

NANYA TECHNOLOGY CORPORATION
Financial Statements
December 31, 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 December 31, 2010 and 2011, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits. We did not audit the financial statements of certain investees accounted for under the equity method. These long-term equity investments amounted to NT\$146,387 thousand and NT\$40,125 thousand as of December 31, 2010 and 2011, respectively, and their related investment gain and (loss) was NT\$4,706 thousand and NT\$(4,280) thousand, respectively, for the years then ended. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors.

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.

In our opinion, based on our audits, and the reports of the other auditor, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation as of December 31, 2010 and 2011, and the results of its operations and cash flows for the years then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Act", and of the "Regulation on Business Entity Accounting Handling", Guidelines Governing the Preparation of Financial Reports by Securities Issuers 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 \$39,885,693thousand for the years ended December 31, 2011. Also, the Company has liquidity risks as its current liabilities exceeded its current assets by \$34,702,022 thousand and its accumulated deficit exceeded half of total issued common stock as of December 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.

We have also audited the consolidated financial statements of Nanya Technology Corporation and its subsidiaries as of and for the years ended December 31, 2010 and 2011, and have expressed an unqualified opinion with explanatory paragraph on such financial statements

Taipei, Taiwan (Republic of China)
March 22, 2012

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 December 31, 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
Issuance of common stock for cash	6,000,000	-	3,895,000	-	-	-	-	9,895,000
Advance receipts for common stock due to employee stock options exercised	295,990	(108,044)	157,167	-	-	-	-	345,113
Recognized compensation costs on employee stock options	-	-	133,889	-	-	-	-	113,889
Net loss for the years ended December 31, 2010	-	-	-	(15,131,538)	-	-	-	(15,131,538)
Adjustment arising from changes in percentage of ownership in investees	-	-	55,140	-	-	-	-	55,140
Losses on foreign currency exchange of long-term investments	-	-	-	-	(22,088)	-	-	(22,088)
Adjustment to change of long-term equity investments	-	-	35,325	-	-	(37,649)	-	(2,324)
Balance as of December 31, 2010	\$ 40,343,415	3,089	17,831,745	(25,374,345)	(14,159)	205,868	(347,533)	32,648,080
Issuance of common stock for cash	108,303,249	-	(14,393,460)	(63,909,789)	-	-	-	30,000,000
Advance receipts for common stock due to employee stock options exercised	2,340	(3,089)	749	-	-	-	-	-
Recognized compensation costs on employee stock options	-	-	90,275	-	-	-	-	90,275
Net loss for the years ended December 31, 2011	-	-	-	(39,885,693)	-	-	-	(39,885,693)
Adjustment arising from changes in percentage of ownership in investees	-	-	41,678	-	-	-	-	41,678
Gains on foreign currency exchange of long-term investments	-	-	-	-	10,040	(121,431)	-	(111,391)
Balance as of December 31, 2011	\$ 148,649,004	-	3,570,987	(129,169,827)	(4,119)	84,437	(347,533)	22,782,949

This document is an English translation of a financial statement originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language financial statement shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION

Balance Sheets

December 31, 2010 and 2011

(Expressed in Thousands of New Taiwan Dollars)

	2010		2011	
Assets	Amount	%	Amount	%
Current assets:				
Cash and cash equivalents	\$ 5,449,269	4	7,138,812	6
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	4,842,535	4	2,740,956	2
Accounts receivable—related parties	4,881,655	4	2,605,214	2
Other receivables	1,446,725	1	1,898,731	2
Other receivables—related parties	1,912,417	1	521,573	-
Inventories, net	8,649,121	7	13,831,932	12
Prepayments	<u>1,555,726</u>	<u>1</u>	<u>1,318,430</u>	<u>1</u>
Total current assets	<u>28,737,448</u>	<u>22</u>	<u>30,055,648</u>	<u>25</u>
Funds and long-term investments:				
Long-term investments carried on the equity method	<u>16,386,167</u>	<u>12</u>	<u>10,962,295</u>	<u>9</u>
Total Funds and long-term investments	<u>16,386,167</u>	<u>12</u>	<u>10,962,295</u>	<u>9</u>
Property, plant and equipment:				
Land	1,013,924	1	1,013,924	1
Buildings and building improvements	5,238,538	4	5,238,565	4
Machinery and equipment	132,595,706	101	138,721,871	117
Transportation equipment	5,855	-	5,387	-
Leased assets	345,637	-	345,637	-
Miscellaneous equipment	<u>1,792,342</u>	<u>1</u>	<u>2,050,393</u>	<u>2</u>
	140,992,002	107	147,375,777	124
Less: accumulated depreciation	(71,016,594)	(54)	(86,934,611)	(73)
Construction in progress	7,323,500	7	9,867,052	9
Prepayments for equipment	<u>308,197</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net property, plant and equipment	<u>77,607,105</u>	<u>60</u>	<u>70,308,218</u>	<u>60</u>
Intangible assets:				
Patents	1,234,991	1	1,019,067	1
Other intangible assets	<u>1,793,230</u>	<u>1</u>	<u>341,989</u>	<u>-</u>
Total intangible assets	<u>3,028,221</u>	<u>2</u>	<u>1,361,056</u>	<u>1</u>
Other assets:				
Refundable deposits	66,049	-	1,473	-
Deferred charges	39,635	-	20,223	-
Lease receivable—long-term	2,664,183	2	2,498,455	2
Deferred income tax assets, net—non-current	3,245,504	2	3,245,504	3
Miscellaneous assets	<u>47,564</u>	<u>-</u>	<u>1,349</u>	<u>-</u>
Total other assets	<u>6,062,935</u>	<u>4</u>	<u>5,767,004</u>	<u>5</u>
Total assets	\$ <u>131,821,876</u>	<u>100</u>	<u>118,454,221</u>	<u>100</u>

	2010		2011	
Liabilities and Stockholders' Equity	Amount	%	Amount	%
Current liabilities:				
Short-term loans	200,000		-	
Notes and accounts payable	4,032,668	3	2,265,756	2
Accounts payable—related parties	3,163,737	2	4,658,126	4
Accrued expenses	3,723,896	3	3,170,308	3
Financial liabilities reported as fair value through profit or loss — current	211,978	-	83,513	-
Other payables — related parties	26,709,576	20	38,465,711	33
Current portion of bonds payable	5,390,000	4	1,698,961	1
Current portion of long-term loans	14,017,227	11	14,352,467	12
Other current liabilities	<u>46,376</u>	<u>-</u>	<u>62,828</u>	<u>-</u>
Total current liabilities	<u>57,495,458</u>	<u>43</u>	<u>64,757,670</u>	<u>55</u>
Long-term liabilities:				
Bonds payable	1,693,499	1	-	-
Long-term loans	38,985,840	30	29,745,066	25
Long-term accounts payable	-	-	88,123	-
Lease payables — long-term	<u>311,077</u>	<u>-</u>	<u>304,491</u>	<u>-</u>
Total long-term liabilities	<u>40,990,416</u>	<u>31</u>	<u>30,137,680</u>	<u>25</u>
Other liabilities:				
Accrued pension liabilities	389,027	-	402,486	-
Guarantee deposits	136,535	-	94,310	-
Miscellaneous liabilities	<u>162,360</u>	<u>-</u>	<u>279,126</u>	<u>-</u>
Total other liabilities	<u>687,922</u>	<u>-</u>	<u>775,922</u>	<u>-</u>
Total liabilities	<u>99,173,796</u>	<u>74</u>	<u>95,671,272</u>	<u>80</u>
Stockholders' equity:				
Common stock	40,343,415	31	148,649,004	126
Advance receipts for capital stock	3,089	-	-	-
Capital surplus	17,831,745	14	3,570,987	3
Accumulated deficit	(25,374,345)	(19)	(129,169,827)	(109)
Cumulative translation adjustments	(14,159)	-	(4,119)	-
Unrealized loss on financial instruments	205,868	-	84,437	-
Treasury stock	<u>(347,533)</u>	<u>-</u>	<u>(347,533)</u>	<u>-</u>
Total stockholders' equity	<u>32,648,080</u>	<u>26</u>	<u>22,782,949</u>	<u>20</u>
Commitments and contingencies				
Total liabilities and stockholders' equity	\$ <u>131,821,876</u>	<u>100</u>	<u>118,454,221</u>	<u>100</u>

See accompanying notes to financial statements.

This document is an English translation of a financial statement originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language financial statement shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION

Statements of Operations

For the years ended December 31, 2010 and 2011

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

	2010		2011	
	Amount	%	Amount	%
Operating revenues, net	\$ 56,543,895	100	36,741,280	100
Operating costs	<u>(59,834,813)</u>	<u>(106)</u>	<u>(59,671,812)</u>	<u>(162)</u>
Gross loss	(3,290,918)	(6)	(22,930,532)	(62)
Unrealized loss from affiliated companies	27,555	-	79,456	-
Realized (loss) profit from affiliated companies	<u>10,699</u>	<u>-</u>	<u>(27,555)</u>	<u>-</u>
Gross loss, net	<u>(3,252,664)</u>	<u>(6)</u>	<u>(22,878,631)</u>	<u>(62)</u>
Operating expenses				
Selling expenses	(474,274)	(1)	(525,047)	(1)
Administrative expenses	(1,524,801)	(3)	(1,173,600)	(3)
Research and development expenses	<u>(6,542,114)</u>	<u>(12)</u>	<u>(8,598,828)</u>	<u>(23)</u>
Total operating expenses	<u>(8,541,189)</u>	<u>(16)</u>	<u>(10,297,475)</u>	<u>(27)</u>
Operating loss	<u>(11,793,853)</u>	<u>(22)</u>	<u>(33,176,106)</u>	<u>(89)</u>
Non-operating income and gains:				
Interest income	305,395	1	320,392	1
Gain on disposal of property, plant and equipment	98,521	-	12,574	-
Foreign exchange gain, net	396,646	1	12,050	-
Gain on valuation of financial assets	8	-	-	-
Gain on valuation of financial liabilities	73,156	-	128,466	-
Miscellaneous income	<u>232,678</u>	<u>-</u>	<u>326,620</u>	<u>1</u>
Total non-operating income and gains	<u>1,106,404</u>	<u>2</u>	<u>800,102</u>	<u>2</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$158,086 thousand and NT\$173,830 thousand for 2010 and 2011, respectively)	(1,381,546)	(2)	(1,561,666)	(4)
Investment loss recognized under equity method	(2,754,437)	(5)	(5,521,452)	(15)
Loss on disposal of property, plant and equipment	(65,999)	-	(5,549)	-
Impairment loss	(77,537)	-	(235,316)	(1)
Miscellaneous disbursements	<u>(185,885)</u>	<u>-</u>	<u>(185,706)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(4,465,404)</u>	<u>(7)</u>	<u>(7,509,689)</u>	<u>(21)</u>
Loss before income tax	(15,152,853)	(27)	(39,885,693)	(108)
Income tax expenses	<u>21,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	\$ <u>(15,131,538)</u>	<u>(27)</u>	<u>(39,885,693)</u>	<u>(108)</u>

Net loss per common share (in dollars)	Before Income tax	After Income tax	Before Income tax	After Income tax
Basic loss per share	\$ <u>(4.34)</u>	<u>(4.34)</u>	<u>(8.06)</u>	<u>(8.06)</u>

Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
	Before Income tax	After Income tax	Before Income tax	After Income tax
Net loss	\$ <u>(15,152,853)</u>	<u>(15,131,538)</u>	<u>(39,885,693)</u>	<u>(39,885,693)</u>
Basic loss per share	\$ <u>(4.33)</u>	<u>(4.33)</u>	<u>(8.05)</u>	<u>(8.05)</u>

See accompanying notes to financial statements.

This document is an English translation of a financial statement originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language financial statement shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

For the years ended December 31, 2010 and 2011

(Expressed in thousands of New Taiwan dollars)

	2010	2011
Cash flows from operating activities:		
Net loss	\$ (15,131,538)	(39,885,693)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	14,880,223	16,891,827
Amortization	1,993,905	2,007,901
Compensation costs on employee stock option plans	133,889	90,275
Amortization of discount on bonds payable and long-term loans	33,532	33,262
Loss on inventory valuation and obsolescence	2,218,689	3,009,358
Investment loss recognized under equity method	2,754,437	5,521,452
Gain on disposal of property, plant and equipment, net	(32,522)	(7,025)
Gain on valuation of financial liabilities	(73,156)	(128,466)
Impairment loss	77,537	235,316
Unrealized loss from affiliated companies	(27,555)	(79,456)
Realized loss (gain) from affiliated companies	(10,699)	27,555
Unrealized foreign currency exchange loss (gain), net	(156,710)	64,154
Unrealized interest revenue amortization	(294,789)	(280,007)
Change in operating assets and liabilities:		
Change in operating assets:		
Decrease financial asset held for trading	290,004	-
Decrease in notes receivable	81	429
Decrease in accounts receivable	2,679,373	4,388,458
Decrease in other receivables	627,017	922,433
Increase in inventory	(3,040,392)	(8,192,169)
Decrease (increase) in prepayments	(914,684)	237,296
Increase in deferred tax asset	(21,346)	-
Change in operating liabilities:		
Increase (decrease) in notes payable	(903)	903
Increase (decrease) in accounts payable	(1,624,103)	451,511
Decrease in accrued expenses	(845,218)	(566,710)
Increase (decrease) in other current liabilities	676,562	(237,613)
Increase in accrued pension liability	11,906	13,459
Increase (decrease) in miscellaneous liabilities	(448)	2,184
Net cash (used in) provided by operating activities	<u>4,203,092</u>	<u>(15,479,366)</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	(4,512,714)	-
Purchases of property, plant and equipment	(23,975,516)	(10,566,375)
Proceeds from sales of property, plant and equipment	238,464	19,562
(Increase) decrease in refundable deposits	(64,576)	64,576
Increase in deferred Expense	(11,700)	(6,700)
Increase in other receivables from related parties	(350,000)	-
Purchases of intangible assets	-	(314,623)
Decrease in lease receivable	244,228	462,140
(Increase) decrease in miscellaneous assets	(2,001)	668
Net cash used in investing activities	<u>(28,433,815)</u>	<u>(10,340,752)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(1,508,124)	(200,000)
Decrease in bonds payable	(13,030,000)	(5,390,000)
Increase long-term loans	14,750,000	5,000,000
Decrease long-term loans	(3,666,667)	(13,933,334)
Decrease in guarantee deposits	(11,446)	(41,056)
Increase in other payables from related parties	9,478,400	12,000,000
Decrease in lease payable	(5,857)	(6,961)
Increase (decrease) in long-term Accounts payable	(242,038)	83,939
Issuance of common stock for cash	9,895,000	30,000,000
Issuance of common stock for exercise of employee stock options	345,113	-
Net cash provided by financing activities	<u>16,004,381</u>	<u>27,512,588</u>
Effect of foreign currency exchange translation	12,343	(2,927)
Increase (decrease) in cash and cash equivalents	(8,213,999)	1,689,543
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>5,449,269</u>	<u>7,138,812</u>
Supplemental cash flow information:		
Interest paid	\$ 1,647,354	1,780,200
Less: Capitalized interest	<u>158,086</u>	<u>173,830</u>
Interest paid excluding capitalized interest	\$ <u>1,489,268</u>	<u>1,606,370</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>14,017,227</u>	<u>14,352,467</u>
Current portion of bonds payable	\$ <u>5,390,000</u>	<u>1,698,961</u>
Others	\$ <u>1,400,000</u>	<u>-</u>
Cash paid for acquisition of properties:		
Total acquisition	\$ (24,197,576)	(9,796,058)
Increase (decrease) in accounts payable-machinery and equipment, net	<u>222,060</u>	<u>(770,317)</u>
Cash paid for acquisition of properties	\$ <u>(23,975,516)</u>	<u>(10,566,375)</u>

(Continued)