

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements
June 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 consolidated balance sheets of Nanya Technology Corporation (the "Company") and its subsidiaries as of June 30, 2010 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as mentioned in the following paragraph, we conducted our review in accordance with Republic of China Statement of Auditing Standards No. 36, "The 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 consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of certain subsidiaries were consolidated based on their unaudited or unreviewed financial statements as of and for the six-month periods then ended June 30, 2010 and 2011. Total assets of these subsidiaries amounts to NT\$6,977,953 thousand and NT\$6,370,093 thousand, representing 5.26 percent and 4.94 percent of the related consolidated totals, and total liability amounts to NT\$588,412 thousand and NT\$205,763 thousand, representing 0.60 percent and 0.18 percent of the related consolidated totals, respectively, as of June 30, 2010 and 2011, and total net operating revenue amounts to NT\$12,512,988 thousand and NT\$9,672,780 thousand, representing 41.55 percent and 43.11 percent of the related consolidated totals for the six-month periods then ended, respectively, and the net gain of those subsidiaries amounted to NT\$16,720 thousand and NT\$52,042 thousand for the six-month period ended June 30, 2010 and 2011. In addition, the financial statements of certain long-term investments accounted for under the equity method were not audited by independent accountants. Long-term investments in these company amounted to NT\$1,425,225 thousand and NT\$26,210 thousand as of June 30, 2010 and 2011, respectively, and the related investment income amounted to NT\$41,336 thousand and NT\$72 thousand for the six-month periods then ended, respectively. As well as the investees' information to the consolidated financial statements were recognized and disclosed based on the basis of these investees' unaudited financial statements for the same period as these of the Company We did not review the financial statement in accordance with the procedures and practices which generally accepted and applied in the Republic of China as stated in the second paragraph.

Based on our reviews , except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain investee companies been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", and generally accepted accounting principles in the Republic of China.

Because of the significant drop in the selling price of DRAM in the market, the Company and its subsidiaries has suffered net losses of \$16,934,515 thousand for the six-month periods then ended June 30, 2011. Also, the Company and its subsidiaries has liquidity risks as its current liabilities exceeded its current assets by \$46,982,524 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.

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

The accompanying consolidated financial statements are intended only to present the consolidated 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 jurisdiction. The standards, procedures and practices to audit such consolidated 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 AND SUBSIDIARIES

Consolidated 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	\$ 5,032,178	4	5,770,495	4	Short-term loans	\$ 695,400	1	-	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$12,235 and NT\$11,991 thousands dollars.	11,132,928	8	8,363,480	6	Notes and accounts payable	4,291,975	3	3,515,894	3
Accounts receivable—related parties	325	-	19,829	-	Accounts payable—related parties	3,736,312	3	3,802,276	3
Other receivables	1,285,304	1	1,585,717	1	Accrued expenses	4,158,727	3	3,528,497	3
Other receivables—related parties	346,835	-	167,872	-	Financial liabilities reported as fair value through profit or loss — current	266,590	-	139,496	-
Inventories, net	9,272,843	7	10,968,798	9	Other payables — related parties	16,682,062	13	44,600,824	35
Prepayments	916,196	1	1,244,221	1	Current portion of bonds payable	10,530,000	8	5,436,365	4
Deferred income tax assets, net—current	3,888	-	8,064	-	Current portion of long-term loans	10,670,585	8	14,018,067	11
Total current assets	<u>27,990,497</u>	<u>21</u>	<u>28,128,476</u>	<u>21</u>	Other current liabilities	36,064	-	69,581	-
					Total current liabilities	<u>51,067,715</u>	<u>39</u>	<u>75,111,000</u>	<u>59</u>
Funds and long-term investments:					Long-term liabilities:				
Long-term investments carried on the equity method	19,640,303	15	13,796,026	11	Bonds payable	5,430,633	4	-	-
Available-for-sale financial assets—non-current	353,631	-	293,124	-	Long-term loans	40,264,415	31	37,082,233	29
Total Funds and long-term investments	<u>19,993,934</u>	<u>15</u>	<u>14,089,150</u>	<u>11</u>	Long-term accounts payable	-	-	83,794	-
					Lease payables — long-term	314,228	-	307,832	-
Property, plant and equipment:					Total long-term liabilities	<u>46,009,276</u>	<u>35</u>	<u>37,473,859</u>	<u>29</u>
Land	1,013,924	1	1,013,924	1	Other liabilities:				
Buildings and building improvements	5,247,931	4	5,247,104	4	Accrued pension liabilities	382,772	-	395,852	-
Machinery and equipment	118,393,161	89	132,472,711	103	Guarantee deposits	108,068	-	104,968	-
Transportation equipment	7,699	-	6,747	-	Miscellaneous liabilities	108,698	-	131,905	-
Leased assets	345,637	-	345,637	-	Total other liabilities	<u>599,538</u>	<u>-</u>	<u>632,725</u>	<u>-</u>
Miscellaneous equipment	1,646,748	1	1,961,245	2	Total liabilities	<u>97,676,529</u>	<u>74</u>	<u>113,217,584</u>	<u>88</u>
	126,655,100	95	141,047,368	110					
Less: accumulated depreciation	(63,292,358)	(48)	(79,362,239)	(62)	Stockholders' equity:				
Construction in progress	11,322,131	9	16,797,726	13	Common stock	34,319,735	26	40,345,755	31
Net property, plant and equipment	<u>74,684,873</u>	<u>56</u>	<u>78,482,855</u>	<u>61</u>	Advance receipts for capital stock	1,823	-	-	-
Intangible assets:					Capital surplus	13,787,165	10	17,886,736	14
Patents	1,481,260	1	1,239,887	1	Accumulated deficit	(12,953,495)	(10)	(42,308,860)	(33)
Other intangible assets	2,518,850	2	1,067,609	1	Cumulative translation adjustments	(228)	-	(12,414)	-
Total intangible assets	<u>4,000,110</u>	<u>3</u>	<u>2,307,496</u>	<u>2</u>	Unrealized loss on financial instruments	267,720	-	207,212	-
Other assets:					Treasury stock	(347,533)	-	(347,533)	-
Refundable deposits	8,413	-	72,665	-	Total stockholders' equity	35,075,187	26	15,770,896	12
Deferred charges	46,661	-	31,522	-	Minority interest	7,701	-	34,613	-
Lease receivable—long-term	2,740,790	2	2,583,478	2	Total stockholders' equity and minority interest	35,082,888	26	15,805,509	12
Deferred income tax assets, net—non-current	3,224,358	3	3,246,244	3	Commitments and contingencies				
Restricted current assets	47,896	-	59,757	-					
Miscellaneous assets	21,885	-	21,450	-					
Total other assets	<u>6,090,003</u>	<u>5</u>	<u>6,015,116</u>	<u>5</u>					
Total assets	<u>\$ 132,759,417</u>	<u>100</u>	<u>129,023,093</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 132,759,417</u>	<u>100</u>	<u>129,023,093</u>	<u>100</u>

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended June 30, 2010 and 2011

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

	2010		2011	
	Amount	%	Amount	%
Operating revenues, net	\$ 30,116,657	100	22,438,852	100
Operating costs	(28,178,789)	(94)	(31,664,246)	(141)
Gross loss	<u>1,937,868</u>	<u>6</u>	<u>(9,225,394)</u>	<u>(41)</u>
Operating expenses				
Selling expenses	(350,542)	(1)	(397,306)	(2)
Administrative expenses	(572,759)	(2)	(234,093)	(1)
Research and development expenses	(2,731,791)	(9)	(4,197,340)	(19)
Total operating expenses	<u>(3,655,092)</u>	<u>(12)</u>	<u>(4,828,739)</u>	<u>(22)</u>
Operating loss	<u>(1,717,224)</u>	<u>(6)</u>	<u>(14,054,133)</u>	<u>(63)</u>
Non-operating income and gains:				
Interest income	154,235	1	159,139	1
Gain on disposal of property, plant and equipment	92,649	-	1,736	-
Foreign exchange gain, net	209,293	1	169,354	1
Gain on valuation of financial assets	8	-	-	-
Gain on valuation of financial liabilities	18,544	-	72,482	-
Miscellaneous income	<u>114,084</u>	<u>-</u>	<u>137,373</u>	<u>1</u>
Total non-operating income and gains	<u>588,813</u>	<u>2</u>	<u>540,084</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)	(658,310)	(2)	(746,718)	(3)
Investment loss recognized under equity method	(731,536)	(2)	(2,416,364)	(11)
Loss on disposal of property, plant and equipment	(15,282)	-	(4,708)	-
Impairment loss	(73,208)	-	(108,416)	-
Miscellaneous disbursements	<u>(96,418)</u>	<u>-</u>	<u>(140,016)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(1,574,754)</u>	<u>(4)</u>	<u>(3,416,222)</u>	<u>(15)</u>
Loss before income tax	(2,703,165)	(8)	(16,930,271)	(75)
Income tax expenses	<u>(8,818)</u>	<u>-</u>	<u>(1,459)</u>	<u>-</u>
Net loss	\$ <u><u>(2,711,983)</u></u>	<u><u>(8)</u></u>	\$ <u><u>(16,931,730)</u></u>	<u><u>(75)</u></u>
 Consolidated net loss	\$ (2,710,688)	(8)	(16,934,515)	(75)
Net loss of minority interest	<u>(1,295)</u>	<u>-</u>	<u>2,785</u>	<u>-</u>
	\$ <u><u>(2,711,983)</u></u>	<u><u>(8)</u></u>	\$ <u><u>(16,931,730)</u></u>	<u><u>(75)</u></u>
 Net loss per common share (in dollars)	Before	After	Before	After
Basic loss per share	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
	\$ <u><u>(0.79)</u></u>	<u><u>(0.79)</u></u>	<u><u>(4.20)</u></u>	<u><u>(4.20)</u></u>

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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 Instrument</u>	<u>Treasury stock</u>	<u>Minority interest</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)	2	37,374,890
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)	-	-	-	(1,295)	(2,711,983)
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)
Increase in minority interest	-	-	-	-	-	-	-	8,994	8,994
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>7,701</u>	<u>35,082,888</u>
Balance as of January 1, 2011	\$ 40,343,415	3,089	17,831,745	(25,374,345)	(14,159)	205,868	(347,533)	31,057	32,679,137
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)	-	-	-	2,785	(16,931,730)
Adjustment arising from changes in percentage of ownership in investees	-	-	(901)	-	-	-	-	-	(901)
Losses on foreign currency exchange of long-term investments	-	-	-	-	1,745	-	-	-	1,745
Increase in minority interest	-	-	-	-	-	-	-	771	771
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>34,613</u>	<u>15,805,509</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years 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	\$ (2,711,983)	(16,931,730)
Adjustments to reconcile net loss to net cash provided by:		
Depreciation	6,730,785	8,410,352
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	731,536	2,416,364
(Gain) loss on disposal of property, plant and equipment, net	(77,367)	2,972
Gain on valuation of financial assets	(18,544)	(72,482)
Impairment loss	73,208	108,416
Unrealized foreign currency exchange gain, 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	1,132,321	824,121
Decrease in other receivables	617,996	1,256,785
Increase in inventory	(1,278,018)	(1,845,021)
Decrease (increase) in prepayments	(270,145)	315,351
Decrease (increase) in deferred income tax assets, net	(31)	101
Change in operating liabilities:		
Increase (decrease) in notes and accounts payable	(1,413,684)	109,653
Decrease in accrued expenses	(544,108)	(225,868)
Increase in other current liabilities	69,556	305,948
Increase in accrued pension liability	5,651	6,825
Increase (decrease) in miscellaneous liabilities	(4,440)	19,722
Net cash (used in) provided by operating activities	<u>4,009,113</u>	<u>(4,849,494)</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	(4,426,607)	-
Purchases of property, plant and equipment	(12,695,765)	(9,243,485)
Proceeds from sales of property, plant and equipment	335,983	2,980
Increase in refundable deposits	(4,143)	(1,909)
Increase in deferred expense	(6,000)	(5,000)
Decrease (increase) restricted current assets	(1,011)	42
Increase in intangible assets	-	(314,623)
Decrease in long-term accounts payable	14,395	230,642
Increase in miscellaneous assets	(2,333)	(56,884)
Net cash used in investing activities	<u>(16,785,481)</u>	<u>(9,388,237)</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)	(28,896)
Increase (decrease) in other payables from related parties	(494,600)	17,502,347
Decrease in lease payable	(2,886)	(3,429)
Increase (decrease) in long-term accounts payable	(242,038)	83,939
Issuance of common stock for exercise of employee stock options	310,627	-
Increase in minority interest	8,994	771
Net cash provided by financing activities	<u>3,405,052</u>	<u>13,788,065</u>
Effect of foreign currency exchange translation	<u>(3,854)</u>	<u>17,189</u>
Effect of subsidiaries initial consolidated	<u>(204)</u>	<u>-</u>
Decrease in cash and cash equivalents	<u>(9,375,374)</u>	<u>(432,477)</u>
Cash and cash equivalents at beginning of period	<u>14,407,552</u>	<u>6,202,972</u>
Cash and cash equivalents at end of period	\$ <u>5,032,178</u>	<u>5,770,495</u>
Supplemental cash flow information:		
Interest paid	\$ 715,189	828,360
Less: Capitalized interest	<u>88,350</u>	<u>74,285</u>
Interest paid excluding capitalized interest	\$ <u>626,839</u>	<u>754,075</u>
Income tax paid	\$ <u>8,818</u>	<u>1,459</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	\$ (13,173,733)	(9,333,059)
Increase in accounts payable-machinery and equipment, net	<u>477,968</u>	<u>89,574</u>
Cash paid for acquisition of properties	\$ <u>(12,695,765)</u>	<u>(9,243,485)</u>