

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements
December 31, 2010 and 2011
(With Independent Auditors' Review Report Thereon)

Independent Auditors' Report

The Board of Directors
Nanya Technology Corporation:

We have audited the consolidated balance sheets of Nanya Technology Corporation (the Company) and its subsidiaries as of December 31, 2010 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statement of subsidiaries included in the 2010 and 2011 consolidated financial statement of the Company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it related to the amount included for these subsidiaries, is based solely on the reports of the other auditors. The carrying values of these subsidiaries' total assets were 2.88% (NT\$ 3,806,478 thousand) and 0.27% (NT\$ 325,238 thousand) of the consolidated total assets as of December 31, 2010 and 2011, respectively, and their net sales were 34.14% (NT\$ 19,498,440 thousand) and 8.43% (NT\$ 3,128,860 thousand) of the consolidated total net sales in 2010 and 2011, respectively.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and other auditor's reports provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation and its subsidiaries as of December 31, 2010 and 2011, and the results of its operations and cash flows for the years then ended, in accordance with 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 and its subsidiaries has suffered net losses of \$39,885,693 thousand for the years ended December 31, 2011. Also, the Company and its subsidiaries has liquidity risks as its current liabilities exceeded its current assets by \$34,745,976 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.

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

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.

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

(Reviewed only, not audited in accordance with generally accepted auditing standards)
NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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	\$ 6,202,972	5	7,675,420	6
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$12,015 and NT\$13,061 thousands dollars.	9,194,565	7	4,986,787	4
Accounts receivable—related parties	434	-	7,614	-
Other receivables	1,456,225	1	1,911,425	2
Other receivables—related parties	1,562,137	1	171,094	-
Inventories, net	8,750,709	7	14,085,173	12
Prepayments	1,559,572	1	1,322,357	1
Deferred income tax assets, net—current	8,156	-	11,922	-
Total current assets	<u>28,734,770</u>	<u>22</u>	<u>30,171,792</u>	<u>25</u>
Funds and long-term investments:				
Long-term investments carried on the equity method	16,191,416	13	10,662,182	9
Available-for-sale financial assets—non-current	291,779	-	170,348	-
Total Funds and long-term investments	<u>16,483,195</u>	<u>13</u>	<u>10,832,530</u>	<u>9</u>
Property, plant and equipment:				
Land	1,013,924	1	1,013,924	1
Buildings and building improvements	5,247,141	4	5,247,676	4
Machinery and equipment	132,623,785	100	138,757,722	117
Transportation equipment	7,195	-	6,843	-
Leased assets	345,637	-	345,637	-
Miscellaneous equipment	1,827,042	1	2,090,016	2
	141,064,724	106	141,461,818	124
Less: accumulated depreciation	(71,067,835)	(54)	(86,999,878)	(73)
Construction in progress	7,323,500	7	9,867,052	9
Prepayments for equipment	309,168	-	-	-
Net property, plant and equipment	<u>77,629,557</u>	<u>59</u>	<u>70,328,992</u>	<u>60</u>
Intangible assets:				
Patents	1,234,991	1	1,019,067	1
Other intangible assets	1,793,230	1	341,989	-
Total intangible assets	<u>3,028,221</u>	<u>2</u>	<u>1,361,056</u>	<u>1</u>
Other assets:				
Refundable deposits	70,756	-	5,390	-
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	3,246,253	2	3,245,504	3
Restricted current assets	21,492	-	23,364	-
Miscellaneous assets	48,420	-	2,974	-
Total other assets	<u>6,090,739</u>	<u>4</u>	<u>5,795,910</u>	<u>5</u>
Total assets	<u>\$ 131,966,482</u>	<u>100</u>	<u>118,490,280</u>	<u>100</u>

	2010		2011	
Liabilities and Stockholders' Equity	Amount	%	Amount	%
Current liabilities:				
Short-term loans	\$ 200,000	-	-	-
Notes and accounts payable	4,037,631	3	2,290,754	2
Accounts payable—related parties	3,163,737	2	4,658,126	4
Accrued expenses	3,767,927	3	3,201,103	3
Financial liabilities reported as fair value through profit or loss—current	211,978	-	83,513	-
Other payables—related parties	26,789,943	20	38,532,226	35
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	80,337	-	100,618	-
Total current liabilities	<u>57,658,780</u>	<u>43</u>	<u>64,917,768</u>	<u>56</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	311,077	-	304,491	-
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	-	96,945	-
Miscellaneous liabilities	112,587	-	113,807	-
Total other liabilities	<u>638,149</u>	<u>-</u>	<u>613,238</u>	<u>-</u>
Total liabilities	<u>99,287,345</u>	<u>74</u>	<u>95,668,686</u>	<u>81</u>
Stockholders' equity:				
Common stock	40,343,415	31	148,649,004	125
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	(347,533)	-	(347,533)	-
Total stockholders' equity	<u>32,648,080</u>	<u>26</u>	<u>22,782,949</u>	<u>19</u>
Minority interest	31,057	-	38,645	-
Total stockholders' equity and minority interest	<u>32,679,137</u>	<u>26</u>	<u>22,821,594</u>	<u>19</u>
Commitments and contingencies				
Total liabilities and stockholders' equity	<u>\$ 131,966,482</u>	<u>100</u>	<u>118,490,280</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 December 31, 2010 and 2011

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

	2010		2011	
	Amount	%	Amount	%
Operating revenues, net	\$ 57,109,418	<u>100</u>	37,127,581	<u>100</u>
Operating costs	<u>(60,567,684)</u>	<u>(106)</u>	<u>(60,189,620)</u>	<u>(162)</u>
Gross loss	<u>(3,458,266)</u>	<u>(6)</u>	<u>(23,062,039)</u>	<u>(62)</u>
Operating expenses				
Selling expenses	(774,746)	(1)	(731,272)	(2)
Administrative expenses	(917,625)	(2)	(656,311)	(2)
Research and development expenses	<u>(6,543,092)</u>	<u>(11)</u>	<u>(8,617,152)</u>	<u>(23)</u>
Total operating expenses	<u>(8,235,463)</u>	<u>(14)</u>	<u>(10,004,735)</u>	<u>(27)</u>
Operating loss	<u>(11,693,729)</u>	<u>(20)</u>	<u>(33,066,774)</u>	<u>(89)</u>
Non-operating income and gains:				
Interest income	309,696	1	318,917	1
Dividend revenues	14,522	-	1,022	-
Gain on disposal of property, plant and equipment	98,798	-	12,574	-
Foreign exchange gain, net	345,570	1	-	-
Gain on valuation of financial assets	8	-	-	-
Gain on valuation of financial liabilities	73,156	-	128,466	-
Miscellaneous income	<u>234,517</u>	<u>-</u>	<u>327,367</u>	<u>1</u>
Total non-operating income and gains	<u>1,076,267</u>	<u>2</u>	<u>788,346</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)	(1,386,472)	(2)	(1,563,904)	(4)
Investment loss recognized under equity method	(2,796,520)	(5)	(5,570,910)	(15)
Loss on disposal of property, plant and equipment	(65,999)	-	(5,549)	-
Foreign exchange loss, net	-	-	(2,561)	-
Impairment loss	(77,537)	-	(235,316)	(1)
Miscellaneous disbursements	<u>(185,937)</u>	<u>-</u>	<u>(185,792)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(4,512,465)</u>	<u>(7)</u>	<u>(7,564,032)</u>	<u>(21)</u>
Loss before income tax	(15,129,927)	(25)	(39,842,460)	(108)
Income tax expenses	<u>(1,034)</u>	<u>-</u>	<u>(36,437)</u>	<u>-</u>
Net loss	\$ <u><u>(15,130,961)</u></u>	<u><u>(25)</u></u>	<u><u>(39,878,897)</u></u>	<u><u>(108)</u></u>
Consolidated net loss	\$ (15,131,538)	(25)	(39,885,693)	(108)
Net loss of minority interest	<u>577</u>	<u>-</u>	<u>6,796</u>	<u>-</u>
	\$ <u><u>(15,130,961)</u></u>	<u><u>(25)</u></u>	<u><u>(39,878,897)</u></u>	<u><u>(108)</u></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><u>(4.34)</u></u>	<u><u>(4.34)</u></u>	<u><u>(8.06)</u></u>	<u><u>(8.06)</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 December 31, 2010 and 2011

(Expressed in thousands of New Taiwan Dollars)

	Common stock	Advance receipts for capital stock	Capital Surplus	Accumulated deficit	Cumulative translation adjustments	Unrealized Loss on Financial Instrument	Treasury stock	Minority interest	Total
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
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	-	-	-	-	-	133,889
Net loss for the years ended December 31, 2010	-	-	-	(15,131,538)	-	-	-	577	(15,130,961)
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)
Increase in minority interest	-	-	-	-	-	-	-	30,478	30,478
Adjustment to change of long-term equity investments	-	-	35,325	-	-	37,649	-	-	(2,324)
Balance as of December 31, 2010	<u>40,343,415</u>	<u>3,089</u>	<u>17,831,745</u>	<u>(25,374,345)</u>	<u>(14,159)</u>	<u>205,868</u>	<u>(347,533)</u>	<u>31,057</u>	<u>32,679,137</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
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)	-	-	-	6,796	(39,878,897)
Adjustment arising from changes in percentage of ownership in investees	-	-	41,678	-	-	-	-	-	41,678
Losses on foreign currency exchange of long-term investments	-	-	-	-	10,040	-	-	-	10,040
Increase in minority interest	-	-	-	-	-	-	-	792	792
Adjustment to change of long-term equity investments	-	-	-	-	-	(121,431)	-	-	(121,431)
Balance as of December 31, 2011	<u>\$ 148,649,004</u>	<u>-</u>	<u>3,570,987</u>	<u>(129,169,827)</u>	<u>(4,119)</u>	<u>84,437</u>	<u>(347,533)</u>	<u>38,645</u>	<u>22,821,594</u>

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

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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	\$ (15,130,961)	(39,878,897)
Adjustments to reconcile net loss to net cash provided by:		
Depreciation	14,893,031	16,903,246
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	2,218,910	3,010,795
Investment loss recognized under equity method	2,796,520	5,570,910
(Gain) loss on disposal of property, plant and equipment, net	(32,799)	(7,025)
Gain on valuation of financial liability	(73,156)	(128,466)
Impairment loss	77,537	235,316
Unrealized foreign currency exchange gain, net	(156,607)	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	-	506
Decrease in accounts receivable	2,508,508	4,210,959
Decrease in other receivables	624,189	919,438
Increase in inventory	(3,026,087)	(8,345,259)
Decrease (increase) in prepayments	(913,521)	237,216
Decrease (increase) in deferred income tax assets, net	(26,194)	(3,017)
Change in operating liabilities:		
Increase (decrease) in notes payable	-	903
Increase (decrease) in accounts payable	(1,627,888)	471,546
Decrease in accrued expenses	(827,963)	(579,946)
Increase in other current liabilities	666,239	(252,723)
Increase in accrued pension liability	11,906	13,459
Increase (decrease) in miscellaneous liabilities	<u>(145)</u>	<u>2,032</u>
Net cash (used in) provided by operating activities	<u>4,138,060</u>	<u>(15,703,422)</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	(4,426,608)	-
Purchases of property, plant and equipment	(23,990,036)	(10,575,481)
Proceeds from sales of property, plant and equipment	239,488	19,562
Increase in refundable deposits	(66,486)	65,366
Increase in deferred expense	(11,700)	(6,700)
Decrease (increase) restricted current assets	(618)	(1,872)
Increase in intangible assets	-	(314,623)
Decrease in lease receivable	244,228	462,140
Increase in miscellaneous assets	<u>(2,856)</u>	<u>(101)</u>
Net cash used in investing activities	<u>(28,014,588)</u>	<u>(10,351,709)</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 from long-term loans	14,750,000	5,000,000
Decrease from long-term loans	(3,666,667)	(13,933,334)
Decrease in guarantee deposits	(11,446)	(38,421)
Increase (decrease) in other payables from related parties	9,147,005	12,005,087
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	-
Increase in minority interest	<u>30,478</u>	<u>792</u>
Net cash provided by financing activities	<u>15,703,464</u>	<u>27,521,102</u>
Effect of foreign currency exchange translation	<u>(9,046)</u>	<u>6,477</u>
Effect of subsidiaries initial consolidated	<u>(22,470)</u>	<u>-</u>
Decrease in cash and cash equivalents	(8,204,580)	1,472,448
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><u>6,202,972</u></u>	<u><u>7,675,420</u></u>
Supplemental cash flow information:		
Interest paid	\$ 1,652,176	1,782,638
Less: Capitalized interest	<u>158,086</u>	<u>173,830</u>
Interest paid excluding capitalized interest	\$ <u><u>1,494,090</u></u>	<u><u>1,608,808</u></u>
Income tax paid	\$ <u><u>14,747</u></u>	<u><u>26,290</u></u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of Long-term loans	\$ <u><u>14,017,227</u></u>	<u><u>14,352,467</u></u>
Current portion of bonds payable	\$ <u><u>5,390,000</u></u>	<u><u>1,698,961</u></u>
Others	\$ <u><u>1,400,000</u></u>	<u><u>-</u></u>
Cash paid for acquisition of properties:		
Total acquisition	\$ (24,212,096)	(9,805,164)
Increase in accounts payable-machinery and equipment, net	<u>222,060</u>	<u>(770,317)</u>
Cash paid for acquisition of properties	\$ <u><u>(23,990,036)</u></u>	<u><u>(10,575,481)</u></u>