

NANYA TECHNOLOGY CORPORATION
Financial Statements
June 30, 2010 and 2011
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Nanya Technology Corporation:

We have audited the accompanying balance sheets of Nanya Technology Corporation (the "Company") as of June 30, 2010 and 2011, and the related statements of operations, changes in stockholders' equity, and cash flows for the six-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 audits.

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

We did not audit the financial statements of certain long-term investments carried on the equity method, which amounted to NT\$1,754,561 thousand and NT\$393,669 thousand as of June 30, 2010 and 2011, respectively, and for which the equity in net gain was to NT\$59,350 thousand and NT\$49,352 thousand for the six-month periods ended June 30, 2010 and 2011, respectively. Those financial statements were based on unaudited financial statements in the same period. Nor were we able to satisfy ourselves as to carrying value of the investment in the investee companies and the equity in their earnings by other audit procedures.

In our opinion, based on our audits, except for the effects of the information as discussed in the third paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation as of June 30, 2010 and 2011, and the results of its operations and cash flows for the six-month periods then ended, 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 the, Company has suffered net losses of \$16,934,515 thousand for the six-month periods ended June 30, 2011. Also, the Company has liquidity risks as its current liabilities exceeded its current assets by \$46,844,730 thousand and its accumulated deficit exceeded half of total issued common stock as of June 30, 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.

We have reviewed the Company's consolidated financial statements as of and for six-month periods ended June 30, 2010 and 2011, prepared by the Company. Based on our review, we expressed a qualified conclusion on those financial statements.

Taipei, Taiwan (Republic of China)
August 22, 2011

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

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

NANYA TECHNOLOGY CORPORATION

Statements of Changes in Stockholders' Equity

For the years ended June 30, 2010 and 2011
(Expressed in thousands of New Taiwan dollars)

	<u>Common stock</u>	<u>Advance receipts for capital stock</u>	<u>Capital Surplus</u>	<u>Accumulated deficit</u>	<u>Cumulative translation adjustments</u>	<u>Unrealized Loss on Financial Instruments</u>	<u>Treasury stock</u>	<u>Total</u>
Balance as of January 1, 2010	\$ 34,047,425	111,133	13,555,224	(10,242,807)	7,929	243,517	(347,533)	37,374,888
Advance receipts for common stock due to employee stock options exercised	272,310	(109,310)	147,627	-	-	-	-	310,627
Recognized compensation costs on employee stock options	-	-	9,945	-	-	-	-	9,945
Net loss for the six months ended June 30, 2010	-	-	-	(2,710,688)	-	-	-	(2,710,688)
Adjustment arising from changes in percentage of ownership in investees	-	-	55,140	-	-	-	-	55,140
Losses on foreign currency exchange of long-term investments	-	-	-	-	(8,157)	-	-	(8,157)
Adjustment to change of long-term equity investments	-	-	19,229	-	-	24,203	-	43,432
Balance as of June 30, 2010	\$ <u>34,319,735</u>	<u>1,823</u>	<u>13,787,165</u>	<u>(12,953,495)</u>	<u>(228)</u>	<u>(267,720)</u>	<u>(347,533)</u>	<u>35,075,187</u>
Balance as of January 1, 2011	\$ 40,343,415	3,089	17,831,745	(25,374,345)	(14,159)	205,868	(347,533)	32,648,080
Advance receipts for common stock due to employee stock options exercised	2,340	(3,089)	749	-	-	-	-	-
Recognized compensation costs on employee stock options	-	-	33,267	-	-	-	-	33,267
Net loss for the six months ended June 30, 2011	-	-	-	(16,934,515)	-	-	-	(16,934,515)
Adjustment arising from changes in percentage of ownership in investees	-	-	(901)	-	-	-	-	(901)
Gains on foreign currency exchange of long-term investments	-	-	-	-	1,745	-	-	1,745
Adjustment to change of long-term equity investments	-	-	21,876	-	-	1,344	-	23,220
Balance as of June 30, 2011	\$ <u>40,345,755</u>	<u>-</u>	<u>17,886,736</u>	<u>(42,308,860)</u>	<u>(12,414)</u>	<u>207,212</u>	<u>(347,533)</u>	<u>15,770,896</u>

NANYA TECHNOLOGY CORPORATION

Balance Sheets

June 30, 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	\$ 4,274,392	3	5,301,976	4	Short-term loans	\$ 695,400	1	-	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	5,579,401	4	3,168,586	3	Notes and accounts payable	4,299,061	3	3,506,957	3
Accounts receivable—related parties	6,114,263	5	5,493,383	4	Accounts payable—related parties	3,736,312	3	3,802,276	3
Other receivables	1,280,737	1	1,582,275	1	Accrued expenses	4,093,286	3	3,468,690	3
Other receivables—related parties	346,835	-	518,202	-	Financial liabilities reported as fair value through profit or loss—current	266,590	-	139,496	-
Inventories, net	9,199,784	7	10,815,980	9	Other payables—related parties	16,219,023	12	44,518,777	35
Prepayments	861,114	1	1,235,054	1	Current portion of bonds payable	10,530,000	8	5,436,365	4
Total current assets	<u>27,656,526</u>	<u>21</u>	<u>28,115,456</u>	<u>22</u>	Current portion of long-term loans	10,670,585	8	14,018,067	11
Funds and long-term investments:					Other current liabilities	12,432	-	69,558	-
Long-term investments carried on the equity method	19,852,020	15	14,075,600	11	Total current liabilities	<u>50,522,689</u>	<u>38</u>	<u>74,960,186</u>	<u>59</u>
Total Funds and long-term investments	<u>19,852,020</u>	<u>15</u>	<u>14,075,600</u>	<u>11</u>					
Property, plant and equipment:					Long-term liabilities:				
Land	1,013,924	1	1,013,924	1	Bonds payable	5,430,633	4	-	-
Buildings and building improvements	5,238,053	4	5,238,565	4	Long-term loans	40,264,415	31	37,082,233	29
Machinery and equipment	118,344,445	90	132,442,985	103	Long-term accounts payable	-	-	83,794	-
Transportation equipment	5,855	-	5,387	-	Lease payables—long-term	314,228	-	307,832	-
Leased assets	345,637	-	345,637	-	Total long-term liabilities	<u>46,009,276</u>	<u>35</u>	<u>37,473,859</u>	<u>29</u>
Miscellaneous equipment	1,630,977	1	1,925,473	1					
	126,578,891	96	140,971,971	109	Other liabilities:				
Less: accumulated depreciation	(63,243,672)	(48)	(79,305,487)	(62)	Accrued pension liabilities	382,772	-	395,852	-
Construction in progress	11,322,131	9	16,797,726	13	Guarantee deposits	108,068	-	102,462	-
Net property, plant and equipment	<u>74,657,350</u>	<u>57</u>	<u>78,464,210</u>	<u>60</u>	Miscellaneous liabilities	126,747	-	186,209	-
					Total other liabilities	<u>617,587</u>	<u>-</u>	<u>684,523</u>	<u>-</u>
					Total liabilities	<u>97,149,552</u>	<u>73</u>	<u>113,118,568</u>	<u>88</u>
Intangible assets:									
Patents	1,481,260	1	1,239,887	1	Stockholders' equity:				
Other intangible assets	2,518,850	2	1,067,609	1	Common stock	34,319,735	26	40,345,755	31
Total intangible assets	<u>4,000,110</u>	<u>3</u>	<u>2,307,496</u>	<u>2</u>	Advance receipts for capital stock	1,823	-	-	-
					Capital surplus	13,787,165	11	17,886,736	14
Other assets:					Accumulated deficit	(12,953,495)	(10)	(42,308,860)	(33)
Refundable deposits	1,473	-	64,527	-	Cumulative translation adjustments	(228)	-	(12,414)	-
Deferred charges	46,661	-	31,522	-	Unrealized loss on financial instruments	267,720	-	207,212	-
Lease receivable—long-term	2,740,790	2	2,583,478	2	Treasury stock	(347,533)	-	(347,533)	-
Deferred income tax assets, net—non-current	3,224,158	2	3,245,504	3	Total stockholders' equity	35,075,187	27	15,770,896	12
Miscellaneous assets	45,651	-	1,671	-	Commitments and contingencies				
Total other assets	<u>6,058,733</u>	<u>4</u>	<u>5,926,702</u>	<u>5</u>					
Total assets	<u>\$ 132,224,739</u>	<u>100</u>	<u>128,889,464</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 132,224,739</u>	<u>100</u>	<u>128,889,464</u>	<u>100</u>

NANYA TECHNOLOGY CORPORATION

Statements of Operations

For the six-month periods ended June 30, 2010 and 2011
(Expressed in thousands of New Taiwan dollars, Except Earnings Per Share)

	2010		2011	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues, net	\$ 29,838,355	100	22,200,475	100
Operating costs	<u>(28,065,323)</u>	<u>(94)</u>	<u>(31,376,540)</u>	<u>(141)</u>
Gross loss	1,773,032	6	(9,176,065)	(41)
Unrealized profit(loss) from affiliated companies	(5,197)	-	36,457	-
Realized (loss) profit from affiliated companies	<u>10,699</u>	<u>-</u>	<u>(27,555)</u>	<u>-</u>
Gross loss, net	<u>1,778,534</u>	<u>6</u>	<u>(9,167,163)</u>	<u>(41)</u>
Operating expenses				
Selling expenses	(212,066)	(1)	(262,282)	(1)
Administrative expenses	(575,124)	(2)	(500,774)	(2)
Research and development expenses	<u>(2,731,791)</u>	<u>(9)</u>	<u>(4,197,340)</u>	<u>(19)</u>
Total operating expenses	<u>(3,518,981)</u>	<u>(12)</u>	<u>(4,960,396)</u>	<u>(22)</u>
Operating loss	<u>(1,740,447)</u>	<u>(6)</u>	<u>(14,127,559)</u>	<u>(63)</u>
Non-operating income and gains:				
Interest income	151,996	1	160,217	1
Gain on disposal of property, plant and equipment	92,649	-	1,736	-
Foreign exchange gain, net	205,203	1	173,650	1
Gain on valuation of financial assets	8	-	-	-
Gain on valuation of financial liabilities	18,544	-	72,482	-
Miscellaneous income	<u>109,024</u>	<u>-</u>	<u>135,482</u>	<u>1</u>
Total non-operating income and gains	<u>577,424</u>	<u>2</u>	<u>543,567</u>	<u>3</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$88,350 thousand and NT\$74,285 thousand for 2010 and 2011, respectively)	(655,887)	(2)	(745,780)	(3)
Investment loss recognized under equity method	(706,868)	(2)	(2,351,627)	(11)
Loss on disposal of property, plant and equipment	(15,282)	-	(4,708)	-
Impairment loss	(73,208)	-	(108,416)	-
Miscellaneous disbursements	<u>(96,389)</u>	<u>-</u>	<u>(139,992)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(1,547,634)</u>	<u>(4)</u>	<u>(3,350,523)</u>	<u>(15)</u>
Loss before income tax	(2,710,657)	(8)	(16,934,515)	(75)
Income tax benefit	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (2,710,688)</u>	<u>(8)</u>	<u>(16,934,515)</u>	<u>(75)</u>
Net loss per common share (in dollars)				
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Basic loss per share	\$ <u>(0.79)</u>	<u>(0.79)</u>	<u>(4.20)</u>	<u>(4.20)</u>
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Net loss	\$ <u>(2,710,657)</u>	<u>(2,710,688)</u>	<u>(16,934,515)</u>	<u>(16,934,515)</u>
Basic loss per share (in dollars)	\$ <u>(0.79)</u>	<u>(0.79)</u>	<u>(4.20)</u>	<u>(4.20)</u>

NANYA TECHNOLOGY CORPORATION
Statements of Cash Flows
For the six-month periods ended June 30, 2010 and 2011
(Expressed in thousands of New Taiwan dollars)

	<u>2010</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (2,710,688)	(16,934,515)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	6,726,369	8,404,234
Amortization	1,007,856	1,048,461
Compensation costs on employee stock option plans	9,945	33,267
Amortization of discount on bonds payable and long-term loans	17,366	16,766
Gain on inventory valuation and obsolescence	(51,293)	(373,068)
Investment loss recognized under equity method	706,868	2,351,627
Loss (gain) on disposal of property, plant and equipment, net	(77,367)	2,972
Gain on valuation of financial liabilities	(18,544)	(72,482)
Impairment loss	73,208	108,416
Unrealized gain (loss) from affiliated companies	5,197	(36,457)
Realized loss (gain) from affiliated companies	(10,699)	27,555
Unrealized foreign currency exchange loss, net	(158,351)	(134,480)
Unrealized interest revenue amortization	(149,147)	(141,949)
Change in operating assets and liabilities:		
Change in operating assets:		
Decrease financial asset held for trading	290,004	-
Decrease in notes and accounts receivable	1,262,192	1,074,652
Decrease in other receivables	616,171	1,250,677
Increase in inventory	(1,321,073)	(1,793,791)
Decrease (increase) in prepayments	(220,072)	320,672
Change in operating liabilities:		
Increase (decrease) in notes and accounts payable	(1,398,710)	105,679
Decrease in accrued expenses	(586,494)	(241,644)
Increase in other current liabilities	65,031	340,553
Increase in accrued pension liability	5,651	6,825
Increase (decrease) in miscellaneous liabilities	(4,941)	16,160
Net cash used in operating activities	<u>4,078,479</u>	<u>(4,619,870)</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	(4,503,468)	-
Purchases of property, plant and equipment	(12,685,218)	(9,240,991)
Proceeds from sales of property, plant and equipment	334,997	2,980
Decrease in refundable deposits	-	1,522
Increase in Deferred Expense	(6,000)	(5,000)
Purchases of intangible assets	-	(314,623)
Decrease in lease receivable-long-term	14,395	230,642
Increase in miscellaneous assets	(88)	345
Net cash used in investing activities	<u>(16,845,382)</u>	<u>(9,325,125)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(1,012,724)	(200,000)
Decrease in bonds payable	(4,150,000)	(1,650,000)
Increase from long-term loans	9,030,000	5,000,000
Decrease from long-term loans	-	(6,916,667)
Decrease in guarantee deposits	(42,321)	(31,402)
Increase (decrease) in other payables from related parties	(520,700)	17,500,000
Decrease in lease payable	(2,886)	(3,429)
Increase (decrease) in long-term accounts payable	(238,318)	83,939
Issuance of common stock for exercise of employee stock options	310,627	-
Net cash provided by financing activities	<u>3,373,678</u>	<u>13,782,441</u>
Effect of foreign currency exchange translation	4,349	15,261
Decrease in cash and cash equivalents	(9,388,876)	(147,293)
Cash and cash equivalents at beginning of period	13,663,268	5,449,269
Cash and cash equivalents at end of period	<u>\$ 4,274,392</u>	<u>5,301,976</u>
Supplemental cash flow information:		
Interest paid	\$ 713,134	826,369
Less: Capitalized interest	88,350	74,285
Interest paid excluding capitalized interest	<u>\$ 624,784</u>	<u>752,084</u>
Income tax paid	<u>\$ 31</u>	<u>-</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term loans	<u>\$ 10,670,585</u>	<u>14,018,067</u>
Current portion of bonds payable	<u>\$ 10,530,000</u>	<u>5,436,365</u>
Cash paid for acquisition of properties:		
Total acquisition	\$ (13,163,186)	(9,330,565)
Increase in accounts payable-machinery and equipment, net	477,968	89,574
Cash paid for acquisition of properties	<u>\$ (12,685,218)</u>	<u>(9,240,991)</u>