

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2010 and 2011

**(The Consolidated Financial Statements
is not Reviewed by chartered Accountants')**

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2010 and 2011

(expressed in thousands of New Taiwan dollars)

| | 2010 | | 2011 | |
|--|-----------------------|------------|--------------------|------------|
| Assets | Amount | % | Amount | % |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 5,902,380 | 4 | 4,616,200 | 4 |
| Notes and accounts receivable, net of allowance for doubtful accounts of NT\$13,347and NT\$12,525 thousands dollars. | 10,526,643 | 8 | 5,338,939 | 4 |
| Accounts receivable—related parties | 344 | - | 10 | - |
| Other receivables | 1,315,062 | 1 | 1,751,632 | 1 |
| Other receivables—related parties | 338,169 | - | 170,438 | - |
| Inventories, net | 11,029,782 | 8 | 12,663,944 | 11 |
| Prepayments | 1,132,433 | 1 | 1,243,783 | 1 |
| Deferred income tax assets, net—current | 3,774 | - | 8,541 | - |
| Total current assets | 30,247,587 | 22 | 25,793,487 | 21 |
| Funds and long-term investments: | | | | |
| Long-term investments carried on the equity method | 18,947,931 | 14 | 12,113,104 | 10 |
| Available-for-sale financial assets—non-current | 325,394 | - | 230,732 | - |
| Total Funds and long-term investments | 19,273,325 | 14 | 12,343,836 | 10 |
| Property, plant and equipment: | | | | |
| Land | 1,013,924 | 1 | 1,013,924 | 1 |
| Buildings and building improvements | 5,248,501 | 4 | 5,247,797 | 4 |
| Machinery and equipment | 126,937,725 | 96 | 132,411,909 | 110 |
| Transportation equipment | 6,434 | - | 6,784 | - |
| Leased assets | 345,637 | - | 345,637 | - |
| Miscellaneous equipment | 1,658,762 | 1 | 1,982,428 | 2 |
| | 135,210,983 | 102 | 141,008,479 | 117 |
| Less: accumulated depreciation | (66,875,254) | (50) | (83,482,997) | (69) |
| Construction in progress | 5,977,641 | 4 | 17,083,014 | 14 |
| Prepayments for equipment | 549,386 | - | - | - |
| Net property, plant and equipment | 74,862,756 | 56 | 74,608,496 | 62 |
| Intangible assets: | | | | |
| Patents | 1,358,126 | 1 | 1,129,477 | 1 |
| Other intangible assets | 2,156,040 | 2 | 704,799 | 1 |
| Total intangible assets | 3,514,166 | 3 | 1,834,276 | 2 |
| Other assets: | | | | |
| Refundable deposits | 9,785 | - | 8,984 | - |
| 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 | 3,224,352 | 3 | 3,246,287 | 3 |
| Miscellaneous assets | 115,962 | - | 70,129 | - |
| Restricted current assets | 22,404 | - | 23,874 | - |
| Total other assets | 6,120,870 | 5 | 5,916,573 | 5 |
| Total assets | \$ 134,018,704 | 100 | 120,496,668 | 100 |

| | 20010 | | 2011 | |
|---|-----------------------|------------|--------------------|------------|
| Liabilities and Stockholders’ Equity | Amount | % | Amount | % |
| Current liabilities: | | | | |
| Notes and accounts payable | \$ 4,810,698 | 4 | 3,282,568 | 3 |
| Accounts payable—related parties | 3,777,230 | 3 | 3,286,540 | 3 |
| Accrued expenses | 3,638,270 | 3 | 3,636,677 | 3 |
| Financial liabilities reported as fair value through profit or loss — current | 250,260 | - | 110,636 | - |
| Other payables—related parties | 8,759 | - | 1,287 | - |
| Other payables | 23,222,582 | 17 | 55,697,196 | 46 |
| Current portion of bonds payable | 7,830,000 | 6 | 5,437,798 | 5 |
| Current portion of long-term loans | 14,015,497 | 10 | 14,016,417 | 12 |
| Other current liabilities | 959 | - | 68,725 | - |
| Total current liabilities | 57,554,255 | 43 | 85,537,844 | 72 |
| Long-term liabilities: | | | | |
| Bonds payable | 5,432,066 | 4 | - | - |
| Long-term loans | 37,260,620 | 28 | 30,074,167 | 25 |
| Long-term accounts payable | - | - | 88,751 | - |
| Lease payables — long-term | 312,664 | - | 306,174 | - |
| Total long-term liabilities | 43,005,350 | 32 | 30,469,092 | 25 |
| Other liabilities: | | | | |
| Accrued pension liabilities | 385,840 | - | 399,146 | - |
| Guarantee deposits | 152,666 | - | 119,704 | - |
| Miscellaneous liabilities | 108,882 | - | 129,678 | - |
| Total other liabilities | 647,388 | - | 648,528 | - |
| Total liabilities | 101,206,993 | 75 | 116,655,464 | 97 |
| Stockholders’ equity: | | | | |
| Common stock | 34,24,035 | 26 | 40,345,755 | 33 |
| Advance receipts for capital stock | 9,519 | - | - | - |
| Capital surplus | 13,801,040 | 10 | 17,924,643 | 15 |
| Accumulated deficit | (15,220,876) | (11) | (54,262,408) | (45) |
| Cumulative translation adjustments | 190 | - | 881 | - |
| Unrealized loss on financial instruments | 239,483 | - | 144,820 | - |
| Treasury stock | (347,533) | - | (347,533) | - |
| Minority interest | 5,853 | - | 35,046 | - |
| Total stockholders’ equity and minority interest | 32,811,711 | 25 | 3,841,204 | 3 |
| Commitments and contingencies | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total liabilities and stockholders’ equity | \$ 134,018,704 | 100 | 120,496,668 | 100 |

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.

(The Consolidated Financial Statements is not Reviewed by chartered Accountants')

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the 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 | \$ 45,061,338 | 100 | 29,793,617 | 100 |
| Operating costs | <u>(42,132,072)</u> | <u>(93)</u> | <u>(46,224,779)</u> | <u>(155)</u> |
| Gross (loss) profit | <u>2,929,266</u> | <u>(7)</u> | <u>(16,431,162)</u> | <u>(55)</u> |
| Operating expenses | | | | |
| Selling expenses | (559,259) | (1) | (612,997) | (1) |
| Administrative expenses | (903,704) | (2) | (486,947) | (2) |
| Research and development expenses | <u>(4,564,364)</u> | <u>(10)</u> | <u>(6,378,343)</u> | <u>(10)</u> |
| Total operating expenses | <u>(6,027,327)</u> | <u>(13)</u> | <u>(7,478,287)</u> | <u>(13)</u> |
| Operating loss | <u>(3,098,061)</u> | <u>(6)</u> | <u>(23,909,449)</u> | <u>(6)</u> |
| | | | | |
| Non-operating income and gains: | | | | |
| Interest income | 231,030 | 1 | 237,398 | 1 |
| Dividend income | 14,522 | - | 1,039 | - |
| Gain on disposal of property, plant and equipment | 95,751 | - | 4,071 | - |
| Foreign exchange gain, net | 248,196 | 1 | - | 1 |
| Gain on valuation of financial assets | 8 | - | - | - |
| Gain on valuation of financial liabilities | 34,874 | - | 101,342 | - |
| Miscellaneous income | <u>182,793</u> | <u>-</u> | <u>223,919</u> | <u>-</u> |
| Total non-operating income and gains | <u>807,174</u> | <u>2</u> | <u>567,769</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) | (1,009,880) | (2) | (1,141,630) | (2) |
| Investment loss recognized under equity method | (1,430,663) | (3) | (4,108,689) | (3) |
| Loss on disposal of property, plant and equipment | (52,749) | - | (5,544) | - |
| Foreign exchange loss, net | - | - | (24,455) | - |
| Impairment loss | (66,001) | - | (107,809) | - |
| Miscellaneous disbursements | <u>(117,501)</u> | <u>-</u> | <u>(153,244)</u> | <u>-</u> |
| Total non-operating expenses and losses | <u>(2,676,794)</u> | <u>(5)</u> | <u>(5,541,371)</u> | <u>(5)</u> |
| | | | | |
| Loss before income tax | (4,967,681) | (9) | (28,883,051) | (9) |
| Income tax expenses | <u>(13,531)</u> | <u>-</u> | <u>(1,794)</u> | <u>-</u> |
| Net loss | \$ <u>(4,981,212)</u> | <u>(9)</u> | <u>(28,884,845)</u> | <u>(9)</u> |
| | | | | |
| Consolidated net loss | (4,978,069) | (9) | (28,888,063) | (9) |
| Net income/loss of minority interest | <u>(3,143)</u> | <u>-</u> | <u>3,218</u> | <u>-</u> |
| | \$ <u>(4,981,212)</u> | <u>(9)</u> | <u>(28,884,845)</u> | <u>(9)</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>(7.17)</u> | <u>(7.17)</u> |

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2010 and 2011

(Expressed in thousands of New Taiwan Dollars)

| | 2010 | 2011 |
|--|----------------------------|----------------------------|
| | | |
| Cash flows from operating activities: | | |
| Net loss | (4,981,212) | (28,884,845) |
| Adjustments to reconcile net income (loss) to net cash provided by: | | |
| Depreciation | 10,610,750 | 12,622,671 |
| 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 | 1,430,663 | 4,108,689 |
| 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 (gain) | 66,001 | 107,809 |
| Unrealized foreign currency exchange loss (gain), net | (84,197) | 19,481 |
| Unrealized interest revenue amortization | (222,418) | (211,477) |
| Decrease in deferred income tax assets, net | 89 | (419) |
| Change in operating assets and liabilities: | | |
| Change in operating assets: | | |
| Decrease financial asset held for trading | 290,004 | - |
| Decrease in notes receivable | 434 | 506 |
| Decrease in accounts receivable | 1,467,213 | 4,213,979 |
| Decrease in other receivables | 593,161 | 1,084,150 |
| Increase in inventory | (3,034,957) | (5,720,714) |
| Decrease (increase) in prepayments | (486,382) | 315,789 |
| Change in operating liabilities: | | |
| Increase (decrease) in notes payable | (610) | 293 |
| Increase (decrease) in accounts payable | 40,812 | (542,367) |
| Decrease in accrued expenses | (995,237) | (223,594) |
| Increase (decrease) in other current liabilities | 136,653 | (169,602) |
| Increase in accrued pension liability | 8,719 | 10,119 |
| Increase (decrease) in miscellaneous liabilities | (4,053) | 17,700 |
| Net cash (used in) provided by operating activities | <u>6,247,644</u> | <u>(9,929,078)</u> |
| Cash flows from investing activities: | | |
| Acquisition of investments accounted for equity method | (4,426,607) | - |
| Purchases of property, plant and equipment | (17,582,274) | (10,008,610) |
| Proceeds from sales of property, plant and equipment | 370,567 | (6,340) |
| Decrease (increase) in refundable deposits | (5,515) | 61,772 |
| Increase in deferred expense | (10,800) | (5,800) |
| Restricted current assets | (1,530) | (2,382) |
| Purchases of intangible assets | - | (314,623) |
| Decrease in lease receivable | 129,214 | 346,281 |
| Increase in miscellaneous assets | (70,400) | (67,256) |
| Net cash used in investing activities | <u>(21,597,345)</u> | <u>(9,984,452)</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 from long-term loans | 9,363,333 | 5,000,000 |
| Decrease from long-term loans | - | (13,933,333) |
| Increase (decrease) in guarantee deposits | 2,277 | (16,622) |
| Increase in other payables from related parties | 5,992,200 | 29,003,290 |
| 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 | 324,772 | - |
| Increase in minority interest | 8,994 | 771 |
| Net cash provided by financing activities | <u>6,887,053</u> | <u>18,282,863</u> |
| Effect of foreign currency exchange translation | <u>(42,320)</u> | <u>43,721</u> |
| Effect of subsidiaries initial consolidated | <u>(204)</u> | <u>-</u> |
| Decrease in cash and cash equivalents | (8,505,172) | (1,586,772) |
| 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>5,902,380</u> | <u>4,616,200</u> |
| Supplemental cash flow information: | | |
| Interest paid | 1,090,982 | 1,251,247 |
| Less: Capitalized interest | <u>134,266</u> | <u>133,241</u> |
| Interest paid excluding capitalized interest | <u>956,716</u> | <u>1,118,006</u> |
| Income tax paid | <u>13,531</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 | <u>(17,293,891)</u> | <u>(9,671,580)</u> |
| Increase in accounts payable-machinery and equipment, net | <u>(288,383)</u> | <u>(337,030)</u> |
| Cash paid for acquisition of properties | <u>(17,582,274)</u> | <u>(10,008,610)</u> |

(Continued)

