

NANYA TECHNOLOGY CORPORATION
Financial Statements
September 30, 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 September 30, 2010 and 2011, and the related unconsolidated 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\$1,745,622 thousand and NT\$390,627 thousand as of September 30, 2010 and 2011, respectively, and for which the equity in net gain amounted to NT\$29,212 thousand and NT\$18,784 thousand for the nine-month periods ended September 30, 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 the, Company has suffered net losses of \$28,888,063 thousand for the nine-month periods ended September 30, 2011. Also, the Company has liquidity risks as its current liabilities exceeded its current assets by \$59,625,381 thousand and its accumulated deficit exceeded half of total issued common stock as of September 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.

Taipei, Taiwan (the Republic of China)
October 21, 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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Reviewed only, not audited in accordance with generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION

Balance Sheets

September 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 | \$ 5,105,713 | 4 | 3,909,465 | 3 | Notes and accounts payable | 4,769,223 | 3 | 3,282,566 | 3 |
| Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars. | 4,971,778 | 4 | 2,585,910 | 2 | Accounts payable—related parties | 3,777,230 | 3 | 3,286,540 | 3 |
| Accounts receivable—related parties | 6,257,367 | 5 | 3,303,155 | 3 | Accrued expenses | 3,547,561 | 3 | 3,566,530 | 3 |
| Other receivables | 1,314,038 | 1 | 1,747,187 | 1 | Financial liabilities reported as fair value through profit or loss—current | 250,260 | - | 110,636 | - |
| Other receivables—related parties | 338,169 | - | 520,826 | - | Other payables—related parties | 22,771,331 | 17 | 55,615,896 | 46 |
| Inventories, net | 10,828,278 | 9 | 12,441,351 | 10 | Current portion of bonds payable | 7,830,000 | 6 | 5,437,798 | 5 |
| Prepayments | 1,111,414 | 1 | 1,237,813 | 1 | Current portion of long-term loans | 14,015,497 | 11 | 14,016,417 | 12 |
| Total current assets | <u>29,926,757</u> | <u>24</u> | <u>25,745,707</u> | <u>20</u> | Other current liabilities | 9,669 | - | 54,705 | - |
| | | | | | Total current liabilities | <u>56,970,771</u> | <u>43</u> | <u>85,371,088</u> | <u>72</u> |
| Funds and long-term investments: | | | | | Long-term liabilities: | | | | |
| Long-term investments carried on the equity method | 19,156,909 | 14 | 12,399,767 | 10 | Bonds payable | 5,432,066 | 4 | - | - |
| Total Funds and long-term investments | <u>19,156,909</u> | <u>14</u> | <u>12,399,767</u> | <u>10</u> | Long-term loans | 37,260,620 | 28 | 30,074,167 | 25 |
| | | | | | Long-term accounts payable | - | - | 88,751 | - |
| Property, plant and equipment: | | | | | Lease payables—long-term | 312,664 | - | 306,174 | - |
| Land | 1,013,924 | 1 | 1,013,924 | 1 | Total long-term liabilities | <u>43,005,350</u> | <u>32</u> | <u>30,469,092</u> | <u>25</u> |
| Buildings and building improvements | 5,238,538 | 4 | 5,238,565 | 4 | Other liabilities: | | | | |
| Machinery and equipment | 126,887,627 | 95 | 132,376,055 | 110 | Accrued pension liabilities | 385,840 | - | 399,146 | - |
| Transportation equipment | 5,855 | - | 5,387 | - | Guarantee deposits | 152,666 | - | 116,013 | - |
| Leased assets | 345,637 | - | 345,637 | - | Miscellaneous liabilities | 137,067 | - | 224,719 | - |
| Miscellaneous equipment | 1,642,237 | 1 | 1,948,566 | 2 | Total other liabilities | <u>657,573</u> | <u>-</u> | <u>739,878</u> | <u>-</u> |
| | 135,133,818 | 101 | 140,928,134 | 117 | Total liabilities | <u>100,651,694</u> | <u>75</u> | <u>116,580,058</u> | <u>97</u> |
| Less: accumulated depreciation | (66,823,814) | (50) | (83,420,454) | (69) | Stockholders' equity: | | | | |
| Construction in progress | 5,977,641 | 4 | 17,083,014 | 15 | Common stock | 34,324,035 | 26 | 40,345,755 | 33 |
| Prepayments for equipment | 549,386 | - | - | - | Advance receipts for capital stock | 9,519 | - | - | - |
| Net property, plant and equipment | <u>74,837,031</u> | <u>55</u> | <u>74,590,694</u> | <u>63</u> | Capital surplus | 13,801,040 | 10 | 17,924,643 | 15 |
| | | | | | Accumulated deficit | (15,220,876) | (11) | (54,262,408) | (45) |
| Intangible assets: | | | | | Cumulative translation adjustments | 190 | - | 881 | - |
| Patents | 1,358,126 | 1 | 1,129,477 | 1 | Unrealized loss on financial instruments | 239,483 | - | 144,820 | - |
| Other intangible assets | 2,156,040 | 2 | 704,799 | 1 | Treasury stock | (347,533) | - | (347,533) | - |
| Total intangible assets | <u>3,514,166</u> | <u>3</u> | <u>1,834,276</u> | <u>2</u> | Total stockholders' equity | 32,805,858 | 25 | 3,806,158 | 3 |
| | | | | | Commitments and contingencies | | | | |
| Other assets: | | | | | | | | | |
| Refundable deposits | 2,657 | - | 1,473 | - | | | | | |
| Deferred charges | 45,382 | - | 25,778 | - | | | | | |
| Lease receivable—long-term | 2,702,985 | 2 | 2,541,521 | 2 | | | | | |
| Deferred income tax assets, net—non-current | 3,224,158 | 2 | 3,245,504 | 3 | | | | | |
| Miscellaneous assets | 47,507 | - | 1,496 | - | | | | | |
| Total other assets | <u>6,022,689</u> | <u>4</u> | <u>5,815,772</u> | <u>5</u> | | | | | |
| | | | | | | | | | |
| Total assets | <u>\$ 133,457,552</u> | <u>100</u> | <u>120,386,216</u> | <u>100</u> | Total liabilities and stockholders' equity | <u>\$ 133,457,552</u> | <u>100</u> | <u>120,386,216</u> | <u>100</u> |

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Operations

Nine-month periods ended September 30, 2010 and 2011

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

| | 2010 | | 2011 | |
|---|-----------------------|--------------------|---------------------|---------------------|
| | Amount | % | Amount | % |
| Operating revenues, net | \$ 44,754,328 | 100 | 29,523,089 | 100 |
| Operating costs | <u>(42,075,303)</u> | <u>(94)</u> | <u>(45,884,309)</u> | <u>(155)</u> |
| Gross (loss) profit | 2,679,025 | 6 | (16,361,220) | (55) |
| Unrealized loss from affiliated companies | 4,830 | - | 75,494 | - |
| Realized (loss) profit from affiliated companies | <u>10,699</u> | <u>-</u> | <u>(27,555)</u> | <u>-</u> |
| Gross (loss) profit, net | <u>2,694,554</u> | <u>6</u> | <u>(16,313,281)</u> | <u>(55)</u> |
| Operating expenses | | | | |
| Selling expenses | (337,225) | (1) | (405,122) | (1) |
| Administrative expenses | (906,840) | (2) | (882,747) | (3) |
| Research and development expenses | <u>(4,564,364)</u> | <u>(10)</u> | <u>(6,378,342)</u> | <u>(22)</u> |
| Total operating expenses | <u>(5,808,429)</u> | <u>(13)</u> | <u>(7,666,211)</u> | <u>(26)</u> |
| Operating loss | <u>(3,113,875)</u> | <u>(7)</u> | <u>(23,979,492)</u> | <u>(81)</u> |
| Non-operating income and gains: | | | | |
| Interest income | 227,741 | 1 | 238,502 | 1 |
| Gain on disposal of property, plant and equipment | 95,751 | - | 4,071 | - |
| Foreign exchange gain, net | 276,165 | 1 | - | - |
| Gain on valuation of financial assets | 8 | - | - | - |
| Gain on valuation of financial liabilities | 34,874 | - | 101,342 | - |
| Miscellaneous income | <u>173,543</u> | <u>-</u> | <u>222,061</u> | <u>1</u> |
| Total non-operating income and gains | <u>808,082</u> | <u>2</u> | <u>565,976</u> | <u>2</u> |
| Non-operating expenses and losses: | | | | |
| Interest expenses (excluding capitalized interest of NT\$134,266 thousand and NT\$133,241 thousand for 2010 and 2011, respectively) | (1,006,104) | (2) | (1,140,140) | (4) |
| Investment loss recognized under equity method | (1,429,931) | (3) | (4,064,389) | (14) |
| Loss on disposal of property, plant and equipment | (52,749) | - | (5,544) | - |
| Foreign exchange loss, net | - | - | (3,470) | - |
| Impairment loss | (66,001) | - | (107,809) | - |
| Miscellaneous disbursements | <u>(117,460)</u> | <u>-</u> | <u>(153,195)</u> | <u>(1)</u> |
| Total non-operating expenses and losses | <u>(2,672,245)</u> | <u>(5)</u> | <u>(5,474,547)</u> | <u>(19)</u> |
| Loss before income tax | (4,978,038) | (10) | (28,888,063) | (98) |
| Income tax expenses | <u>(31)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net loss | <u>\$ (4,978,069)</u> | <u>(10)</u> | <u>(28,888,063)</u> | <u>(98)</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>\$ (1.46)</u> | <u>(1.46)</u> | <u>(7.16)</u> | <u>(7.16)</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>\$ (4,978,038)</u> | <u>(4,978,069)</u> | <u>(28,888,063)</u> | <u>(28,888,063)</u> |
| Basic loss per share | <u>\$ (1.45)</u> | <u>(1.45)</u> | <u>(7.16)</u> | <u>(7.16)</u> |

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NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

Nine-month periods ended September 30, 2010 and 2011

(Expressed in thousands of New Taiwan dollars)

| | <u>2010</u> | <u>2011</u> |
|--|------------------------|---------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (4,978,069) | (28,888,063) |
| Adjustments to reconcile net income (loss) to net cash provided by: | | |
| Depreciation | 10,602,405 | 12,614,445 |
| Amortization | 1,501,313 | 1,528,225 |
| Compensation costs on employee stock option plans | 14,917 | 61,771 |
| Amortization of discount on bonds payable and long-term loans | 25,150 | 25,149 |
| Loss (gain) on inventory valuation and obsolescence | (51,293) | 1,807,478 |
| Investment loss recognized under equity method | 1,429,931 | 4,064,389 |
| Loss (gain) on disposal of property, plant and equipment, net | (43,002) | 1,473 |
| Gain on valuation of financial liabilities | (34,874) | (101,342) |
| Impairment loss | 66,001 | 107,809 |
| Unrealized loss from affiliated companies | (4,830) | (75,494) |
| Realized loss (gain) from affiliated companies | (10,699) | 27,555 |
| Unrealized foreign currency exchange loss (gain), net | (84,197) | 19,481 |
| Unrealized interest revenue amortization | (222,418) | (211,477) |
| Change in operating assets and liabilities: | | |
| Change in operating assets: | | |
| Decrease financial asset held for trading | 290,004 | - |
| Decrease in notes receivable | 434 | 4,193,561 |
| Decrease in accounts receivable | 1,425,422 | - |
| Decrease in other receivables | 587,793 | 1,078,948 |
| Increase in inventory | (2,949,567) | (5,599,708) |
| Decrease (increase) in prepayments | (470,372) | 317,952 |
| Change in operating liabilities: | | |
| Increase (decrease) in notes payable | (610) | 293 |
| Increase in accounts payable | 7,225 | (537,406) |
| Decrease in accrued expenses | (1,059,171) | (249,710) |
| Increase (decrease) in other current liabilities | 154,299 | (148,591) |
| Increase in accrued pension liability | 8,719 | 10,119 |
| Increase (decrease) in miscellaneous liabilities | (4,493) | 17,287 |
| Net cash (used in) provided by operating activities | <u>6,200,018</u> | <u>(9,935,857)</u> |
| Cash flows from investing activities: | | |
| Acquisition of investments accounted for equity method | (4,503,468) | - |
| Purchases of property, plant and equipment | (17,568,881) | (10,005,748) |
| Proceeds from sales of property, plant and equipment | 369,231 | 6,340 |
| (Increase) decrease in refundable deposits | (1,184) | 64,576 |
| Increase in deferred Expense | (10,800) | (5,800) |
| Purchases of intangible assets | - | (314,623) |
| Decrease in lease receivable | 129,214 | 346,281 |
| (Increase) decrease in miscellaneous assets | (1,944) | 521 |
| Net cash used in investing activities | <u>(21,587,832)</u> | <u>(9,908,453)</u> |
| Cash flows from financing activities: | | |
| Decrease in short-term loans | (1,708,124) | (200,000) |
| Decrease in bonds payable | (6,850,000) | (1,650,000) |
| Increase long-term loans | 9,363,333 | 5,000,000 |
| Decrease long-term loans | - | (13,933,333) |
| Increase (decrease) in guarantee deposits | 2,277 | (20,313) |
| Increase in other payables from related parties | 5,979,300 | 29,000,000 |
| Decrease in lease payable | (4,361) | (5,182) |
| Increase (decrease) in long-term Accounts payable | (242,038) | 83,939 |
| Issuance of common stock for exercise of employee stock options | 342,772 | - |
| Net cash provided by financing activities | <u>6,865,159</u> | <u>18,275,111</u> |
| Effect of foreign currency exchange translation | (34,900) | 29,395 |
| Decrease in cash and cash equivalents | (8,557,555) | (1,539,804) |
| Cash and cash equivalents at beginning of period | <u>13,663,268</u> | <u>5,449,269</u> |
| Cash and cash equivalents at end of period | <u>\$ 5,105,713</u> | <u>3,909,465</u> |
| Supplemental cash flow information: | | |
| Interest paid | \$ 1,087,613 | 1,249,847 |
| Less: Capitalized interest | <u>134,266</u> | <u>133,241</u> |
| Interest paid excluding capitalized interest | <u>\$ 953,347</u> | <u>1,116,606</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>\$ 14,015,497</u> | <u>14,016,417</u> |
| Current portion of bonds payable | <u>\$ 7,830,000</u> | <u>5,437,798</u> |
| Cash paid for acquisition of properties: | | |
| Total acquisition | \$ (17,280,498) | (9,668,718) |
| Increase in accounts payable-machinery and equipment, net | <u>(288,303)</u> | <u>(337,030)</u> |
| Cash paid for acquisition of properties | <u>\$ (17,568,881)</u> | <u>(10,005,748)</u> |

(Continued)