

NANYA TECHNOLOGY CORPORATION
Financial Statements
June 30, 2009 and 2010
(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 June 30, 2009 and 2010, and the related statements of operations, changes in stockholders' equity, and cash flows for the six-month periods then ended. All information included in these financial statements is the representation of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as mentioned in the third paragraph, 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 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.

We did not audit the financial statements of certain long-term investments carried on the equity method, which amounted to NT\$2,452,760 thousand and NT\$1,754,561 thousand as of June 30, 2009 and 2010, respectively, and for which the equity in net loss amounted to NT\$158,731 thousand and net gain amounted to NT\$59,350 thousand for the six-month periods ended June 30, 2009 and 2010, respectively. Those financial statements were based on unaudited financial statements in the same period. Nor were we able to satisfy ourselves as to carrying value of the investment in the investee companies and the equity in their earnings by other audit procedures.

In our opinion, based on our audits, except for the effects of the information as discussed in the third paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation as of June 30, 2009 and 2010, and the results of its operations and cash flows for the six-month periods then ended, 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.

For the six-month period ended June 30, 2009 the Company adopted the newly revised Republic of China Statement of Financial Accounting Standards (SFAS) .The effect of these changes in accounting principle on the accompanying financial statements was as stated in note 3.

We have reviewed the Company's consolidated financial statements as of and for six-month periods ended June 30, 2009 and 2010, prepared by the Company. Based on our review, we expressed a qualified opinion on those financial statements.

Taipei, Taiwan (the Republic of China)
August 16, 2010

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 audit such 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.

NANYA TECHNOLOGY CORPORATION

Balance Sheets

June 30, 2009 and 2010

(Expressed in Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2009</u>		<u>2010</u>		<u>Liabilities and Stockholders' Equity</u>	<u>2009</u>		<u>2010</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	\$ 1,796,697	2	4,274,392	3	Short-term loans	\$ 2,765,365	2	695,400	1
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	3,437,090	3	5,579,401	4	Notes and accounts payable	4,471,667	4	4,299,061	3
Accounts receivable—related parties	2,429,672	2	6,114,263	5	Accounts payable—related parties	5,132,160	5	3,736,312	3
Other receivables	1,409,904	1	1,280,737	1	Accrued expenses	6,932,635	6	4,093,286	3
Other receivables—related parties	391,716	-	346,835	-	Financial liabilities reported as fair value through profit or loss—current	310,671	-	266,590	-
Inventories, net	6,752,778	6	9,199,784	7	Other payables—related parties	872,822	1	16,219,023	12
Prepayments	598,839	1	861,114	1	Other payables	9,834	-	10,666	-
Total current assets	<u>16,816,696</u>	<u>15</u>	<u>27,656,526</u>	<u>21</u>	Current portion of bonds payable	13,037,211	12	10,530,000	8
Funds and long-term investments:					Current portion of long-term loans	-	-	10,670,585	8
Long-term investments carried on the equity method	17,443,278	16	19,852,020	15	Other current liabilities	1,432	-	1,766	-
Total Funds and long-term investments	<u>17,443,278</u>	<u>16</u>	<u>19,852,020</u>	<u>15</u>	Total current liabilities	<u>33,533,797</u>	<u>30</u>	<u>50,522,689</u>	<u>38</u>
Property, plant and equipment:					Long-term liabilities:				
Land	1,013,924	1	1,013,924	1	Bonds payable	15,954,901	14	5,430,633	4
Buildings and building improvements	4,711,956	4	5,238,053	4	Long-term loans	37,927,150	34	40,264,415	31
Machinery and equipment	102,446,355	91	118,344,445	90	Long-term accounts payable	602,627	1	-	-
Transportation equipment	5,855	-	5,855	-	Lease payables—long-term	320,259	-	314,228	-
Leased assets	345,637	-	345,637	-	Total long-term liabilities	<u>54,804,937</u>	<u>49</u>	<u>46,009,276</u>	<u>35</u>
Miscellaneous equipment	1,575,416	1	1,630,977	1	Other liabilities:				
	110,099,143	97	126,578,891	96	Accrued pension liabilities	360,996	-	382,772	-
Less: accumulated depreciation	(51,162,396)	(45)	(63,243,672)	(48)	Guarantee deposits	143,454	-	108,068	-
Construction in progress	7,020,757	6	11,322,131	9	Miscellaneous liabilities	67,694	-	126,747	-
Net property, plant and equipment	<u>65,957,504</u>	<u>58</u>	<u>74,657,350</u>	<u>57</u>	Total other liabilities	<u>572,144</u>	<u>-</u>	<u>617,587</u>	<u>-</u>
Intangible assets:					Total liabilities	<u>88,910,878</u>	<u>79</u>	<u>97,149,552</u>	<u>73</u>
Patents	2,008,565	2	1,481,260	1	Stockholders' equity:				
Other intangible assets	4,042,988	4	2,518,850	2	Common stock	25,755,735	23	34,319,735	26
Total intangible assets	<u>6,051,553</u>	<u>6</u>	<u>4,000,110</u>	<u>3</u>	Advance receipts for capital stock	-	-	1,823	-
Other assets:					Capital surplus	4,398,783	4	13,787,165	11
Refundable deposits	3,140	-	1,473	-	Accumulated deficit	(6,542,749)	(6)	(12,953,495)	(10)
Deferred charges	62,848	-	46,661	-	Cumulative translation adjustments	11,842	-	(228)	-
Lease receivable—long-term	2,775,196	2	2,740,790	2	Unrealized loss on financial instruments	147,417	-	267,720	-
Deferred income tax assets, net—non-current	3,224,158	3	3,224,158	2	Treasury stock	(347,533)	-	(347,533)	-
Miscellaneous assets	-	-	45,651	-	Total stockholders' equity	23,423,495	21	35,075,187	27
Total other assets	<u>6,065,342</u>	<u>5</u>	<u>6,058,733</u>	<u>4</u>	Commitments and contingencies				
Total assets	<u>\$ 112,334,373</u>	<u>100</u>	<u>132,224,739</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 112,334,373</u>	<u>100</u>	<u>132,224,739</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.

NANYA TECHNOLOGY CORPORATION

Statements of Operations

For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of New Taiwan dollars, Except Earnings Per Share)

	2009		2010	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues, net	\$ 14,257,202	100	29,838,355	100
Operating costs	<u>(25,194,802)</u>	<u>(177)</u>	<u>(28,065,323)</u>	<u>(94)</u>
Gross (loss) profit	(10,937,600)	(77)	1,773,032	6
Unrealized loss (profit) from affiliated companies	190,424	1	(5,197)	-
Realized (loss) profit from affiliated companies	<u>(38,592)</u>	<u>-</u>	<u>10,699</u>	<u>-</u>
Gross (loss) profit, net	<u>(10,785,768)</u>	<u>(76)</u>	<u>1,778,534</u>	<u>6</u>
Operating expenses				
Selling expenses	(203,638)	(1)	(212,066)	(1)
Administrative expenses	(886,838)	(6)	(575,124)	(2)
Research and development expenses	<u>(1,702,106)</u>	<u>(12)</u>	<u>(2,731,791)</u>	<u>(9)</u>
Total operating expenses	<u>(2,792,582)</u>	<u>(19)</u>	<u>(3,518,981)</u>	<u>(12)</u>
Operating loss	<u>(13,578,350)</u>	<u>(95)</u>	<u>(1,740,447)</u>	<u>(6)</u>
Non-operating income and gains:				
Interest income	149,327	1	151,996	1
Gain on disposal of property, plant and equipment	4,694	-	92,649	-
Foreign exchange gain, net	40,929	-	205,203	1
Gain on idle assets' value recoveries	23,449	-	-	-
Gain on valuation of financial assets	-	-	8	-
Gain on valuation of financial liabilities	66,428	-	18,544	-
Miscellaneous income	<u>556,863</u>	<u>4</u>	<u>109,024</u>	<u>-</u>
Total non-operating income and gains	<u>841,690</u>	<u>5</u>	<u>577,424</u>	<u>2</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$24,958 thousand and NT\$88,350 thousand for 2009 and 2010, respectively)	(648,184)	(5)	(655,887)	(2)
Investment loss recognized under equity method	(3,551,375)	(25)	(706,868)	(2)
Loss on disposal of property, plant and equipment	(28,968)	-	(15,282)	-
Impairment loss	-	-	(73,208)	-
Miscellaneous disbursements	<u>(88,254)</u>	<u>(1)</u>	<u>(96,389)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(4,316,781)</u>	<u>(31)</u>	<u>(1,547,634)</u>	<u>(4)</u>
Loss before income tax	(17,053,441)	(121)	(2,710,657)	(8)
Income tax expenses	<u>(28)</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
Net loss	<u>\$ (17,053,469)</u>	<u>(121)</u>	<u>(2,710,688)</u>	<u>(8)</u>
Net loss per common share (in dollars)				
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Basic loss per share	\$ <u>(8.06)</u>	<u>(8.06)</u>	<u>(0.79)</u>	<u>(0.79)</u>
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Net loss	\$ <u>(17,053,441)</u>	<u>(17,053,469)</u>	<u>(2,710,657)</u>	<u>(2,710,688)</u>
Basic loss per share	\$ <u>(8.02)</u>	<u>(8.02)</u>	<u>(0.79)</u>	<u>(0.79)</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.

NANYA TECHNOLOGY CORPORATION

Statements of Changes in Stockholders' Equity

For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of New Taiwan dollars)

	<u>Common stock</u>	<u>Advance receipts for capital stock</u>	<u>Capital Surplus</u>	<u>Legal reserve</u>	<u>Special reserve</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, 2009	\$ 46,933,975	-	25,133,947	2,814,499	2,655,892	(49,121,653)	11,715	96,006	(347,533)	28,176,848
Issuance of common stock for cash	10,000,000	-	2,220,000	-	-	-	-	-	-	12,220,000
Make-up of the accumulated deficit by capital reduction	(31,178,240)	-	-	-	-	31,178,240	-	-	-	-
Make-up of the accumulated deficit by capital surplus	-	-	(22,983,742)	-	-	22,983,742	-	-	-	-
Make-up of the accumulated deficit	-	-	-	(2,814,499)	-	2,814,499	-	-	-	-
Make-up of the accumulated deficit by special reserve	-	-	-	-	(2,655,892)	2,655,892	-	-	-	-
Recognized compensation costs on employee stock options	-	-	9,945	-	-	-	-	-	-	9,945
Net loss for the six months ended June 30, 2009	-	-	-	-	-	(17,053,469)	-	-	-	(17,053,469)
Adjustment arising from changes in percentage of ownership in investees	-	-	18,633	-	-	-	-	-	-	18,633
Gains on foreign currency exchange of long-term investments	-	-	-	-	-	-	127	-	-	127
Adjustment to change of long-term equity investments	-	-	-	-	-	-	-	51,411	-	51,411
Balance as of June 30, 2009	\$ <u>25,755,735</u>	<u>-</u>	<u>4,398,783</u>	<u>-</u>	<u>-</u>	<u>(6,542,749)</u>	<u>11,842</u>	<u>147,417</u>	<u>(347,533)</u>	<u>23,423,495</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
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)	-	-	-	(2,710,688)
Adjustment arising from changes in percentage of ownership in investees	-	-	55,786	-	-	-	-	-	-	55,786
Losses on foreign currency exchange of long-term investments	-	-	-	-	-	-	(8,157)	-	-	(8,157)
Adjustment to change of long-term equity investments	-	-	18,583	-	-	-	-	24,203	-	42,786
Balance as of Jun 30, 2010	\$ <u>34,319,735</u>	<u>1,823</u>	<u>13,787,165</u>	<u>-</u>	<u>-</u>	<u>(12,953,495)</u>	<u>(228)</u>	<u>267,720</u>	<u>(347,533)</u>	<u>35,075,187</u>

(Continued)

NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

For the six-month periods ended June 30, 2009 and 2010

(Expressed in thousands of New Taiwan dollars)

	<u>2009</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (17,053,469)	(2,710,688)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	6,300,048	6,726,369
Amortization	1,288,908	1,007,856
Compensation costs on employee stock option plans	9,945	9,945
Amortization of discount on bonds payable and long-term loans	3,480	17,366
Gain on inventory valuation and obsolescence	(1,299,577)	(51,293)
Investment loss recognized under equity method	3,551,375	706,868
Loss (gain) on disposal of property, plant and equipment, net	24,274	(77,367)
Gain on valuation of financial liabilities	(66,428)	(18,544)
Impairment loss	-	73,208
Impairment recoveries	(23,449)	-
Unrealized (loss) gain from affiliated companies	(190,424)	5,197
Realized loss (gain) from affiliated companies	38,592	(10,699)
Unrealized foreign currency exchange loss (gain), net	335,954	(158,351)
Unrealized interest revenue amortization	(142,110)	(149,147)
Change in operating assets and liabilities:		
Change in operating assets:		
Decrease financial asset held for trading	-	290,004
Decrease in notes receivable	3,413	557
(Increase) decrease in accounts receivable	(867,397)	1,261,635
(Increase) decrease in other receivables	(417,234)	616,171
Decrease (increase) in inventory	526,346	(1,321,073)
Decrease (increase) in prepayments	37,545	(220,072)
Change in operating liabilities:		
Decrease in notes payable	(1,004)	(587)
Increase (decrease) in accounts payable	2,803,701	(1,398,123)
Decrease in accrued expenses	(1,249,288)	(586,494)
(Decrease) increase in other current liabilities	(781)	65,031
Increase in accrued pension liability	5,873	5,651
Decrease in miscellaneous liabilities	(1,308)	(4,941)
Net cash (used in) provided by operating activities	<u>(6,383,015)</u>	<u>4,078,479</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	-	(4,503,468)
Purchases of property, plant and equipment	(4,648,052)	(12,685,218)
Proceeds from sales of property, plant and equipment	48,322	334,997
Increase in refundable deposits	(603)	-
Increase in Deferred Expense	(500)	(6,000)
(Increase) decrease in lease receivable	(248,461)	14,395
Increase in miscellaneous assets	-	(88)
Net cash used in investing activities	<u>(4,849,294)</u>	<u>(16,845,382)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	2,765,365	(1,012,724)
Decrease in bonds payable	(2,992,900)	(4,150,000)
Increase long-term loans	-	9,030,000
Decrease in guarantee deposits	(27,973)	(42,321)
Decrease in other payables from related parties	-	(520,700)
Decrease in lease payable	(2,721)	(2,886)
Decrease in long-term Accounts payable	(1,467,554)	(238,318)
Issuance of common stock for cash	12,220,000	-
Issuance of common stock for exercise of employee stock options	-	310,627
Net cash provided by financing activities	<u>10,494,217</u>	<u>3,373,678</u>
Effect of foreign currency exchange translation	<u>28,643</u>	<u>4,349</u>
Decrease in cash and cash equivalents	(709,449)	(9,388,876)
Cash and cash equivalents at beginning of period	<u>2,506,146</u>	<u>13,663,268</u>
Cash and cash equivalents at end of period	<u>\$ 1,796,697</u>	<u>4,274,392</u>
Supplemental cash flow information:		
Interest paid	\$ 582,828	713,134
Less: Capitalized interest	24,958	88,350
Interest paid excluding capitalized interest	<u>\$ 557,870</u>	<u>624,784</u>
Income tax paid	<u>\$ 28</u>	<u>31</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of bonds payable	<u>\$ 13,037,211</u>	<u>10,530,000</u>
Current portion of long-term loans	<u>\$ -</u>	<u>10,670,585</u>
Cash paid for acquisition of properties:		
Total acquisition	<u>\$ (5,392,075)</u>	<u>(13,163,186)</u>
Decrease in accounts payable-machinery and equipment, net	<u>\$ 744,023</u>	<u>477,968</u>
Cash paid for acquisition of properties	<u>\$ (4,648,052)</u>	<u>(12,685,218)</u>

(Continued)