600
Exercise price (Notes 1-7)	14.6	35.3	35.5	10
Deal period	8 years	8years	8years	8 years
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion

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

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

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

(Continued)

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

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

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

Note 7: The subsidiaries of the Company approved to distribute its cash dividends and increased its capital in 2012 and 2013. As a result, the exercise price of the employee stock option were adjusted to $19.0 dollars and $13.1 dollars in accordance with the offering and exercising terms and conditions of ESOP. In 2014, the subsidiaries of the Company approved to distribute its cash dividends and the exercise price of the employee stock option was adjusted to $10 dollars in accordance with the offering and exercising terms and conditions of ESOP.

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

	The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan	The Subsidiaries' Employee Stock Option Plan of 2012
Dividend yield	- %	- %	- %	- %
Expected volatility	53.79 %	55.47 %	45.80 %	62.10 %
Risk-free rate	0.9307 %	0.5728 %	0.529 %	1.0300 %
Fair value of unit stock option (dollar)	$ 5.91	18.77	15.30	5.375

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

(ii) Relevant information of employee stock option plans

The Company:

	For the years ended December 31,			
	2017		2016	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding at January 1,	36.37	162,030	42.79	71,846
Options granted	-	-	35.33	100,000
Options forfeited	35.09	(6,656)	46.02	(1,865)
Options expired	-	-	46.02	(7,951)
Outstanding at December 31,	35.34	155,374	36.37	162,030
Options exercisable at December 31,	36.90	61,060	38.00	62,887

(Continued)

The Subsidiaries:

	For the years ended December 31,			
	2017		2016	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding as of January 1,	10.00	10	10.00	170
Options exercised	10.00	(5)	10.00	(155)
Options forfeited	-	-	10.00	(5)
Outstanding as of December 31,	10.00	5	10.00	10
Options exercisable as of December 31,	10.00	5	10.00	10

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

	December 31, 2017	December 31, 2016
Range of exercise price (dollar)	10.00~36.90	10.00~38.00
Weighted average of remaining option plan period (year)	1.22~6.61	2.22~7.61

(iii) Compensation cost

	For the years ended December 31,	
	2017	2016
Compensation cost arising from share options granted to employees	$ 459,573	295,029

(q) Earnings per share

	For the years ended December 31,	
	2017	2016
Basic earnings per share：		
Net income attributable to the Company	$ 40,281,927	23,721,277
Weighted-average number of ordinary shares outstanding (basic)	2,806,025	2,736,512
Basic earnings per share (dollars)	$ 14.36	8.67
Diluted earnings per share:		
Net income attributable to the Company	$ 40,281,914	23,721,277
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	2,806,025	2,736,512
Effect of employee stock option	68,133	8,064
Effect of employee remuneration	19,564	-
Weighted-average number of ordinary shares (diluted)	2,893,722	2,744,576
Diluted earnings per share (dollars)	$ 13.92	8.64

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

(r) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to $1,364,013and $418,481 for the years ended December 31, 2017 and 2016, respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association, the related information would be available at the Market Observation Post System website.

There is no difference between the estimated employee remuneration, which was stated in the financial statements for the year ended December 31, 2017, and the amounts approved by the Company's board of directors.

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

(s) Non-operating income and expenses

(i) Other incomes

	For the years ended December 31,	
	2017	2016
Bank deposits and short-term notes	$ 240,615	71,768
Financial lease	150,240	177,867
Dividend income	2,216	2,770
	$ 393,071	252,405

(ii) Other gains and losses

	For the years ended December 31,	
	2017	2016
Foreign exchange losses	$ (947,822)	(372,899)
Net loss on financial liabilities at fair value through profit or loss	(7,981,043)	-
Gain on disposal of investments accounted for using equity method	-	20,069,979
Gain on disposal of available-for-sale financial assets	32,093,172	-
Gain on disposal of lease payable	63,542	-
Impairment loss on non-financial assets	(488,988)	(1,158,201)
Impairment loss on financial assets	-	(190,620)
Losses on disposals of property, plant and equipment	3,089	(7,893)
Others	363,871	(553,892)
	$ 23,105,821	17,786,474

(iii) Finance costs

	For the years ended December 31,	
	2017	2016
Bank loans	$ 352,567	407,958
Financing from entities with significant influence over the Group	69,898	118,444
Amortization interest of overseas convertible bond	175,186	-
Financing from other related parties	23,025	201,227
Lease payments	2,700	16,371
Others	186	430
Less: Capitalized of interest	(163,901)	(39,109)
	$ 459,661	705,321

(t) Reclassification adjustment of other comprehensive income

	For the years ended December 31,	
	December 31, 2017	December 31, 2016
Available- for-sale financial assets		
Net change in fair value	$ 24,300,300	7,805,947
Net change in fair value reclassified to profit or loss	(32,106,247)	-
Net change in fair value recognized in other comprehensive income	$ (7,805,947)	7,805,947

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

As of December 31, 2017 and 2016, the Group's largest customers consisted of five and six customers which accounted for 50.72% and 53.60%, respectively, of accounts receivable so that management believes the concentration of credit risk.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6 12months	1 2years	2 5years	Over 5 years
December 31, 2017							
Derivative financial liabilities	$ -	-	-	-	-	-	-
Derivative instruments not used for hedging	382,295	382,295	382,295	-	-	-	-
Embedded derivative-convertible bonds	1,856,146	-	-	-	-	-	-
Non-derivative financial liabilities							
Financing from other related parties	8,416	8,913	249	8,665	-	-	-
Notes and accounts payable (including related parties)	3,372,733	3,372,733	3,372,733	-	-	-	-
Other payable (including related parties)	7,355,168	-	-	-	-	-	-
Bonds payable	3,286,711	3,759,096	-	-	-	3,759,096	-
	$ 16,261,469	7,523,037	3,755,277	8,665	-	-	-
December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$ 22,960,000	24,154,581	5,656,595	2,613,300	10,965,450	4,919,136	-
Financing from entities with significant influence over the Group	8,000,000	8,116,112	-	8,116,112	-	-	-
Financing from other related parties	4,742,272	4,811,269	-	4,811,269	-	-	-
Finance lease liabilities	273,923	444,561	12,349	12,349	24,698	24,698	321,072
Notes and accounts payable (including related parties)	5,608,738	5,608,738	5,608,738	-	-	-	-
Other payable (including related parties)	5,233,815	5,233,815	5,233,815	-	-	-	-
	$ 46,818,748	48,369,076	16,511,497	15,553,030	10,990,148	4,943,834	321,072

(Continued)

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

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 1,323,649	29.848	39,508,275	410,185	32.279	13,240,362
JPY	1,542,231	0.2641	407,303	2,000,329	0.2768	553,691
EUR	25	35.6081	890	85	33.846	2,877
Financial liabilities:						
Monetary items						
USD	587,405	29.848	17,532,864	126,394	32.279	4,079,872
JPY	1,156,636	0.2641	305,468	4,127,546	0.2768	1,142,505
EUR	1,567	35.6081	55,798	3,884	33.8460	131,458

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable, and other payable which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of December 31, 2017 and 2016 would have increased the net income before tax by $220,223 and $84,431 for the years ended December 31, 2017 and 2016, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2017 and 2016, foreign exchange loss (including realized and unrealized portions) amounted to $947,822 and $372,899, respectively.

(iv) Interest risk

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

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $84 and $357,023 for the years ended December 31, 2017 and 2016, respectively.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

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

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

(Continued)

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

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

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

a) Debt Investment that Has No Active Markets and Financial Liabilities Measured at Amortized Cost.

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

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

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

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

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

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

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

b) Derivative financial instruments

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

4) There were no transfers from financial assets for the years ended December 31, 2017 and 2016.

(v) Financial risk management

(i) Nature and extent

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Framework of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable

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

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

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

2) Investment

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

(iv) Liquidity risk

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

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused bank facilities for $14,605,000.

(v) Market risk

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

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

1) Currency risk

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

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

2) Interest rate risk

The Group adopts a policy of entering into financial instrument transaction that fixes interest rate, such as interest rate swaps, by predicting the trend of future interest rate. All of the Group's long-term loans bear floating interest rates. However, as the range of fluctuation of the interest rates during the term of agreements is acceptable, the Group believes that their interest rate risk need not be hedged.

3) Other market value risk

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

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

The Group's investing and financing activities on non-cash transactions for the years ended December 31, 2017 and 2016 were as follows:

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

	For the years ended December 31,	
	2017	2016
Conversion of convertible bonds to ordinary shares	$ 10,755,348	-

(x) Capital management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the Group's equity.

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

	December 31, 2017	December 31, 2016
Total Liabilities	$ 18,664,114	51,331,995
Deduct: cash and cash equivalents	(33,768,677)	(9,101,632)
Net liabilities	$ (15,104,563)	42,230,363
Total equity	$ 132,115,188	85,645,147
Debt-to-capital ratio	(11.43)%	49.31 %

The Group has not changed its capital management strategy as of December 31, 2017.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Nan Ya Photonics Incorporation	The Group's other related parties
Nan Ya Printed Circuit Board Corp.	The Group's other related parties
Mai Laio Harbor Administration Corp.	The Group's other related parties
Formosa Heavy Industries Corporation	The Group's other related parties
Formosa Sumco Technology Corporation	The Group's other related parties
Formosa Advanced Technologies Co., Ltd.	The Group's other related parties
Formosa Technologies Corporation	The Group's other related parties
Formosa Biomedical Technology Corp.	The Group's other related parties
Formosa Petrochemical Corporation	The Group's other related parties
Formosa Chemicals & Fibre Corporation	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa FCFC Carpet Corporation	The Group's other related parties
Formosa Heavy Industries Corp. (GZ) Ltd.	The Group's other related parties
Formosa Transportation (Ningbo) Corp.	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group
Inotera Memories, Inc.	A former associate (which was no longer a related-party of the Group since December 6, 2016. Its name was changed to Micron Technology Taiwan in March 2017.)

(c) Significant with transactions related-party

(i) Sales to related parties

	Sales	
	For the years ended December 31,	
	2017	2016
Associates	$ -	1,269
Other related parties	6,023	-
Total	$ 6,023	1,269

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

(ii) Purchase from related parties

	Purchases		Accounts payable to related parties	
	For the years ended December 31,			
	2017	2016	December 31, 2017	December 31, 2016
Entities with significant influence over the Group	$ 52,746	322,084	4,750	17,626
Other related parties:				
Formosa Sumco Technology Corporation	1,375,540	942,790	290,134	147,136
Other related parties	67,162	22,846	4,862	421
Total	$ 1,495,448	1,287,720	299,746	165,183

The purchase price and payment terms for the purchase from related parties above are not significantly different from those with third party vendors, and the average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

(iii) Consigned out for processing

	Amount		Other payables to related parties	
	For the years ended December 31,			
	2017	2016	December 31, 2017	December 31, 2016
Other related parties:				
Formosa Advanced Technologies Co., Ltd	$ 5,310,380	5,654,012	889,629	931,862

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

(iv) Financing from related parties

	Other payables to related parties	
	December 31, 2017	December 31, 2016
Entities with significant influence over the Group	$ -	8,000,000
Other related parties:		
Formosa Heavy Industries Corp. (GZ) Ltd.	2,282	-
Formosa Transportation (Ningbo) Corp.	5,934	-
Other related parties	200	4,742,272
Total	$ 8,416	12,742,272

Interest payables under other payables to related parties as of December 31, 2017 and 2016 amounted to $208, and $25,239, respectively. Please refer to Note 6(s) for details on related interest expenses.

(v) Property transactions

	Acquisition price For the years ended December 31,		Other payables to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Entities with significant influence over the Group	$ 739,269	-	84,472	-
Other related parties	214,025	1,009,498	83,129	295,485
Total	953,294	1,009,498	167,601	295,485

(vi) Lease contracts

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

	For the years ended December 31	
	2017	2016
Entities with significant influence over the Group	$ 213,509	200,951

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

(vii) Contracts with related parties

1) The Company's signed a Service Agreement with IMI. Under this agreement, the Company provides including the management of facility, human resources, finance, purchasing, engineering, and so on. The service fee is calculated based on the actual time spent and the hourly rates. This Service Agreement took effect on July 15, 2003, and will remain effective until it has been mutually agreed to be terminated by both parties.

2) On November 6, 2014, Nanya Technology Corporation, U.S.A., the Company's subsidiary, signed a Consulting Agreement with Inotera Memories, Inc., U.S.A., a subsidiary of IMI. Under this Agreement, Nanya Technology Corporation, U.S.A. provides human resource and bookkeeping services to Inotera Memories, Inc., USA. This Consulting Agreement took effect on November 6, 2014, and will remain effective until a party has notified the other party to terminate the Consulting Agreement in accordance with the conditions stipulated in the aforementioned Agreement. Nanya Technology Corporation, U.S.A., a subsidiary of the Company, signed a contract for the Termination of its consulting Agreement with Inotera Memories, Inc., U.S.A. on February 7, 2017; the contract has been terminated by both parties on December 31, 2016.

3) On July 1, 2005, the Company signed a Lease Agreement with IMI for the use of its headquarters office. The Lease covers a period up to December 31, 2034. On August 22, 2016, the Company decided to sign an agreement with IMI for the termination of the said Lease effective December 31, 2016. However, the Company could notify IMI to extend its lease agreement before the termination date, the termination date shall not be extended beyond September 30, 2017. The contract has been terminated by both parties on March 1, 2017.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	$ 53,095	53,550
Share-based payment	12,004	7,769
	$ 65,099	**61,319**

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

(8) Pledged assets:

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

Pledged assets	Object	December 31, 2017	December 31, 2016
Property, plant and equipment	Bank loans	$ -	34,402,371
Non-current other assets	Bank loans, importation of materials and research and development's plan	$ 10	376,630

(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2017	December 31, 2016
Guarantees for importation goods provided by bank	$ 595,000	585,000
Guarantees for project plan being undertaken with the Ministry of Economic Affairs provided by bank	33,440	39,700
Unused letters of credit	113,261	2,031,545
Total	$ 741,701	2,656,245

(b) Contingent liabilities

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

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

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

(Continued)

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

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US$5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of $850,000 thousand (US$27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2017, the payment amounting to $27,000 (USD900 thousand) had been recognized by the Company.

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On February 26, 2018, the Company's board of directors approved to fully dispose the entire 8,710 thousand shares of Piece Makers Technology Corp, wherein the Company owned 53.56% of its shares, with a selling price of $15.268 dollars per share, at a total value amounting to $132,983.

(12) Other:

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

	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,473,249	1,967,571	5,440,820	2,419,354	1,544,579	3,963,933
Labor and health insurance	158,272	117,762	276,034	139,346	105,337	244,683
Pension expenses	87,708	55,421	143,129	82,268	54,232	136,500
Other personnel expenses	61,475	21,721	83,196	57,480	20,537	78,017
Depreciation expenses	8,357,226	71,806	8,429,032	5,845,612	55,122	5,900,734
Amortization expenses	141,088	6	141,094	134,008	-	134,008

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

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

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Memoright (Cayman) Co., Ltd.	-	Non-current financial assets at cost and non-current investments in debt instrument without active market	-	-	-	-	- %	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Price	Cost	Gain (loss) on disposal	Shares (thousand)	Amount
The Company	Yuanta Wan Tai Money Market	Current available-for-sale financial assets	-	-	133,262	2,000,360	66,404	1,000,000	199,666	3,000,916	3,000,000	916	-	-
The Company	Fubon Chi-Hsiang Money Market	Current available-for-sale financial assets	-	-	-	-	57,705	900,000	57,705	900,150	900,000	150	-	-
The Company	Micro Technology. Inc.	Non-current available-for-sale financial assets	-	-	57,780	40,882,664	-	-	57,780	63,562,278	31,457,097	32,105,181	-	-

(v) Acquisition of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vii) Related-party transaction for purchases and sales for which amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Parent company	(Sale)	(3,267,321)	(6.04)%	O/A,60~90Days	-		540,833	5.98%	(Note)
The Company	Nanya Technology Corp., H.K.	Parent company	(Sale)	(322,825)	(0.60)%	O/A,60~90Days	-		56,292	0.62%	(Note)
The Company	Nanya Technology Corp., Japan	Parent company	(Sale)	(3,882,309)	(7.18)%	O/A,180ays	-		853,788	9.43%	(Note)
The Company	Nanya Technology Europe GmbH	Parent company	(Sale)	(3,182,340)	(5.88)%	O/A,60~90Days	-		881,605	9.74%	(Note)
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	1,375,540	14.27 %	O/A60Days	-		(290,134)	(8.73)%	-

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Parent company	Account receivable 540,833	7.01	-	-	300,523	-
The Company	Nanya Technology Corp., Japan	Parent company	Account receivable 853,788	5.95	-	-	135,033	-
The Company	Nanya Technology Europe GmbH	Parent company	Account receivable 881,605	4.96	-	-	302,633	-

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

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Nanya Technology Corp	Nanya Technology Corp., U.S.A	1	Sales	3,267,321	On the basis of general conditions	5.95%
0	〃	Nanya Technology Corp., Germany	1	Sales	3,182,340	On the basis of general conditions	5.79%
0	〃	Nanya Technology Corp., Japan	1	Sales	3,882,309	On the basis of general conditions	7.07%
0	〃	Nanya Technology Corp., U.S.A	1	Accounts receivable	540,833	On the basis of general conditions	0.36%
0	〃	Nanya Technology Europe GmbH	1	Accounts receivable	881,605	On the basis of general conditions	0.58%
0	〃	Nanya Technology Corp., Japan	1	Accounts receivable	853,788	On the basis of general conditions	0.57%

Note 1: Assigned numbers represent the following:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00 %	76,616	100.00	1,051	1,051	(Note)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	1	100.00 %	129,962	100.00	8,864	8,864	(Note)
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	325,348	175,348	2,935	100.00 %	43,691	100.00	(299,644)	(12,536)	(Note)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	41,880	100.00	(2,022)	(2,022)	(Note)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	169,282	100.00	33,713	33,713	(Note)
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	8,710	53.56 %	81,706	53.57	27,346	14,649	-
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Import/export business	30,056	30,056	-	100.00 %	59,531	100.00	3,331	3,331	-

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	29,400 (USD985 thousand)	(1)	29,400 (USD985 thousand)	-	-	29,400 (USD985 thousand)	(8,473)	100.00%	100.00	(8,473)	7,341	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
29,400 (USD985 thousand)	29,400 (USD985 thousand)	79,199,919

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

Note 2 : The exchange rate of New Taiwan dollars to US dollars on December 31, 2017 was USD1 : TWD 29.848

Note 3 : 60% of net equity.

(iii) Significant transactions: None

(14) Segment information:

(a) General information:

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

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

The Group's reportable segments are the Company's regional business divisions. The chief operating decision maker manages the business division with a respective regional management framework. Most of the management information are reported separately for each of the business divisions. The management of the business divisions remains employed by the Group.

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

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

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Operating segments are combined and reconciled as follows:

	For the year ended December 31, 2017				
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	$ 4,013,502	43,152,859	7,751,863	-	54,918,224
From sales among intersegments	2,284	10,933,392	363,447	(11,299,123)	-
Total revenue	$ 4,015,786	54,086,251	8,115,310	(11,299,123)	54,918,224
Interest expense	$ 3	456,872	2,786	-	459,661
Depreciation and amortization	1,560	8,559,486	9,080	-	8,570,126
Other non-cash significant item：					
Impairment loss on non-financial assets	-	488,988	-	-	488,988
Reportable segment profit or loss	$ 39,851	41,793,083	(245,791)	243,388	41,830,531
Assets:					
Capital expenditure of non-current assets	3,017	86,218,545	20,318	-	86,241,880
Reportable segments assets	$ 1,034,197	150,516,379	2,316,869	(3,088,143)	150,779,302
Reportable segments liabilities	$ 862,239	18,516,514	1,733,154	(2,447,793)	18,664,114

	For the year ended December 31, 2016				
	Japanese division	Manufacturing division	Others divisions	Adjustments and eliminated	Total
Revenue:					
From external customers	$ 2,848,001	34,060,735	4,723,769	-	41,632,505
From sales among intersegments	2,373	6,962,387	389,045	(7,353,805)	-
Total revenue	$ 2,850,374	41,023,122	5,112,814	(7,353,805)	41,632,505
Interest expense	$ -	697,639	7,682	-	705,321
Depreciation and amortization	2,438	6,023,243	9,061	-	6,034,742
Share of profit (loss) of associates accounted for using equity method, net	-	(159,166)	(897)	-	(160,063)
Other non-cash significant item:					
Impairment loss on non-financial assets	-	(1,158,201)	-	-	(1,158,201)
Impairment loss on financial assets	-	(190,620)	-	-	(190,620)
Reportable segment profit or loss	$ (40,350)	25,694,809	176,789	(105,518)	25,725,730
Capital expenditure of non-current assets	$ 4,256	67,886,857	26,520	(296)	67,917,337
Reportable segments assets	$ 599,033	136,709,336	1,758,911	(2,090,138)	136,977,142
Reportable segments liabilities	$ 453,227	51,166,518	1,378,046	(1,665,796)	51,331,995

(c) Types of products and service:

Products and service	December 31, 2017	December 31, 2016
DRAM	$ 54,771,159	41,479,436
Others	147,065	153,069
Total	$ 54,918,224	41,632,505

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Geographic area information

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

District	December 31, 2017	December 31, 2016
From external clients:		
Taiwan	$ 22,151,564	19,441,066
USA	535,591	380,212
Japan	1,948,930	1,455,913
Mainland China	24,207,571	16,964,115
Other countries	6,074,568	3,391,199
Total	$ 54,918,224	41,632,505

District	December 31, 2017	December 31, 2016
Non-current assets:		
Taiwan	$ 86,359,441	68,166,671
Other countries	18,989	22,851
Total	$ 86,378,430	68,189,522

Non-current assets included property, plant and equipment and intangible asset, excluding financial instruments and deferred tax assets.

(e) Major clients

	December 31, 2017	December 31, 2016
WPI	$ 7,001,118	3,774,496
KINGSTONE TECHNOLOGY CO, LTD	6,538,291	4,740,333
Total	$ 13,539,409	8,514,829

Appendix B

NANYA TECHNOLOGY CORPORATION FINANCIAL STATEMENTS
with Independent Accountants' Review Report

Stock Code: 2408

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

NANYA TECHNOLOGY CORPORATION

FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

Address: No.98, Nanlin Rd., Dake Vil., Taishan Dist., New Taipei City, Taiwan (R.O.C.)
Telephone: (02)2904-5858

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

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Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the financial statements of Nanya Technology Corporation ("the Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

2. Valuation of inventories

   The Company recognizes a loss from the devaluation of inventories based on the lower of cost or net realizable value method on a quarterly basis. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the financial statements. Please refer to Notes 4(g), 5(a) and 6(f) to the financial statements for the details of the accounting policy, judgments, and major sources of estimation uncertainty and disclosure information about inventory valuation respectively.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities of the investments in other entities accounted for using the equity method. We are responsible for the direction, supervision and performance of the audit. Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2018

Notes to Readers

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

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

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

Nanya Technology Corporation

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 32,626,041	22	8,427,379	6
1125	Current available-for-sale financial assets (Note 6(c))	-	-	2,000,360	2
1170	Notes and accounts receivable (Note 6(e))	6,640,926	4	4,545,875	4
1180	Accounts receivable due from related parties (Notes 6(e) and 7)	2,409,673	2	1,452,879	1
1200	Other receivables (Notes 6(e)(i))	11,589,575	8	1,969,250	1
1310	Inventories (Note 6(f))	6,748,226	4	4,659,652	3
1410	Prepayments	1,617,626	1	1,507,857	1
	Total current assets	61,632,067	41	24,563,252	18
	Non-current assets:				
1523	Non-current available-for-sale financial assets (Note 6(c))	-	-	40,882,664	30
1550	Investments accounted for using equity method (Note 6(g))	543,137	-	506,210	-
1600	Property, plant and equipment (Notes 6(h), 7 and 8)	86,218,545	57	67,886,857	50
1780	Intangible assets	136,442	-	272,185	-
1840	Deferred tax assets (Note 6(n))	917,703	1	869,282	1
1935	Long-term lease payments receivable (Note 6(i))	1,043,501	1	1,353,253	1
1990	Other non-current assets (Note 8)	24,984	-	375,632	-
	Total non-current assets	88,884,312	59	112,146,083	82
	Total assets	$ 150,516,379	100	136,709,335	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2120	Current financial liabilities at fair value through profit or loss (Notes 6(b)(k))	$ 2,238,441	1	-	-
2170	Accounts payable	3,025,200	2	5,414,556	4
2180	Accounts payable to related parties (Note 7)	299,746	-	165,183	-
2200	Other payables (Note 6(l))	6,205,337	4	3,938,739	3
2220	Other payables to related parties (Note 7)	1,096,433	1	13,794,916	10
2230	Current tax liabilities	1,713,751	1	2,087,247	2
2322	Long-term borrowings, current portion (Notes 6(j) and 8)	-	-	7,786,000	6
2399	Other current liabilities	1,954	-	191,928	-
	Total current liabilities	14,580,862	9	33,378,569	25
	Non-Current liabilities:				
2530	Bonds payable (Notes 6(k))	3,286,711	2	-	-
2540	Long-term borrowings (Notes 6(j) and 8)	-	-	15,174,000	11
2570	Deferred tax liabilities (Note 6(n))	63,132	-	1,631,260	1
2613	Non-current lease obligations payable (Note 6(l))	-	-	265,093	-
2640	Net defined benefit liability, non-current (Note 6(m))	525,797	-	453,513	-
2670	Other non-current liabilities	60,012	1	264,082	-
	Total non-current liabilities	3,935,652	3	17,787,948	12
	Total liabilities	18,516,514	12	51,166,517	37
	Equity (Notes (n)(o)):				
3110	Ordinary share	29,639,382	20	27,485,658	20
3130	Certificate of entitlement to new shares from convertible bond	223,958	-	-	-
3200	Capital surplus	27,277,191	19	11,523,007	8
3310	Legal reserve	5,164,057	3	2,791,929	2
3320	Special reserve	-	-	4,570	-
3350	Unappropriated retained earnings	69,734,440	46	36,296,086	27
3400	Other equity interest	(39,163)	-	7,789,101	6
3500	Treasury shares	-	-	(347,533)	-
	Total equity	131,999,865	88	85,542,818	63
	Total liabilities and equity	$ 150,516,379	100	136,709,335	100

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenue (Note7)	$ 54,086,251	100	41,023,122	100
5000	Operating costs (Notes 6(f)(m)(p)(r) and 7)	29,788,306	55	28,541,666	70
	Gross profit from operations	24,297,945	45	12,481,456	30
5910	Add: Unrealized loss from sales	(97,212)	-	(56,527)	-
5920	Realized profit on from sales	56,527	-	78,605	-
	Gross profit from operations	24,257,260	45	12,503,534	30
	Operating expenses (Notes 6(m)(p)(r) and 7):				
6100	Selling expenses	602,575	1	565,652	1
6200	Administrative expenses	1,383,184	3	1,054,840	3
6300	Research and development expenses	3,565,465	7	2,362,246	6
	Total operating expenses	5,551,224	11	3,982,738	10
	Net operating income	18,706,036	34	8,520,796	20
	Non-operating income and expenses (Notes 6(d)(g)(h)(k)(l)(s)):				
7010	Other income	385,964	1	247,725	1
7020	Other gains and losses, net	23,114,236	43	17,680,248	43
7050	Finance costs	(456,872)	(1)	(697,636)	(2)
7060	Share of profit (loss) of subsidiaries and associates accounted for using equity method	43,719	-	(56,259)	-
	Total non-operating income and expenses	23,087,047	43	17,174,078	42
7900	**Profit before tax**	41,793,083	77	25,694,874	62
7950	Tax expense (Note 6(n))	1,511,156	3	1,973,597	5
	Profit	40,281,927	74	23,721,277	57
8300	**Other comprehensive income (Notes 6(m)(n)(t)):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Remeasurement of the net defined benefit	(83,545)	-	130,091	-
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)	-
8349	Income (loss) tax related to items that may not be reclassified to profit or loss	14,203	-	(22,115)	-
	Total amount of items that may not be reclassified to profit or loss	(69,342)	-	78,200	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	(22,317)	-	(5,258)	-
8362	Unrealized (losses) gains on valuation of available-for-sale financial assets	(9,408,293)	(17)	9,401,275	23
8399	Income (loss) tax related to items that may be reclassified to profit or loss	1,602,346	3	(1,602,346)	(4)
	Total amount of items that may be reclassified profit or loss	(7,828,264)	(14)	7,793,671	19
8300	**Other comprehensive (loss) income, net**	(7,897,606)	(14)	7,871,871	19
	Comprehensive income	$ 32,384,321	60	31,593,148	76
	Earnings per share (Note 6(q))				
9750	Basic earnings per share	$ 14.36		8.67	
9850	Diluted earnings per share	$ 13.92		8.64	

See accompanying notes to financial statements.

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

Nanya Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity interest				
	Ordinary share	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity
Balance as of January 1, 2016	$ 24,285,658	-	7,812,701	1,077,812	-	21,913,621	(11,588)	7,018	(4,570)	(347,533)	54,737,689
Profit for the year ended December 31, 2016	-	-	-	-	-	23,721,277	-	-	-	-	23,721,277
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	78,200	(5,258)	7,798,929	7,793,671	-	7,871,871
Comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	23,799,477	(5,258)	7,798,929	7,793,671	-	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 and associates accounted for using equity method	-	-	(5,060,764)	-	-	(2,341)	-	-	-	-	(5,063,105)
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	1,926	-	-	-	-	-	-	-	1,926
Recognized compensation costs on employee stock options by the Company	-	-	294,985	-	-	-	-	-	-	-	294,985
Recognized compensation costs on employee stock options by subsidiaries	-	-	24	-	-	-	-	-	-	-	24
Balance as of December 31, 2016	27,485,658	-	11,523,007	2,791,929	4,570	36,296,086	(16,846)	7,805,947	7,789,101	(347,533)	85,542,818
Profit for the year ended December 31, 2017	-	-	-	-	-	40,281,927	-	-	-	-	40,281,927
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(69,342)	(22,317)	(7,805,947)	(7,828,264)	-	(7,897,606)
Comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	40,212,585	(22,317)	(7,805,947)	(7,828,264)	-	32,384,321
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	2,372,128	-	(2,372,128)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(4,570)	4,570	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,122,848)	-	-	-	-	(4,122,848)
Other changes in capital surplus:											
Adjustments of capital surplus for cash dividends distributed to subsidiaries	-	-	1,031	-	-	-	-	-	-	-	1,031
Conversion of convertible bonds	2,153,724	223,958	15,297,911	-	-	-	-	-	-	-	17,675,593
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	(4,331)	-	-	(283,808)	-	-	-	347,533	59,394
Changes in ownership interests in subsidiaries	-	-	-	-	-	(17)	-	-	-	-	(17)
Recognized compensation costs on employee stock options	-	-	459,573	-	-	-	-	-	-	-	459,573
Balance as of December 31, 2017	$ 29,639,382	223,958	27,277,191	5,164,057	-	69,734,440	(39,163)	-	(39,163)	-	131,999,865

Note：For the years ended December 31, 2017 and 2016, the employee remuneration amounting to $1,364,013 and $418,481 were deducted from the statement 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, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Profit before tax	$ 41,793,083	25,694,874
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	8,418,398	5,889,235
Amortization expense	141,088	134,008
Provision for bad debt expense	-	16,012
Net loss on financial liabilities at fair value through profit or loss	7,981,043	-
Interest expense	456,872	697,636
Interest income	(385,964)	(247,725)
Share-based payments	459,573	294,985
Share of (profit) loss of subsidiaries and associates accounted for using equity method	(43,719)	56,259
(Gain) Loss on disposal of property, plant and equipment	(3,230)	7,852
Amortization costs of issuing bonds	5,739	-
Gain on disposal of lease payable	(63,542)	-
Gain on disposal of financial assets in available-for-sale	(32,106,247)	-
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	488,988	1,158,201
Unrealized loss from sales	97,212	56,527
Realized profit on from sales	(56,527)	(78,605)
Unrealized foreign exchange gain	(371,365)	(169,838)
Discount amortization of financial liabilities	-	6,000
Total adjustments to reconcile loss	(14,981,681)	(11,931,807)
Changes in operating assets and liabilities:		
Accounts receivable	(3,100,396)	(185,985)
Other receivable	1,051,537	(779,647)
Inventories	(2,088,574)	1,155,638
Prepayments	(69,768)	56,959
Notes and accounts payable (including related parties)	(2,231,271)	1,116,699
Other payable (including related parties)	4,074,523	106,992
Other current liabilities	(189,974)	1,238,884
Net defined benefit liability	(11,261)	(194,278)
Other non-current liabilities	(45,033)	(79,537)
Total changes in operating assets and liabilities	(2,610,217)	2,435,725
Cash inflow generated from operations	24,201,185	16,198,792
Interest received	211,098	244,263
Interest paid	(323,903)	(730,637)
Income taxes (paid) refund	(1,884,652)	368,337
Net cash flows from operating activities	22,203,728	16,080,755
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(1,900,000)	(41,562,001)
Proceeds from disposal of available-for-sale financial assets	56,846,770	8,114,519
Acquisition of investments accounted for using equity method	(150,000)	-
Proceeds from disposal of investments accounted for using equity method	-	47,481,638
Acquisition of property, plant and equipment	(29,390,484)	(22,332,681)
Proceeds from disposal of property, plant and equipment	3,130	613
Decrease (increase) in refundable deposits	4	(733)
Decrease in long-term lease and installment receivables	429,330	429,330
Increase (decrease) in other non-current assets	345,298	(7,258)
Net cash flows from (used in) investing activities	26,184,048	(7,876,573)
Cash flows used in financing activities:		
Increase in short-term loans	-	24,130,900
Decrease in short-term loans	-	(27,430,900)
Proceeds from issuing convertible bonds	15,604,577	-
Proceeds from long-term debt	-	11,000,000
Repayments of long-term debt	(23,000,000)	(1,261,000)
Increase in guarantee deposits received	13,267	-
Decrease in other payables to related parties	(12,500,000)	(12,500,000)
Decrease in lease payable	(4,138)	(8,327)
Cash dividends paid	(4,122,848)	(7,695,984)
Proceeds from issuing shares	-	11,675,000
Net cash flows used in financing activities	(24,009,142)	(2,090,311)
Effect of exchange rate changes on cash and cash equivalents	(179,972)	70,755
Net increase in cash and cash equivalents	24,198,662	6,184,626
Cash and cash equivalents at beginning of year	8,427,379	2,242,753
Cash and cash equivalents at end of year	$ 32,626,041	8,427,379

See accompanying notes to financial statements.

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

NANYA TECHNOLOGY CORPORATION

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

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

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

The financial statements were authorized for issuance by the Board of Directors on February 26, 2018.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

(Continued)

The Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

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

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

(i) IFRS 9 "Financial Instruments"

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

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the

(Continued)

measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

2) Impairment-Financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; the Company also choose to apply this policy for trade receivables with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company estimated the application of IFRS 9' s impairment requirements would not have any material impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance for IAS 18 "Revenue" and other interpretations related to other revenue.

For the sale of semiconductor products, revenue is currently recognized based on individual terms of sales contract and the related risks and rewards of ownership transfers. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company has performed a preliminary assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred and the Company does not expect that there will be a significant impact on its consolidated financial statements.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Company are set out below:

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

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Regulations").

(b) Basis of preparation

(i) Basis of measurement

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

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

2) Available-for-sale financial assets are measured at fair value;

(Continued)

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transactions

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

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

Foreign currency differences arising on translation are recognized in profit or loss except for available for sale equity investment, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Company' s functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

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

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

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

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

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

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

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

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

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

(iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

Financial assets are categorized into available-for-sale financial assets, loans and receivables.

1) Available-for-sale financial assets

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

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

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other gains and losses of non-operating income and expenses.

2) Loans and receivables

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

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

3) Impairment of financial assets

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

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

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

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

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

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

Impairment losses on available-for-sale financial assets are recognized by reclassifying the gains or losses accumulated in the fair value reserve in other comprehensive income (loss) to profit or loss.

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

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other equity.

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

4) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instrument

1) Classification of liabilities or equity instruments

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

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

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

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

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

(g) Inventories

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

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

(h) Investment in associates

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

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

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

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

The Company shall discontinue the use of the equity method from the date when its investment ceases to be an associate. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss.

(i) Subsidiaries

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of a self-constructed asset comprises material, direct labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

(Continued)

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

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

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

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

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

1) Buildings: 25 years.

2) Machinery and equipment: 5 to 16 years.

3) Other equipment: 3 to 15years.

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

(k) Leases

(i) Lesser

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

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

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

(ii) Lessee

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

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

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

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

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

(l) Intangible assets

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

Other development expenditure is recognized as an expense when incurred.

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

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

(m) Impairment of non-derivative financial assets

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

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

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

(n) Treasury stock

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

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

(o) Revenue recognition

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer usually occurs upon loading the goods onto the relevant carrier at the port. All the risks and rewards have been transferred when products are insured against global cargo movement. For domestic sales, transfer occurs upon receipt by the customer.

(p) Employee benefits

(i) Defined contribution plan

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

(ii) Defined benefit plan

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

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

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

Remeasurement of the net defined benefit liabilities, which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

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

(iii) Short-term employee benefits

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

(q) Share-based payment

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

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

(r) Income taxes

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

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

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

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

(ii) The investments in subsidiaries where it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

1) The same taxable entity; or

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

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

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

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

(a) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Demand deposit and checking accounts	$ 3,058,108	1,659,739
Cash equivalents:		
Time deposits	28,975,095	5,829,667
Commercial paper	302,838	694,473
Repurchase agreements collateralized by corporate bonds	290,000	243,500
	$ 32,626,041	**8,427,379**

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

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

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

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

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

(Continued)

(c) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Domestic money market fund	$ -	2,000,360
Foreign listed stock	-	40,882,664
	$ -	42,883,024
Current	$ -	2,000,360
Non-current	$ -	40,882,664

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

	For the years ended December 31,	
	2017	2016
Security price on reporting date	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Appreciation of 1%	$ -	339,326
Depreciation of 1%	$ -	339,326

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

The Company purchased a two-year interest-free convertible bond of US$6,000 thousand issued by Memoright in August 2015. The conversion rights embedded in the corporate bond are accounted for separately as the economic characteristics and risks are not specifically associated. On December 31, 2016, an impairment loss of $190,620 was recognized because the management evaluated that it was not possible to collect the future cash flows of the convertible bond, with objective indications. The conversion rights of the corporate bond, which are linked to unlisted preference shares of $0, and the corporate bonds of $0, were accounted for as financial assets carried at cost—non-current and investment in debt securities with no active market—non-current, respectively, as of December 31, 2017 and 2016.

(e) Notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Notes and accounts receivable (including related parties)	$ 9,050,599	5,998,754
Other receivable	11,589,575	1,969,250
	$ 20,640,174	7,968,004

The aging analysis of accounts receivable and other receivables was as follows:

	Neither past due nor impaired	Past due but not impaired			
		Within 30 days	31 60 days	over 61 days	total
December 31, 2017	$ 20,640,174	-	-	-	20,640,174
December 31, 2016	7,968,004	-	-	-	7,968,004

As of December 31, 2017 and 2016, no allowance for impairment was provided because all of the accounts comprising notes and accounts receivable (including related parties) and other receivables were still within the normal credits terms and were evaluated to be collectable.

(f) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 332,370	229,215
Work in progress	5,266,085	2,550,742
In-transit inventory	1,149,771	1,879,695
Total	$ 6,748,226	4,659,652

The Company recognized cost of goods sold amounting to $29,090,301 and $28,049,564 for the years ended December 31, 2017 and 2016, respectively.

The Company did not recognize any loss or gain from devaluation of inventories as there was no indication of impairment or net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved on inventories for the year ended December 31, 2017 and 2016.

(g) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Subsidiaries	$ 543,137	506,210

(i) Subsidiaries

Please refer to the consolidated financial statements as of and for the year ended December 31, 2017 for further information.

(ii) Associates

Inotera Memories, Inc. ("Inotera") was a significant associate for the Company.

In December, 2016, Micron Semiconductor Co. ("MST") completed the share-swap with Inotera, the Company disposed 1,587,484 thousand shares of Inotera on December 6, 2016 (the date upon which the share-swap was recorded), with a selling price of $30 per share, in which the proceeds accounted to $47,481,638, which was deducted from the transaction cost. The Company recognized a gain on disposal of investments accounted for using equity method amounting to $19,942,974 and a deduction of capital surplus amounting to $5,021,563.

Inotera was no longer a related party of the Company since December 6, 2016 (the date upon which the share-swap was recorded).

Summary of shares of profit or loss of associates accounted for using equity method attributable to the Company were as follows:

	For the years ended December 31,	
	2017	2016
Share of loss of associates accounted for using equity method	$ -	(159,166)

(h) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2017	$ 1,013,924	4,195,631	125,146,911	1,403,638	25,574,571	157,334,675
Additions	-	-	856,150	43,240	26,548,527	27,447,917
Disposals	-	-	(360,939)	(23,366)	-	(384,305)
Derecognized lease assets	-	-	-	(345,636)	-	(345,636)
Reclassification	-	3,305,157	47,009,898	29,750	(50,344,805)	-
Balance as of December 31, 2017	$ 1,013,924	7,500,788	172,652,020	1,107,626	1,778,293	184,052,651
Balance as of January 1, 2016	$ 1,013,924	4,195,631	124,471,933	1,401,283	1,275,203	132,357,974
Additions	-	-	535,913	41,506	24,642,666	25,220,085
Disposals	-	-	(213,710)	(29,674)	-	(243,384)
Reclassification	-	-	352,775	(9,477)	(343,298)	-
Balance as of December 31, 2016	$ 1,013,924	4,195,631	125,146,911	1,403,638	25,574,571	157,334,675
Accumulated depreciation / impairment:						
Balance as of January 1, 2017	$ -	1,449,795	86,874,012	1,124,011	-	89,447,818
Depreciation for the period	-	225,941	8,156,317	36,140	-	8,418,398
Impairment loss	-	-	488,988	-	-	488,988
Disposals	-	-	(360,939)	(23,466)	-	(384,405)
Derecognized lease assets	-	-	-	(136,693)	-	(136,693)
Reclassification	-	-	(28,759)	28,759	-	-
Balance as of December 31, 2017	$ -	1,675,736	95,129,619	1,028,751	-	97,834,106

(Continued)

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Balance as of January 1, 2016	$ -	1,289,864	80,230,039	1,115,400	-	82,635,303
Depreciation for the period	-	159,931	5,682,429	46,875	-	5,889,235
Impairment loss	-	-	1,157,024	1,177	-	1,158,201
Disposals	-	-	(204,747)	(30,174)	-	(234,921)
Reclassification	-	-	9,267	(9,267)	-	-
Balance as of December 31, 2016	$ -	1,449,795	86,874,012	1,124,011	-	89,447,818
Carrying amounts:						
Balance as of December 31, 2017	$ 1,013,924	5,825,052	77,522,401	78,875	1,778,293	86,218,545
Balance as of December 31, 2016	$ 1,013,924	2,745,836	38,272,899	279,627	25,574,571	67,886,857

(i) Impairment loss

The impairment loss amounting to $488,988 and $1,158,201 were recognized for the years ended December 31, 2017 and 2016, respectively, because the Company expected the future recoverable amounts of equipment, which have been identified to be no longer used in its future operation, would be lower than the book value.

(ii) Leased assets

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

(iii) Property, plant and equipment under construction

	For the years ended December 31,	
	2017	2016
Capitalized interest amounts	$ 163,901	39,109
Capitalized interest rates	1.79%~1.98%	1.92%~2.09%

(iv) Secured

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

(i) Lease receivables

(i) On June 18, 2009, the Company signed an amended long term lease agreement with Inotera Memories, Inc. and MeiYa Technology Corp. on the lease of building, facilities and land located on 348, 348-1 and 348-3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However Inotera Memories, Inc. is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. In addition, Inotera Memories, Inc. has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

(ii) The total lease receivable from the capital lease of the building (including facilities) was $5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was $2,656,223. The difference was recognized as unrealized interest revenue of $2,529,397. For the years ended December 31, 2017 and 2016, the Company recognized the interest revenue of $150,240 and $177,867, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2017			December 31, 2016		
	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable	Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivable
Less than one year	$ 429,330	119,578	309,752	429,330	150,240	279,090
Between one and five years	1,057,320	268,124	789,196	1,222,320	352,504	869,816
More than five years	264,330	10,025	254,305	528,660	45,223	483,437
Sub-total	$ 1,750,980	397,727	1,353,253	2,180,310	547,967	1,632,343
Current			$ 309,752			279,090
Non-current			1,043,501			1,353,253
			$ 1,353,253			1,632,343

(Continued)

(j) Long-term borrowings

	December 31, 2017			
	Currency	Interest rate range	Expiration	Amount
Unused long term of credit				$ 1,600,000

	December 31, 2016			
	Currency	Interest rate range	Expiration	Amount
Secured bank borrowings	TWD	1.7895%~2.1668%	2019~2021	$ 22,960,000
Less: Current portion of long-term borrowings				(7,786,000)
Total				$ 15,174,000
Unused long term of credit				$ 1,300,000

(i) Issuance and redemption of loans

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

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

(ii) Collaterals for bank loans

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

(k) Bonds Payable

	December 31, 2017
Issuance of unsecured overseas convertible bonds	$ 15,218,000
Unamortized discount on bonds payable	(229,383)
Conversion of convertible bonds to ordinary shares	(11,701,906)
Balance at end of period	$ 3,286,711

	For the year ended December 31, 2017
Embedded derivatives-call and put options and conversion rights remeasured at fair value through loss (included financial liabilities at fair value through profit or loss)	$ 1,856,146
Embedded derivatives-call and put options and conversion rights remeasured at fair value through loss (included other gain and losses)	$ 7,598,748

Item	The first unsecured overseas convertible bond
1. Issue amount	USD500,000 thousand
2. Issue par value	USD200 thousand
3. Issue period	2017.1.24～2022.1.24
4. Bond expiration	5 years
5. Coupon rate	0%
6. Conversion price	TWD52.47 dollars
7. Conversion period	The bondholder has the right to convert any bonds into shares that are subject to the terms set forth in the contract. The bonds are convertible anytime after 40 day from the issuance date (excluding the issuance date itself).
8. Put option of bond holders	(A)Each bondholder may require the Company to redeem, in whole or in part, the convertible bonds at an amount, hereinafter referred to as "Early Redemption Amount"(ERA), calculated at par value, plus, interest compensation, which is calculated semi-annually at the rate of 1.75% per annum, after 3 years from the issuance date (excluding the issuance date itself). (B)Each bondholder may redeem in advance, in whole or in part, the convertible bond if the Company is delisted from the Taiwan stock exchange. (C)Each bondholder may redeem in advance, in whole or in part, the convertible bonds if the Company meets all the conditions on the changes in its rights of control in the contract.
9. Call option of issuer	(A)The issuer may redeem, in whole or in part, the convertible bonds at the ERA if the closing price of the Company's shares which translated into US dollars at the prevailing rate for a period of 20 trading days in any period of 30 consecutive trading days is above 130 percent of the ERA multiplied the conversion ratio and divided by par value. (B)The issuer may redeem its outstanding convertible bonds at their Early Redemption Amount if more than 90 per cent, in principal, of the amount of the bonds have already been converted, redeemed, repurchased or cancelled. (C)The issuer may redeem, in whole or in part, or the convertible bonds at their Early Redemption Amount if the Company has become obliged to pay the additional interests and costs as a result of any changes in, or amendment to, the laws or regulations of the ROC.

(Continued)

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

(l) Finance lease liabilities

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

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

(iii) The rental expenses from the lease of land which was treated as an operating lease amounted to $620 and $3,719 for the years ended December 31, 2017 and 2016, respectively. These expenses were fully paid as of December 31, 2017 and 2016.

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

	December 31, 2017			December 31, 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ -	-	-	24,698	15,868	8,830
Between one and five years	-	-	-	98,792	57,807	40,985
More than five years	-	-	-	321,071	96,963	224,108
Subtotal	$ -	-	-	444,561	170,638	273,923
Lease payables-related parties			$ -			8,830
Current			-			265,093
Non-current			$ -			273,923

(Continued)

(m) Employee benefits

(i) Defined benefit plan

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 984,774	898,602
Fair value of plan assets	(458,977)	(445,089)
Net defined benefit liabilities	$ 525,797	453,513

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

1) Composition of plan assets

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

As of December 31, 2017, the Company's pension fund with Bank of Taiwan amounted to $458,977. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

	For the years ended December 31,	
	2017	2016
Defined benefit obligation as of January 1,	$ 898,602	1,189,853
Current service and interest costs	16,893	23,623
Remeasurement of net defined benefit liabilities		
—actuarial losses arising from change in financial assumptions	82,226	(133,559)
Benefits paid	(12,947)	(181,315)
Defined benefit obligation as of December 31,	$ 984,774	898,602

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2017	2016
Fair value of plan assets as of January 1,	$ 445,089	433,993
Interest income	5,660	6,565
Remeasurement of net defined liabilities		
—return on plan assets (excluding interest income)	(1,319)	(3,468)
Contributions from employer	13,918	13,882
Benefits already paid by the plan	(4,371)	(5,883)
Fair value of plan assets as of December 31,	**$ 458,977**	**445,089**

4) Expenses recognized in profit or loss

	For the years ended December 31,	
	2017	2016
Current service costs	$ 5,660	5,822
Net interest income of net defined benefit liabilities	11,233	17,801
Operating expected rate of return for the plan asset	(5,660)	(6,565)
	$ 11,233	**17,058**
Cost of goods sold	$ 7,759	11,685
Operating expenses	3,474	5,373
	$ 11,233	**17,058**

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

	For the years ended December 31,	
	2017	2016
Balance as of January 1,	$ (57,613)	50,363
Recognized during the period	69,342	(107,976)
Balance as of December 31,	**$ 11,729**	**(57,613)**

6) Actuarial assumptions

	December 31, 2017	December 31, 2016
Discount rate	1.25 %	1.25 %
Future salary increases	2.85 %	2.50 %

(Continued)

Based on the actuarial report, the Company is expected to make contributions of $11,853 to the defined benefit plans in 2018.

The weighted average duration of the defined benefit plan is 20 years.

7) Sensitivity analysis

As of December 31, 2017 and 2016, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase amount	Decrease amount
December 31, 2017		
Discount rate (change 0.25%)	43,318	(41,134)
Future salaries (change1%)	184,951	(153,472)
December 31, 2016		
Discount rate (change 0.25%)	41,329	(39,181)
Future salaries (change1%)	177,222	(146,032)

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

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

(ii) Defined contribution plan

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

The Company's pension costs under the contribution pension plan amounted to $115,738 and $103,037 for the years ended 2017 and 2016, respectively.

(n) Income tax

(i) The Company's income tax expense recognized for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Current tax expense		
Current period	$ 68	1,328,701
Adjustment for prior periods	8,597	-
10% surtax on undistributed earnings	1,502,491	644,896
Tax expense	$ 1,511,156	1,973,597

The Company's tax (expense) income recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	$ 14,203	(22,115)
Items that may be reclassified subsequently to profit and loss:		
Unrealized (losses) gains on available-for-sale financial assets	$ (1,602,346)	1,602,346

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

	For the years ended December 31,	
	2017	2016
Income tax calculated based on local tax rate	$ 7,104,824	4,368,129
Tax effect of permanent differences	1,318,163	5,811
Change in unrecognized temporary differences	96,495	-
Tax effect of unrecognized current-year loss carryforward	(8,519,482)	(4,373,941)
Adjustment for prior periods	8,597	-
10% surtax on undistributed earnings	1,502,491	644,896
Income basic tax	68	1,328,702
Total	$ 1,511,156	1,973,597

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets

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

	December 31, 2017	December 31, 2016
Net operating loss carry forwards	$ 7,863,392	13,022,371

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

As of December 31, 2017, under ROC Income Tax, the unused loss carry forward benefits available to the Company were as follows:

Year	Unused loss carry forward	Expiry year
2011	$ 12,833,387	2021
2012	29,717,148	2022
2013	3,704,714	2023
Total	$ 46,255,249	

2) Recognized deferred tax liabilities and assets

The changes in recognized deferred tax assets and liabilities in 2017 and 2016 were as follows:

Deferred tax assets：

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2017	$ 807,371	61,911	869,282
Recognized in profit or loss	(510,176)	544,394	34,218
Recognized in other comprehensive income	-	14,203	14,203
Balance as of December 31, 2017	$ 297,195	620,508	917,703

	Operating loss carry forwards	Others	Total
Balance as of January 1, 2016	$ 777,903	91,419	869,322
Recognized in profit or loss	29,468	(7,393)	22,075
Recognized in other comprehensive income	-	(22,115)	(22,115)
Balance as of December 31, 2016	**$ 807,371**	**61,911**	**869,282**

Deferred tax liabilities：

	Unrealized gains (losses) on available-for-sale financial assets	Others	Total
Balance as of January 1, 2017	$ 1,602,346	28,914	1,631,260
Recognized in profit or loss	-	34,218	34,218
Recognized in other comprehensive income	(1,602,346)	-	(1,602,346)
Balance as of December 31, 2017	**$ -**	**63,132**	**63,132**
Balance as of January 1, 2016	$ -	6,838	6,838
Recognized in profit or loss	-	22,076	22,076
Recognized in other comprehensive income	1,602,346	-	1,602,346
Balance as of December 31, 2016	**$ 1,602,346**	**28,914**	**1,631,260**

3) The Company's income tax returns have been examined by the ROC tax authority through 2015.

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

	December 31, 2017	December 31, 2016
Unappropriated retained earnings in 1998 and thereafter	**$ 69,734,440**	**36,296,086**
Imputation credit account balance	**$ 1,771,664**	**240,779**
	2017(estimated)	**2016(actual)**
Tax deduction ratio for earnings distribution to ROC residents	**2.54 %**	**5.77 %**

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

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system. The information presented above is for reference only.

(o) Capital and other equity

As of December 31, 2017 and 2016, the Company's government registered total authorized capital both amounted to $300,000,000 with $10 par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to $29,639,382, and $27,485,658 respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended December 31, 2017 and 2016 were as follows:

	Ordinary Shares	
	2017	2016
Balance as of January 1,	2,748,566	2,428,566
Conversion of convertible bonds	215,372	-
Issue of shares	-	320,000
Balance as of December 31,	**2,963,938**	**2,748,566**

(i) Ordinary share

For the year ended December 31, 2017, the overseas convertible bondholders exercised some of their conversion rights and the Company issued 215,372 thousand ordinary shares and 22,396 thousand shares of certificates of entitlement at a par value which totaled $2,377,682. The process for the registration of 215,372 thousand ordinary shares had been completed.

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

On March 22, 2012 and October 24, 2012, the Company's board of directors approved to increase the Company's capital though carrying out a private placement of ordinary shares with the issuance of 3,800,000 thousand ordinary shares and 5,294,118 thousand ordinary shares after reducing the Company's capital to 380,319 thousand ordinary shares and 529,856 thousand ordinary shares, respectively, at a discounted issuance price of $1.7 dollars per share. This capital increase was approved by the Securities and Futures Bureau (SFB). Also, the process for the registration thereof was completed. According to the Securities and Exchange

Act, the transfer of such privately placed ordinary shares within three years from the delivery date is forbidden, except when the transferees conform to Article 43-8 of the Securities and Exchange Act.

(ii) Capital surplus

	December 31, 2017	December 31, 2016
Employee stock option plans	$ 2,127,034	1,667,461
Premium from the issuance of stock	25,150,157	9,852,246
Other	-	3,300
	$ 27,277,191	**11,523,007**

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

(iii) Retain earning

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

Earnings distribution for 2016 and 2015 was approved in the general meeting of shareholders held on May 26, 2017 and June 22, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

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

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

(iv) Treasury shares

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

	December 31, 2017	December 31, 2016
Numbers of shares as of December 31,	-	687
Ending balance as of December 31,	$ -	347,533
Book value per share	$ -	505.46
Price per share (dollars)	$ -	48.30

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

(Continued)

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(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets
Balance as of January 1, 2017	$ (16,846)	7,805,947
Exchange differences on translation of foreign financial statements, net of tax		
The Company	(22,317)	-
Unrealized losses on available-for-sale financial assets:		
The Company	-	(7,805,947)
Balance as of December 31, 2017	$ (39,163)	-
Balance as of January 1, 2016	$ (11,588)	7,018
Exchange differences on translation of foreign financial statements, net of tax:		
The Company	(5,258)	-
Unrealized gains on available-for-sale financial assets:		
The Company	-	7,798,929
Balance as of December 31, 2016	$ (16,846)	7,805,947

(p) Share-based payment transactions

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

	The 7th batch of Employee Stock Option Plan	The 8th batch of Employee Stock Option Plan	The 9th batch of Employee Stock Option Plan
Grant date	2011.3.21	2016.5.10	2016.8.11
Grant unit	70,000	97,500	2,500
Exercise price (Notes1~6)	14.6	38.0	36.6
Deal period	8 years	8 years	8 years
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion

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

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

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

(Continued)

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

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

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

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

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

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

(ii) Relevant information of employee stock option plans

	For the years ended December 31,			
	2017		2016	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding as of January 1,	36.37	162,030	42.79	71,846
Options granted	-	-	35.33	100,000
Options forfeited	35.09	(6,656)	46.02	(1,865)
Options expired	-	-	46.02	(7,951)
Outstanding as of December 31,	35.34	**155,374**	36.37	**162,030**
Options exercisable as of December 31,	36.90	**61,060**	38.00	**62,877**

(Continued)

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

	December 31, 2017	December 31, 2016
Range of exercise price (dollar)	34.30~36.90	35.30~38.00
Weighted average of remaining option plan period (year)	1.22~6.61	2.22~7.61

(iii) Compensation cost

	For the years ended December 31,	
	2017	2016
Compensation cost arising from share options granted to employees	$ 459,573	294,985

(q) Earnings per share

	For the years ended December 31,	
	2017	2016
Basic earnings per share：		
Net income attributable to the Company	$ 40,281,927	23,721,277
Weighted-average number of ordinary shares outstanding (basic)	2,806,025	2,736,512
Basic earnings per share (dollars)	$ 14.36	8.67
Diluted earnings per share:		
Net income attributable to the Company	$ 40,281,914	23,721,277
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	2,806,025	2,736,512
Effect of employee stock option	68,133	8,064
Effect of employee remuneration	19,564	-
Weighted-average number of ordinary shares (diluted)	2,893,722	2,744,576
Diluted earnings per share (dollars)	$ 13.92	8.64

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

(r) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to $1,364,013 and $418,481 for the years ended December 31, 2017 and 2016, respectively. This employee remuneration was estimated based on the Company's net income before tax before

deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association, the related information would be available at the Market Observation Post System website.

There is no difference between the estimated employee remuneration, which was stated in the financial statements for the year ended December 31, 2017, and the amounts approved by the Company's board of directors.

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

(s) Non-operating income and expenses

(i) Other incomes

	For the years ended December 31,	
	2017	2016
Bank deposits and short-term notes	$ 235,724	69,858
Financial leases	150,240	177,867
	$ 385,964	247,725

(ii) Other gains and losses

	For the years ended December 31,	
	2017	2016
Foreign exchange losses, net	$ (924,980)	(312,296)
Gain on disposal of lease payable	63,542	-
Gain on disposal of investments accounted for using equity method	-	19,942,974
Gain on disposal of available-for-sale financial assets	32,106,247	-
Gain (loss) on disposal of property, plant and equipment	3,230	(7,852)
Net loss on financial liabilities at fair value through profit or loss	(7,981,043)	-
Impairment loss on financial assets	-	(190,620)
Impairment loss on non-financial assets	(488,988)	(1,158,201)
Others	336,228	(593,757)
	$ 23,114,236	17,680,248

(iii) Finance costs

	For the years ended December 31,	
	2017	2016
Bank loans	$ 352,567	407,941
Financing from entities with significant influence over the Company	69,898	118,444
Financing from other related parties	20,238	193,754
Lease payments	2,700	16,371
Amortization interest of overseas convertible bond	175,186	-
Others	184	235
Less: Capitalized of interest	(163,901)	(39,109)
	$ 456,872	697,636

(t) Reclassification adjustment of other comprehensive income

	For the years ended December 31,	
	2017	2016
Available- for-sale financial assets		
Net change in fair value	$ 24,300,300	7,805,947
Net change in fair value reclassified to profit or loss	(32,106,247)	-
Net change in fair value recognized in other comprehensive income	$ (7,805,947)	7,805,947

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of accounts receivable represents the maximum exposure to credit risk.

2) Concentration of credit risk

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

As of December 31, 2017 and 2016, the Company's largest customers consisted of eight and seven customers which accounted for 82.46% and 51.50%, respectively, of accounts receivable so that management believes the concentration of credit risk.

(Continued)

(ii) Liquidity risk

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

		Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2017								
Derivative financial liabilities								
Derivative instruments not used for hedging	$	382,295	382,295	382,295	-	-	-	-
Embedded derivative-convertible bonds		1,856,146	-	-	-	-	-	-
Non-derivative financial liabilities								
Accounts payable (including related parties)		3,324,946	3,324,946	3,324,946	-	-	-	-
Other payable (including related parties)		7,301,770	7,301,770	7,301,770	-	-	-	-
Bonds payable		3,286,711	3,759,096	-	-	-	3,759,096	-
	$	16,151,868	14,768,107	11,009,011	-	-	3,759,096	-
December 31, 2016								
Non-derivative financial liabilities								
Secured bank loans	$	22,960,000	24,154,481	5,656,595	2,613,300	10,965,450	4,919,136	-
Financing from entities with significant influence over the Company		8,000,000	8,116,112	-	8,116,112	-	-	-
Financing from other related parties		4,500,000	4,565,313	-	4,565,313	-	-	-
Finance lease liabilities		273,923	444,561	12,349	12,349	24,698	74,093	321,072
Accounts payable (including related parties)		5,579,739	5,579,739	5,579,739	-	-	-	-
Other payable (including related parties)		5,224,825	5,224,825	5,224,825	-	-	-	-
	$	46,538,487	48,085,031	16,473,508	15,307,074	10,990,148	4,993,229	321,072

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

(iii) Currency risk

1) Exposure to currency risk

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

		December 31, 2017			December 31, 2016		
		Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars
Financial assets:							
Monetary items							
USD	$	1,333,247	29.848	39,794,756	399,509	32.279	12,895,751
JPY		4,775,053	0.2641	1,261,091	2,000,329	0.2768	553,691
EUR		25	35.6081	890	85	33.846	2,877

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars
Financial liabilities:						
Monetary items						
USD	$ 552,528	29.848	16,491,856	95,419	32.279	3,080,030
JPY	1,151,036	0.2641	303,989	4,127,546	0.2768	1,142,505
EUR	1,567	35.6080	55,798	3,884	33.846	131,458

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable, and other payables which are denominated in different foreign currencies. A 1% depreciation of the TWD against the USD, EUR, and JPY as of December 31, 2017 and 2016 would have increased the net income before tax by $242,051 and $90,983 for the years ended December 31, 2017 and 2016, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis.

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2017 and 2016, foreign exchange loss (including realized and unrealized portions) amounted to $924,980 and $312,296, respectively.

(iv) Interest risk

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

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $0 and $354,600 for the years ended December 31, 2017 and 2016, respectively.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

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

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

(Continued)

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	December 31, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic money market fund	$ 2,000,360	-	2,000,360	-	2,000,360
Foreign listed stock	40,882,664	40,882,664	-	-	40,882,664
Total	$ 42,883,024	40,882,664	2,000,360	-	42,883,024
Loans and receivables：					
Cash and cash equivalents	$ 8,427,379	-	-	-	-
Accounts receivable, net (including related parties)	5,998,754	-	-	-	-
Other receivables (including related parties)	1,690,160	-	-	-	-
Lease payments receivable (including current portion)	1,632,343	-	-	-	-
Subtotal	17,748,636	-	-	-	-
Total	$ 60,631,660	40,882,664	2,000,360	-	42,883,024
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	5,579,739	-	-	-	-
Other payables (including related parties)	17,724,825	-	-	-	-
Long-term loans (including current portion)	22,960,000	-	-	-	-
Lease obligations payables (including current portion)	273,923	-	-	-	-
Total	$ 46,538,487	-	-	-	-

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

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

a) Debt Investment that Has No Active Markets and Financial Liabilities Measured at Amortized Cost.

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

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

(Continued)

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

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

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

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

b) Derivative financial instruments

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

4) There were no transfers from financial assets for the years ended December 31, 2017 and 2016.

(v) Financial risk management

(i) Nature and extent

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Framework of risk management

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

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

(Continued)

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

(iii) Credit risk

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

1) Accounts receivable

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

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

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

2) Investment

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

(iv) Liquidity risk

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

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short term bank facilities for $14,258,000.

(v) Market risk

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

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

1) Currency risk

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

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

2) Interest rate risk

The Company adopts a policy of entering into financial instrument transaction that fixes interest rate, such as interest rate swaps, by predicting the trend of future interest rate. All of the Company's long-term loans bear floating interest rates. However, as the range of fluctuation of the interest rates during the term of agreements is acceptable, the Company believes that their interest rate risk need not be hedged.

3) Other market value risk

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

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

The Company's investing and financing activities on non-cash transactions for the years ended December 31, 2017 and 2016 were as follows:

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

	For the years ended December 31,	
	2017	2016
Conversion of convertible bonds to ordinary shares	$ 10,755,348	-

(x) Capital management

The Company's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the Company's equity.

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

	December 31, 2017	December 31, 2016
Total Liabilities	$ 18,516,514	51,166,517
Deduct: cash and cash equivalents	(32,626,041)	(8,427,379)
Net liabilities	$ (14,109,527)	42,739,138
Total equity	$ 131,999,865	85,542,818
Debt-to-capital ratio	(10.69)%	49.96 %

The Company has not changed its capital management strategy as of December 31, 2017.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Pei Jen Co., Ltd.	The Company's subsidiary
Piece Makers Technology, Corp.	The Company's subsidiary
Nanya Technology Corp. U.S.A.	The Company's subsidiary
Nanya Technology Corp. Delaware	The Company's subsidiary
Nanya Technology Corp. H.K.	The Company's subsidiary
Nanya Technology Corp. Japan	The Company's subsidiary
Nanya Technology Corp. Europe GmbH	The Company's subsidiary
Nanya Technology Corp. Shenzhen	The Company's subsidiary
Nan Ya Photonics Incorporation	The Company's other related parties
Nan Ya Printed Circuit Board Corp.	The Company's other related parties
Mai Laio Harbor Administration Corp.	The Company's other related parties
Formosa Heavy Industries Corporation	The Company's other related parties
Formosa Sumco Technology Corporation	The Company's other related parties
Formosa Advanced Technologies Co., Ltd.	The Company's other related parties
Formosa Technologies Corporation	The Company's other related parties
Formosa Biomedical Technology Corp.	The Company's other related parties
Formosa Petrochemical Corporation	The Company's other related parties
Formosa Chemicals & Fibre Corporation	The Company's other related parties
Formosa Plastics Corporation	The Company's other related parties
Formosa FCFC Carpet Corporation	The Company's other related parties
Formosa Heavy Industries Corp. (GZ) Ltd.	The Company's other related parties
Formosa Transportation (Ningbo) Corp.	The Company's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Company
Inotera Memories, Inc.	A former associate (which was no longer a related-party of the Company since December 6, 2016. Its name was changed to Micron Technology Taiwan in March 2017.)

(c) Significant related-party transactions

(i) Sales to related parties

	Sales For the years ended December 31,		Accounts receivable to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Subsidiaries	$ 10,933,392	6,962,387	2,409,673	1,452,879
Associates	-	1,269	-	-
Other related parties	6,023	-	-	-
Total	$ 10,939,415	6,963,656	2,409,673	1,452,879

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

(ii) Purchase from related parties

	Purchases For the years ended December 31,		Accounts payable to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Entities with significant influence over the Group	$ 52,746	322,084	4,750	17,626
Other related parties:				
Formosa Sumco Technology Corporation	1,375,540	942,790	290,134	147,136
Other related parties	67,162	22,846	4,862	421
Total	$ 1,495,448	1,287,720	299,746	165,183

The purchase price and payment terms for the purchase from related parties above are not significantly different from those with third party vendors, and the average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

(Continued)

(iii) Consigned out for processing

	Amount			
	For the years ended December 31,		Other payables to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Other related parties:				
Formosa Advanced Technologies Co., Ltd.	$ 5,310,380	5,654,012	889,629	931,862

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

(iv) Service received

		Amount			
		For the years ended December 31,		Other payables to related parties	
Account	Relationship	2017	2016	December 31, 2017	December 31, 2016
Administrative expenses	subsidiaries	$ 407,298	400,120	39,203	42,884

(v) Financing from related parties

	Other receivables to related parties	
	December 31, 2017	December 31, 2016
Entities with significant influence over the Company	$ -	8,000,000
Other related parties	-	4,500,000
Total	$ -	12,500,000

Interest payables under other payables to related parties as of December 31, 2017 and 2016 amounted to $0 and $24,685, respectively. Please refer to Note 6(s) for details on related interest expenses.

(vi) Property transactions

Acquisition of equipment:

	Acquisition price			
	For the years ended December 31,		Other payables to related parties	
	2017	2016	December 31, 2017	December 31, 2016
Entities with significant influence over the Company	$ 739,269	-	84,472	-
Other related parties	214,025	1,009,498	83,129	295,485
Total	$ 953,294	1,009,498	167,601	295,485

(Continued)

(vii) Lease contracts

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

	For the years ended December 31	
	2017	2016
Entities with significant influence over the Company	$ 213,509	200,951

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

(viii) Contracts with related parties

1) The Company's signed a Service Agreement with IMI. Under this agreement, the Company provides including the management of facility, human resources, finance, purchasing, engineering, and so on. The service fee is calculated based on the actual time spent and the hourly rates. This Service Agreement took effect on July 15, 2003, and will remain effective until it has been mutually agreed to be terminated by both parties.

2) On November 6, 2014, Nanya Technology Corporation, U.S.A., the Company' s subsidiary, signed a Consulting Agreement with Inotera Memories, Inc., U.S.A., a subsidiary of IMI. Under this Agreement, Nanya Technology Corporation, U.S.A. provides human resource and bookkeeping services to Inotera Memories, Inc., USA. This Consulting Agreement took effect on November 6, 2014, and will remain effective until a party has notified the other party to terminate the Consulting Agreement in accordance with the conditions stipulated in the aforementioned Agreement. Nanya Technology Corporation, U.S.A., a subsidiary of the Company, signed a contract for the Termination of its consulting Agreement with Inotera Memories, Inc., U.S.A. on February 7, 2017; the contract has been terminated by both parties on December 31, 2016.

3) On July 1, 2005, the Company signed a Lease Agreement with IMI for the use of its headquarters office. The Lease covers a period up to December 31, 2034. On August 22, 2016, the Company decided to sign an agreement with IMI for the termination of the said Lease effective December 31, 2016. However, the Company could notify IMI to extend its lease agreement before the termination date, the termination date shall not be extended beyond September 30, 2017. The contract has been terminated by both parties on March 1, 2017.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	$ 21,266	21,426
share-based payment	12,004	7,762
	$ 33,270	29,188

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

(8) Pledged assets:

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

Pledged assets	Object	December 31, 2017	December 31, 2016
Property, plant and equipment	Bank loans	$ -	34,402,371
Other non-current assets	Bank loans	$ -	360,000

(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2017	December 31, 2016
Guarantees for importation goods provided by bank	$ 595,000	585,000
Unused letters of credit	113,261	2,031,545
Total	$ 708,261	2,616,545

(b) Contingent liabilities

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

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

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

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

1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US$5,403 ten thousands; the Company agreed to share the 50% portion of the total costs and accrued it as expense of $850,000 thousand (US$27,015 thousands) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2017, the payment amounting to $27,000 (USD900 thousand) had been recognized by the Company.

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On February 26, 2018, the Company' s board of directors approved to fully dispose the entire 8,710 thousand shares of Piece Makers Technology Corp, wherein the Company owned 53.56% of its shares, with a selling price of $15.268 dollars per share, at a total value amounting to $132,983.

(12) Other:

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

	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,473,249	1,543,167	5,016,416	2,419,355	1,113,834	3,533,189
Labor and health insurance	158,272	60,050	218,322	139,346	53,410	192,756
Pension expenses	87,708	39,263	126,971	82,268	37,827	120,095
Other personnel expenses	61,475	20,251	81,726	57,480	19,173	76,653
Depreciation expenses	8,357,226	61,172	8,418,398	5,845,612	43,623	5,889,235
Amortization expenses	141,088	-	141,088	134,008	-	134,008

As of December 31, 2017 and 2016, the Company had 2,923 and 2,624 employees, respectively.

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(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

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

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Memoright (Cayman) Co., LTD.	-	Non-current financial assets at cost and non-current investments in debt instrument without active market	-	-	-	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Price	Cost	Gain on disposal	Shares (thousand)	Amount
The Company	Yuanta Wan Tai Money Market	Current available-for-sale financial assets	-	-	133,262	2,000,360	66,404	1,000,000	199,666	3,000,916	3,000,000	916	-	-
The Company	Fubon Chi-Hsiang Money Market	Current available-for-sale financial assets	-	-	-	-	57,705	900,000	57,705	900,150	900,000	150	-	-
The Company	Micro Technology Inc.	Non-current available-for-sale financial assets	-	-	57,780	40,882,664	-	-	57,780	63,562,278	31,457,097	32,105,181	-	-

(v) Acquisition of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vii) Related-party transaction for purchases and sales for which amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(3,267,321)	(6.04)%	O/A,60~90Days	-		540,833	5.98%	-
The Company	Nanya Technology Corp., H.K.	Subsidiary	(Sale)	(322,825)	(0.60)%	O/A,60~90Days	-		56,292	0.62%	-
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(3,882,309)	(7.18)%	O/A,180ays	-		853,788	9.43%	-
The Company	Nanya Technology Europe GmbH	Subsidiary	(Sale)	(3,182,340)	(5.88)%	O/A,60~90Days	-		881,605	9.74%	-
The Company	Formosa Sumco Technology Corp.	Other related parties	Purchase	1,375,540	14.27 %	O/A60Days	-		(290,134)	(8.73)%	-

(Continued)

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Notes to Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	Account receivable 540,833	7.01	-	-	300,523	-
The Company	Nanya Technology Corp., Japan	Subsidiary	Account receivable 853,788	5.95	-		135,033	-
The Company	Nanya Technology Europe GmbH	Subsidiary	Account receivable 881,605	4.96	-		302,633	-

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousand)	Percentage of ownership	Carrying value			
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2	100.00 %	76,616	1,051	1,051	-
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	1	100.00 %	129,962	8,864	8,864	-
The Company	Pei Jen Co., Ltd.	Taipei	Import/export business	325,348	175,348	2,935	100.00 %	43,691	(299,644)	(12,536)	-
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	20	100.00 %	41,880	(2,022)	(2,022)	-
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00 %	169,282	33,713	33,713	-
The Company	Piece Makers Technology, Inc.	Hsinchu	Design of semiconductor products	21,246	21,246	8,710	53.56 %	81,706	27,346	14,649	-
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Import/export business	30,056	30,056	-	100.00 %	59,531	3,331	3,331	-

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	29,400 (USD985 thousand)	(Note 1)	29,400 (USD985 thousand)	-	-	29,400 (USD985 thousand)	(8,473)	100.00%	(8,473)	7,341	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
29,400 (USD985 thousand)	29,400 (USD985 thousand)	79,199,919

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

Note 2 : The exchange rate of New Taiwan dollars to US dollars on December 31, 2017 was USD1 : TWD 29.848.

Note 3 : 60% of net equity.

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2017.