

NANYA TECHNOLOGY CORPORATION
Financial Statements
September 30, 2009 and 2010
(With Independent Auditors' Review Report Thereon)

Independent Auditors' Review Report

The Board of Directors
Nanya Technology Corporation:

We have reviewed the accompanying balance sheets of Nanya Technology Corporation (the Company) as of September 30, 2009 and 2010, and the related unconsolidated statements of operations and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

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

We did not review the financial statements of certain long-term investments carried on the equity method except for Inotera Memories, Inc., which amounted to NT\$1,648,432 thousand and NT\$1,745,622 thousand as of September 30, 2009 and 2010, respectively, and for which the equity in net loss amounted to NT\$76,372 thousand and net gain amounted to NT\$29,212 thousand for the nine-month periods ended September 30, 2009 and 2010, respectively. Those financial statements were based on unreviewed financial statements in the same period. Nor were we able to satisfy ourselves as to the carrying value of the investment in the investee companies and the equity in their earnings by other review procedures.

Based on our reviews, except for the effects of the information as discussed in the preceding paragraph, we are not aware of any material modifications that should be made to the unconsolidated financial statements referred to in the first paragraph in order for them to be 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 nine-month period ended September 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 unconsolidated financial statements was as stated in note 3.

Taipei, Taiwan (the Republic of China)
October 20, 2010

The accompanying 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 review such 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

Balance Sheets

September 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	\$ 1,694,464	1	5,105,713	4	Short-term loans	\$ 4,114,501	4	-	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	5,047,824	5	4,971,778	4	Notes and accounts payable	3,029,138	3	4,769,223	3
Accounts receivable—related parties	3,951,272	3	6,257,367	5	Accounts payable—related parties	4,906,716	5	3,777,230	3
Other receivables	1,418,837	1	1,314,038	1	Accrued expenses	5,924,987	5	3,547,561	3
Other receivables—related parties	736,695	1	338,169	-	Financial liabilities reported as fair value through profit or loss — current	314,217	-	250,260	-
Inventories, net	7,871,980	7	10,828,278	9	Other payables — related parties	7,321,971	6	22,771,331	17
Prepayments	<u>532,134</u>	<u>-</u>	<u>1,111,414</u>	<u>1</u>	Current portion of bonds payable	13,037,518	11	7,830,000	6
Total current assets	<u>21,253,206</u>	<u>18</u>	<u>29,926,757</u>	<u>24</u>	Current portion of long-term loans	3,661,805	3	14,015,497	11
					Other current liabilities	<u>15,206</u>	<u>-</u>	<u>9,669</u>	<u>-</u>
Funds and long-term investments:					Total current liabilities	<u>42,326,059</u>	<u>37</u>	<u>56,970,771</u>	<u>43</u>
Long-term investments carried on the equity method	<u>16,145,897</u>	<u>14</u>	<u>19,156,909</u>	<u>14</u>					
Total Funds and long-term investments	<u>16,145,897</u>	<u>14</u>	<u>19,156,909</u>	<u>14</u>	Long-term liabilities:				
					Bonds payable	13,256,334	12	5,432,066	4
Property, plant and equipment:					Long-term loans	38,270,428	33	37,260,620	28
Land	1,013,924	1	1,013,924	1	Long-term accounts payable	322,591	-	-	-
Buildings and building improvements	5,024,512	4	5,238,538	4	Lease payables — long-term	<u>318,784</u>	<u>-</u>	<u>312,664</u>	<u>-</u>
Machinery and equipment	102,699,355	89	126,887,627	95	Total long-term liabilities	<u>52,168,137</u>	<u>45</u>	<u>43,005,350</u>	<u>32</u>
Transportation equipment	5,855	-	5,855	-					
Leased assets	345,637	-	345,637	-	Other liabilities:				
Miscellaneous equipment	<u>1,546,618</u>	<u>1</u>	<u>1,642,237</u>	<u>1</u>	Accrued pension liabilities	357,822	-	385,840	-
	110,635,901	95	135,133,818	101	Guarantee deposits	163,352	-	152,666	-
Less: accumulated depreciation	(54,099,193)	(46)	(66,823,814)	(50)	Miscellaneous liabilities	<u>129,968</u>	<u>-</u>	<u>137,067</u>	<u>-</u>
Construction in progress	9,921,603	9	5,977,641	4	Total other liabilities	<u>651,142</u>	<u>-</u>	<u>675,573</u>	<u>-</u>
Prepayments for equipment	<u>239,778</u>	<u>-</u>	<u>549,386</u>	<u>-</u>	Total liabilities	<u>95,145,338</u>	<u>82</u>	<u>100,651,694</u>	<u>75</u>
Net property, plant and equipment	<u>66,698,089</u>	<u>58</u>	<u>74,837,031</u>	<u>55</u>					
					Stockholders' equity:				
Intangible assets:					Common stock	25,755,735	23	34,324,035	26
Patents	1,868,177	2	1,358,126	1	Advance receipts for capital stock	213,076	-	9,519	-
Other intangible assets	<u>3,655,454</u>	<u>3</u>	<u>2,156,040</u>	<u>2</u>	Capital surplus	5,096,233	4	13,801,040	10
Total intangible assets	<u>5,523,631</u>	<u>5</u>	<u>3,514,166</u>	<u>3</u>	Accumulated deficit	(10,441,771)	(9)	(15,220,876)	(11)
					Cumulative translation adjustments	11,739	-	190	-
Other assets:					Unrealized loss on financial instruments	213,935	-	239,483	-
Refundable deposits	3,128	-	2,657	-	Treasury stock	<u>(347,533)</u>	<u>-</u>	<u>(347,533)</u>	<u>-</u>
Deferred charges	57,501	-	45,382	-	Total stockholders' equity	20,501,414	18	32,805,858	25
Lease receivable—long-term	2,741,134	2	2,702,985	2	Commitments and contingencies				
Deferred income tax assets, net—non-current	3,224,158	3	3,224,158	2					
Miscellaneous assets	<u>8</u>	<u>-</u>	<u>47,507</u>	<u>-</u>					
Total other assets	<u>6,025,929</u>	<u>5</u>	<u>6,022,689</u>	<u>4</u>					
Total assets	\$ <u>115,646,752</u>	<u>100</u>	<u>133,457,552</u>	<u>100</u>	Total liabilities and stockholders' equity	\$ <u>115,646,752</u>	<u>100</u>	<u>133,457,552</u>	<u>100</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Operations

Nine-month periods ended September 30, 2009 and 2010

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

	2009		2010	
	Amount	%	Amount	%
Operating revenues, net	\$ 25,766,613	100	44,754,328	100
Operating costs	<u>(37,926,612)</u>	<u>(147)</u>	<u>(42,075,303)</u>	<u>(94)</u>
Gross (loss) profit	(12,159,999)	(47)	2,679,025	6
Unrealized loss from affiliated companies	46,674	-	4,830	-
Realized (loss) profit from affiliated companies	<u>(38,592)</u>	<u>-</u>	<u>10,699</u>	<u>-</u>
Gross (loss) profit, net	<u>(12,151,917)</u>	<u>(47)</u>	<u>2,694,554</u>	<u>6</u>
Operating expenses				
Selling expenses	(325,985)	(1)	(337,225)	(1)
Administrative expenses	(1,275,756)	(5)	(906,840)	(2)
Research and development expenses	<u>(2,508,905)</u>	<u>(10)</u>	<u>(4,564,364)</u>	<u>(10)</u>
Total operating expenses	<u>(4,110,646)</u>	<u>(16)</u>	<u>(5,808,429)</u>	<u>(13)</u>
Operating loss	<u>(16,262,563)</u>	<u>(63)</u>	<u>(3,113,875)</u>	<u>(7)</u>
Non-operating income and gains:				
Interest income	226,508	1	227,741	1
Gain on disposal of property, plant and equipment	5,422	-	95,751	-
Foreign exchange gain, net	178,157	1	276,165	1
Gain on idle assets' value recoveries	16,758	-	-	-
Gain on valuation of financial assets	-	-	8	-
Gain on valuation of financial liabilities	62,882	-	34,874	-
Miscellaneous income	<u>603,164</u>	<u>2</u>	<u>173,543</u>	<u>-</u>
Total non-operating income and gains	<u>1,092,891</u>	<u>4</u>	<u>808,082</u>	<u>2</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$43,591 thousand and NT\$134,266 thousand for 2009 and 2010, respectively)	(1,007,669)	(4)	(1,006,104)	(2)
Investment loss recognized under equity method	(4,649,197)	(18)	(1,429,931)	(3)
Loss on disposal of property, plant and equipment	(29,062)	-	(52,749)	-
Impairment loss	-	-	(66,001)	-
Miscellaneous disbursements	<u>(96,863)</u>	<u>-</u>	<u>(117,460)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(5,782,791)</u>	<u>(22)</u>	<u>(2,672,245)</u>	<u>(5)</u>
Loss before income tax	(20,952,463)	(81)	(4,978,038)	(10)
Income tax expenses	<u>(28)</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
Net loss	\$ <u><u>(20,952,491)</u></u>	<u><u>(81)</u></u>	\$ <u><u>(4,978,069)</u></u>	<u><u>(10)</u></u>
Net loss per common share (in dollars)				
	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Basic loss per share	\$ <u><u>(9.23)</u></u>	<u><u>(9.23)</u></u>	<u><u>(1.46)</u></u>	<u><u>(1.46)</u></u>
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Net loss	\$ <u><u>(20,952,463)</u></u>	<u><u>(20,952,491)</u></u>	<u><u>(4,978,038)</u></u>	<u><u>(4,978,069)</u></u>
Basic loss per share	\$ <u><u>(9.20)</u></u>	<u><u>(9.20)</u></u>	<u><u>(1.45)</u></u>	<u><u>(1.45)</u></u>

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NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

Nine-month periods ended September 30, 2009 and 2010

(Expressed in thousands of New Taiwan dollars)

	<u>2009</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (20,952,491)	(4,978,069)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	9,296,820	10,602,405
Amortization	1,831,387	1,501,313
Compensation costs on employee stock option plans	14,917	14,917
Amortization of discount on bonds payable and long-term loans	5,221	25,150
Gain on inventory valuation and obsolescence	(2,743,248)	(51,293)
Investment loss recognized under equity method	4,649,197	1,429,931
Loss (gain) on disposal of property, plant and equipment, net	23,640	(43,002)
Gain on valuation of financial liabilities	(62,882)	(34,874)
Impairment loss	-	66,001
Impairment recoveries	(16,758)	-
Unrealized loss from affiliated companies	(46,674)	(4,830)
Realized loss (gain) from affiliated companies	38,592	(10,699)
Unrealized foreign currency exchange loss (gain), net	107,466	(84,197)
Unrealized interest revenue amortization	(215,992)	(222,418)
Change in operating assets and liabilities:		
Change in operating assets:		
Decrease financial asset held for trading	-	290,004
Decrease in notes receivable	3,993	434
(Increase) decrease in accounts receivable	(4,024,963)	1,425,422
(Increase) decrease in other receivables	(663,203)	587,793
Decrease (increase) in inventory	740,854	(2,949,567)
Decrease (increase) in prepayments	214,212	(470,372)
Change in operating liabilities:		
Decrease in notes payable	(1,364)	(610)
Increase in accounts payable	3,104,589	7,225
Decrease in accrued expenses	(2,140,717)	(1,059,171)
Increase in other current liabilities	2,673	154,299
Increase in accrued pension liability	2,699	8,719
Increase (decrease) in miscellaneous liabilities	1,221	(4,493)
Net cash (used in) provided by operating activities	<u>(10,830,811)</u>	<u>6,200,018</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	-	(4,503,468)
Return of capital from subsidiary due to subsidiary's capital reduction	874,650	-
Purchases of property, plant and equipment	(10,290,803)	(17,568,881)
Proceeds from sales of property, plant and equipment	87,064	369,231
Increase in refundable deposits	(591)	(1,184)
Increase in Deferred Expense	(500)	(10,800)
(Increase) decrease in lease receivable	(248,461)	129,214
Increase in miscellaneous assets	(8)	(1,944)
Net cash used in investing activities	<u>(9,578,649)</u>	<u>(21,587,832)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	4,114,501	(1,708,124)
Decrease in bonds payable	(5,692,901)	(6,850,000)
Increase long-term loans	4,000,000	9,363,333
Decrease (increase) in guarantee deposits	(8,075)	2,277
Decrease in other payables from related parties	6,362,600	5,979,300
Decrease in lease payable	(4,112)	(4,361)
Decrease in long-term Accounts payable	(1,607,791)	(242,038)
Issuance of common stock for cash	12,220,000	-
Issuance of common stock for exercise of employee stock options	213,076	324,772
Net cash provided by financing activities	<u>19,597,298</u>	<u>6,865,159</u>
Effect of foreign currency exchange translation	<u>480</u>	<u>(34,900)</u>
Decrease in cash and cash equivalents	<u>(811,682)</u>	<u>(8,557,555)</u>
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>\$ 1,694,464</u>	<u>5,105,713</u>
Supplemental cash flow information:		
Interest paid	\$ 944,554	1,087,613
Less: Capitalized interest	<u>43,591</u>	<u>134,266</u>
Interest paid excluding capitalized interest	<u>\$ 900,963</u>	<u>953,347</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>\$ 13,037,518</u>	<u>7,830,000</u>
Current portion of long-term loans	<u>\$ 3,661,805</u>	<u>14,015,497</u>
Cash paid for acquisition of properties:		
Total acquisition	<u>\$ (9,174,434)</u>	<u>(17,280,498)</u>
Decrease in accounts payable-machinery and equipment, net	<u>\$ (1,116,369)</u>	<u>(288,383)</u>
Cash paid for acquisition of properties	<u>\$ (10,290,803)</u>	<u>(17,568,881)</u>

(Continued)