

NANYA TECHNOLOGY CORPORATION
Financial Statements for the Three-month Ended
March 31, 2010 and 2011
(With Independent Auditors' Review Report Thereon)

Independent Auditors' Review Report

The Board of Directors
Nanya Technology Corporation:

We have reviewed the accompanying balance sheets of Nanya Technology Corporation (the Company) as of March 31, 2010 and 2011, and the related statements of operations and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

Except as mentioned in the third paragraph, we conducted our reviews in accordance with the Republic of China Statement on Auditing Standards No. 36, "Review of Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

We did not review the financial statements of certain long-term investments carried on the equity method except for Inotera Memories, Inc., which amounted to NT\$1,753,038 thousand and NT\$366,652 thousand as of March 31, 2010 and 2011, respectively, and for which the equity in net gain amounted to NT\$69,820 thousand and NT\$28,488 thousand for the three-month periods ended March 31, 2010 and 2011, respectively. Those financial statements were based on unreviewed financial statements in the same period. Nor were we able to satisfy ourselves as to the carrying value of the investment in the investee companies and the equity in their earnings by other review procedures.

Based on our reviews, except for the effects of the information as discussed in the preceding paragraph, we are not aware of any material modifications that should be made to the unconsolidated financial statements referred to in the first paragraph in order for them to be in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

Because of the significant drop in the selling price of DRAM in the market where supply and demand are not balanced, the Company has suffered net losses of \$9,030,751 thousand for the three-month periods ended March 31, 2011. Also, the Company has liquidity risks as its current liabilities exceeded its current assets by \$41,955,956 thousand and its accumulated deficit exceeded half of total issued common stock as of March 31, 2011. Management's plans on these matters are described. The financial statements described in the first paragraph above do not include any adjustments that might result from the outcome of this uncertainty.

Taipei, Taiwan (the Republic of China)

April 22, 2011

The accompany financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

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NANYA TECHNOLOGY CORPORATION

Balance Sheets

March 31, 2010 and 2011

(Expressed in Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2010</u>		<u>2011</u>		<u>Liabilities and Stockholders' Equity</u>	<u>2010</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 1,929,349	2	4,814,268	4	Short-term loans	\$ 1,545,500	1	-	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	4,515,469	4	3,772,308	3	Notes and accounts payable	5,123,645	4	4,069,200	3
Accounts receivable—related parties	6,867,725	5	3,836,353	3	Accounts payable—related parties	4,058,400	3	3,754,488	3
Other receivables	1,564,625	1	1,495,802	1	Accrued expenses	3,453,250	3	3,320,112	3
Other receivables—related parties	350,664	-	521,829	-	Financial liabilities reported as fair value through profit or loss—current	260,592	-	180,801	-
Inventories, net	8,129,511	6	9,147,664	7	Other payables—related parties	8,627,471	7	36,134,783	28
Prepayments	694,074	1	1,364,254	1	Current portion of bonds payable	13,030,000	10	5,390,000	4
Total current assets	<u>24,051,417</u>	<u>19</u>	<u>24,952,478</u>	<u>19</u>	Current portion of long-term loans	10,669,359	9	14,015,967	12
					Other current liabilities	8,032	-	43,083	-
Funds and long-term investments:					Total current liabilities	<u>46,776,249</u>	<u>37</u>	<u>66,908,434</u>	<u>53</u>
Long-term investments carried on the equity method	20,273,213	16	15,249,019	12					
Total Funds and long-term investments	<u>20,273,213</u>	<u>16</u>	<u>15,249,019</u>	<u>12</u>	Long-term liabilities:				
					Bonds payable	7,079,200	6	1,694,932	1
Property, plant and equipment:					Long-term loans	36,258,141	28	35,277,383	28
Land	1,013,924	1	1,013,924	1	Long-term accounts payable	194,259	-	-	-
Buildings and building improvements	5,227,590	4	5,238,565	4	Lease payables—long-term	315,769	-	309,467	-
Machinery and equipment	109,481,828	86	132,427,526	103	Total long-term liabilities	<u>43,847,369</u>	<u>34</u>	<u>37,281,782</u>	<u>29</u>
Transportation equipment	5,855	-	5,855	-					
Leased assets	345,637	-	345,637	-	Other liabilities:				
Miscellaneous equipment	1,575,822	1	1,836,816	1	Accrued pension liabilities	379,609	-	392,372	-
	117,650,656	92	140,868,323	109	Guarantee deposits	135,635	-	115,362	-
Less: accumulated depreciation	(60,281,042)	(47)	(75,136,747)	(58)	Miscellaneous liabilities	144,148	-	227,069	-
Construction in progress	15,144,680	12	14,015,291	11	Total other liabilities	<u>659,392</u>	<u>-</u>	<u>734,803</u>	<u>-</u>
Net property, plant and equipment	<u>72,514,294</u>	<u>57</u>	<u>79,746,867</u>	<u>62</u>	Total liabilities	<u>91,283,010</u>	<u>71</u>	<u>104,925,019</u>	<u>82</u>
Intangible assets:					Stockholders' equity:				
Patents	1,601,271	1	1,111,857	1	Common stock	34,279,255	27	40,345,755	31
Other intangible assets	2,881,660	2	1,430,419	1	Advance receipts for capital stock	17,417	-	-	-
Total intangible assets	<u>4,482,931</u>	<u>3</u>	<u>2,542,276</u>	<u>2</u>	Capital surplus	13,752,136	11	17,847,268	14
					Accumulated deficit	(11,867,993)	(9)	(34,405,096)	(27)
Other assets:					Cumulative translation adjustments	2,412	-	(9,483)	-
Refundable deposits	1,473	-	64,528	-	Unrealized loss on financial instruments	252,929	-	149,932	-
Deferred charges	46,433	-	33,639	-	Treasury stock	(347,533)	-	(347,533)	-
Lease receivable—long-term	2,777,621	2	2,624,356	2	Total stockholders' equity	36,088,623	29	23,580,843	18
Deferred income tax assets, net—non-current	3,224,158	3	3,245,504	3	Commitments and contingencies				
Miscellaneous assets	93	-	47,195	-					
Total other assets	<u>6,049,778</u>	<u>5</u>	<u>6,015,222</u>	<u>5</u>					
Total assets	<u>\$ 127,371,633</u>	<u>100</u>	<u>128,505,862</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 127,371,633</u>	<u>100</u>	<u>128,505,862</u>	<u>100</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Operations

Three-month periods ended March 31, 2010 and 2011

(Expressed in thousands of New Taiwan dollars, Except Earnings Per Share)

	2010		2011	
	Amount	%	Amount	%
Operating revenues, net	\$ 14,120,809	100	10,731,577	100
Operating costs	<u>(13,935,457)</u>	<u>(99)</u>	<u>(15,963,340)</u>	<u>(149)</u>
Gross (loss) profit	185,352	1	(5,231,763)	(49)
Unrealized loss from affiliated companies	(6,739)	-	23,239	-
Realized (loss) profit from affiliated companies	<u>10,699</u>	<u>-</u>	<u>(27,555)</u>	<u>-</u>
Gross (loss) profit, net	<u>189,312</u>	<u>1</u>	<u>(5,236,079)</u>	<u>(49)</u>
Operating expenses				
Selling expenses	(105,759)	(1)	(125,475)	(1)
Administrative expenses	(293,635)	(2)	(244,284)	(2)
Research and development expenses	<u>(1,014,731)</u>	<u>(7)</u>	<u>(2,033,228)</u>	<u>(19)</u>
Total operating expenses	<u>(1,414,125)</u>	<u>(10)</u>	<u>(2,402,987)</u>	<u>(22)</u>
Operating loss	<u>(1,224,813)</u>	<u>(9)</u>	<u>(7,639,066)</u>	<u>(71)</u>
Non-operating income and gains:				
Interest income	75,383	1	79,500	1
Gain on disposal of property, plant and equipment	675	-	203	-
Foreign exchange gain, net	45,198	-	157,591	1
Gain on valuation of financial assets	8	-	-	-
Gain on valuation of financial liabilities	24,542	-	31,177	-
Miscellaneous income	<u>86,667</u>	<u>1</u>	<u>70,435</u>	<u>1</u>
Total non-operating income and gains	<u>232,473</u>	<u>2</u>	<u>338,906</u>	<u>3</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$26,848 thousand and NT\$24,934 thousand for 2010 and 2011, respectively)	(337,034)	(2)	(372,586)	(3)
Investment loss recognized under equity method	(266,338)	(2)	(1,161,090)	(11)
Loss on disposal of property, plant and equipment	(1,427)	-	(68)	-
Impairment loss	(14,228)	-	(65,412)	(1)
Miscellaneous disbursements	<u>(13,788)</u>	<u>-</u>	<u>(131,435)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(632,815)</u>	<u>(4)</u>	<u>(1,730,591)</u>	<u>(16)</u>
Loss before income tax	(1,625,155)	(11)	(9,030,751)	(84)
Income tax expenses	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	\$ <u><u>(1,625,186)</u></u>	<u><u>(11)</u></u>	<u><u>(9,030,751)</u></u>	<u><u>(84)</u></u>
Net loss per common share (in dollars)				
	Before	After	Before	After
	Income tax	Income tax	Income tax	Income tax
Basic loss per share	\$ <u><u>(0.48)</u></u>	<u><u>(0.48)</u></u>	<u><u>(2.24)</u></u>	<u><u>(2.24)</u></u>
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
	Before	After	Before	After
	Income tax	Income tax	Income tax	Income tax
Net loss	<u><u>\$(1,625,155)</u></u>	<u><u>(1,625,186)</u></u>	<u><u>(9,030,751)</u></u>	<u><u>(9,030,751)</u></u>
Basic loss per share	\$ <u><u>(0.48)</u></u>	<u><u>(0.48)</u></u>	<u><u>(2.24)</u></u>	<u><u>(2.24)</u></u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

Three-month periods ended March 31, 2010 and 2011

(Expressed in thousands of New Taiwan dollars)

	<u>2010</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (1,625,186)	(9,030,751)
Adjustments to reconcile net loss to net cash provided by:		
Depreciation	3,201,794	4,196,728
Amortization	516,140	492,441
Compensation costs on employee stock option plans	4,972	4,764
Amortization of discount on bonds payable and long-term loans	8,433	74,750
Gain on inventory valuation and obsolescence	(2,836)	(369,966)
Investment loss recognized under equity method	266,338	1,161,090
Loss (gain) on disposal of property, plant and equipment, net	753	(135)
Gain on valuation of financial liabilities	(24,542)	(31,177)
Impairment loss	14,228	65,412
Unrealized gain (loss) from affiliated companies	6,739	(23,239)
Realized (gain) loss from affiliated companies	(10,699)	27,555
Unrealized foreign currency exchange gain, net	(11,745)	(167,982)
Unrealized interest revenue amortization	(75,000)	(71,448)
Change in operating assets and liabilities:		
Change in operating assets:		
Decrease financial asset held for trading	290,004	-
Decrease in notes receivable and accounts receivable	1,227,662	2,132,348
Decrease in other receivables	332,100	1,345,453
Increase in inventory	(299,257)	(128,577)
Decrease (increase) in prepayments	(53,032)	191,472
Change in operating liabilities:		
Increase in notes payable and accounts payable	457,804	319,818
Decrease in accrued expenses	(1,377,711)	(380,023)
Decrease in other current liabilities	(1,694)	(70,366)
Increase in accrued pension liability	2,488	3,345
Increase (decrease) in miscellaneous liabilities	703	(4,595)
Net cash (used in) provided by operating activities	<u>2,848,456</u>	<u>(263,083)</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	(4,503,468)	-
Purchases of property, plant and equipment	(7,182,642)	(5,990,659)
Proceeds from sales of property, plant and equipment	139,247	-
Decrease in refundable deposits	-	1,521
Increase in Deferred Expense	-	(500)
(Increase) decrease in lease receivable	(100,229)	107,333
Increase (decrease) in miscellaneous assets	(77)	369
Net cash used in investing activities	<u>(11,647,169)</u>	<u>(5,881,936)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(162,624)	(200,000)
Increase long-term loans	5,030,000	3,200,000
Decrease long-term loans	-	(6,983,034)
Decrease in guarantee deposits	(14,754)	(18,995)
Decrease (increase) in other payables from related parties	(8,020,700)	9,500,000
Decrease in lease payable	(1,433)	(1,519)
Decrease in long-term Accounts payable	(28,729)	-
Issuance of common stock for cash	-	-
Issuance of common stock for exercise of employee stock options	263,029	-
Net cash (used in) provided by financing activities	<u>(2,935,211)</u>	<u>5,496,452</u>
Effect of foreign currency exchange translation	5	13,566
Decrease in cash and cash equivalents	(11,733,919)	(635,001)
Cash and cash equivalents at beginning of period	13,663,268	5,449,269
Cash and cash equivalents at end of period	\$ <u>1,929,349</u>	<u>4,814,268</u>
Supplemental cash flow information:		
Interest paid	\$ 264,015	358,849
Less: Capitalized interest	26,848	24,934
Interest paid excluding capitalized interest	\$ <u>237,167</u>	<u>333,915</u>
Income tax paid	\$ <u>31</u>	<u>-</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of bonds payable	\$ <u>10,669,359</u>	<u>14,015,967</u>
Current portion of long-term loans	\$ <u>13,030,000</u>	<u>5,390,000</u>
Cash paid for acquisition of properties:		
Total acquisition	\$ (7,273,195)	(6,401,970)
Decrease in accounts payable-machinery and equipment, net	90,553	411,311
Cash paid for acquisition of properties	\$ <u>(7,182,642)</u>	<u>(5,990,659)</u>

(Continued)