

NANYA TECHNOLOGY CORPORATION
Financial Statements
December 31, 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 December 31, 2009 and 2010, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits. We did not audit the financial statements of certain investees accounted for under the equity method. These long-term equity investments amounted to NT\$191,918 thousand and NT\$146,387 thousand as of December 31, 2009 and 2010, respectively, and their related investment gain was NT\$17,556 thousand and NT\$4,706 thousand, respectively, for the years then ended. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors.

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 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.

In our opinion, based on our audits, and the reports of the other auditor, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation as of December 31, 2009 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Act", and of the "Regulation on Business Entity Accounting Handling", 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 has suffered net losses of \$15,131,538 thousand for the years ended December 31, 2010. Also, the Company has liquidity risks as its current liabilities exceeded its current assets by \$28,758,010 thousand and its accumulated deficit exceeded half of total issued common stock as of December 31, 2010. 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.

The Company adopted the new issued 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 also audited the consolidated financial statements of Nanya Technology Corporation and its subsidiaries as of and for the years ended December 31, 2009 and 2010, and have expressed an unqualified opinion with explanatory paragraph on such financial statements

Taipei, Taiwan (Republic of China)
March 18, 2011

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

NANYA TECHNOLOGY CORPORATION

Statements of Changes in Stockholders' Equity

For the years ended December 31, 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	18,000,000	-	10,212,000	-	-	-	-	-	-	28,212,000
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	-	-	-	-
Advance receipts for common stock due to employee stock options exercised	291,690	111,133	128,544	-	-	-	-	-	-	531,367
Recognized compensation costs on employee stock options	-	-	499,089	-	-	-	-	-	-	499,089
Net loss in 2009	-	-	-	-	-	(20,753,527)	-	-	-	(20,753,527)
Losses on foreign currency exchange of long-term investments	-	-	-	-	-	-	(3,786)	-	-	(3,786)
Adjustment to change of long-term equity investments	-	-	565,386	-	-	-	-	147,511	-	712,897
Balance as of December 31, 2009	34,047,425	111,133	13,555,224	-	-	(10,242,807)	7,929	243,517	(347,533)	37,374,888
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 in 2010	-	-	-	-	-	(15,131,538)	-	-	-	(15,131,538)
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)
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>-</u>	<u>-</u>	<u>(25,374,345)</u>	<u>(14,159)</u>	<u>205,868</u>	<u>(347,533)</u>	<u>32,648,080</u>

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NANYA TECHNOLOGY CORPORATION

Balance Sheets

December 31, 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	\$ 13,663,268	10	5,449,269	4	Short-term loans	\$ 1,708,124	1	200,000	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	6,801,314	5	4,842,535	4	Notes and accounts payable	3,420,609	3	4,032,668	3
Accounts receivable—related parties	5,929,090	5	4,881,655	4	Accounts payable—related parties	5,487,300	5	3,163,737	2
Other receivables	1,408,824	1	1,446,725	1	Accrued expenses	4,653,752	3	3,723,896	3
Other receivables—related parties	734,784	1	1,912,417	1	Financial liabilities reported as fair value through profit or loss—current	285,134	-	211,978	-
Inventories, net	7,827,418	7	8,649,121	7	Other payables—related parties	16,663,267	13	26,709,576	20
Prepayments	641,042	-	1,555,726	1	Current portion of bonds payable	13,030,000	10	5,390,000	4
Financial assets reported as fair value through profit or loss—current	290,004	-	-	-	Current portion of long-term loans	3,662,179	3	14,017,227	11
Total current assets	<u>37,295,744</u>	<u>29</u>	<u>28,737,448</u>	<u>22</u>	Other current liabilities	9,027	-	46,376	-
Funds and long-term investments:					Total current liabilities	<u>48,919,392</u>	<u>38</u>	<u>57,495,458</u>	<u>43</u>
Long-term investments carried on the equity method	15,974,091	12	16,386,167	12	Long-term liabilities:				
Total Funds and long-term investments	<u>15,974,091</u>	<u>12</u>	<u>16,386,167</u>	<u>12</u>	Bonds payable	7,077,767	5	1,693,499	1
					Long-term loans	38,229,754	29	38,985,840	30
Property, plant and equipment:					Long-term accounts payable	242,038	-	-	-
Land	1,013,924	1	1,013,924	1	Lease payables—long-term	317,288	-	311,077	-
Buildings and building improvements	5,062,293	4	5,238,538	4	Total long-term liabilities	<u>45,866,847</u>	<u>34</u>	<u>40,990,416</u>	<u>31</u>
Machinery and equipment	108,741,498	82	132,595,706	101	Other liabilities:				
Transportation equipment	5,855	-	5,855	-	Accrued pension liabilities	377,121	-	389,027	-
Leased assets	345,637	-	345,637	-	Guarantee deposits	150,389	-	136,535	-
Miscellaneous equipment	1,561,604	1	1,792,342	1	Miscellaneous liabilities	156,537	-	162,360	-
	116,730,811	88	140,992,002	107	Total other liabilities	<u>684,047</u>	<u>-</u>	<u>687,922</u>	<u>-</u>
Less: accumulated depreciation	(57,097,431)	(43)	(71,016,594)	(54)	Total liabilities	<u>95,470,286</u>	<u>72</u>	<u>99,173,796</u>	<u>74</u>
Construction in progress	8,826,804	7	7,323,500	7					
Prepayments for equipment	137,140	-	308,197	-	Stockholders' equity:				
Net property, plant and equipment	<u>68,597,324</u>	<u>52</u>	<u>77,607,105</u>	<u>60</u>	Common stock	34,047,425	26	40,343,415	31
					Advance receipts for capital stock	111,133	-	3,089	-
Intangible assets:					Capital surplus	13,555,224	10	17,831,745	14
Patents	1,723,663	1	1,234,991	1	Accumulated deficit	(10,242,807)	(8)	(25,374,345)	(19)
Other intangible assets	3,269,194	2	1,793,230	1	Cumulative translation adjustments	7,929	-	(14,159)	-
Total intangible assets	<u>4,992,857</u>	<u>3</u>	<u>3,028,221</u>	<u>2</u>	Unrealized loss on financial instruments	243,517	-	205,868	-
					Treasury stock	(347,533)	-	(347,533)	-
Other assets:					Total stockholders' equity	<u>37,374,888</u>	<u>28</u>	<u>32,648,080</u>	<u>26</u>
Refundable deposits	1,473	-	66,049	-	Commitments and contingencies				
Deferred charges	53,338	-	39,635	-					
Lease receivable—long-term	2,706,173	2	2,664,183	2					
Deferred income tax assets, net—non-current	3,224,158	2	3,245,504	2					
Miscellaneous assets	16	-	47,564	-					
Total other assets	<u>5,985,158</u>	<u>4</u>	<u>6,062,935</u>	<u>4</u>					
Total assets	<u>\$ 132,845,174</u>	<u>100</u>	<u>131,821,876</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 132,845,174</u>	<u>100</u>	<u>131,821,876</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 years ended December 31, 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	\$ 42,456,473	100	56,543,895	100
Operating costs	<u>(52,580,703)</u>	<u>(124)</u>	<u>(59,834,813)</u>	<u>(106)</u>
Gross loss	(10,124,230)	(24)	(3,290,918)	(6)
Unrealized profit(loss) from affiliated companies	(10,699)	-	27,555	-
Realized (loss) profit from affiliated companies	<u>(38,592)</u>	<u>-</u>	<u>10,699</u>	<u>-</u>
Gross loss, net	<u>(10,173,521)</u>	<u>(24)</u>	<u>(3,252,664)</u>	<u>(6)</u>
Operating expenses				
Selling expenses	(481,715)	(1)	(474,274)	(1)
Administrative expenses	(1,825,460)	(4)	(1,524,801)	(3)
Research and development expenses	<u>(3,438,508)</u>	<u>(8)</u>	<u>(6,542,114)</u>	<u>(12)</u>
Total operating expenses	<u>(5,745,683)</u>	<u>(13)</u>	<u>(8,541,189)</u>	<u>(16)</u>
Operating loss	<u>(15,919,204)</u>	<u>(37)</u>	<u>(11,793,853)</u>	<u>(22)</u>
Non-operating income and gains:				
Interest income	305,436	1	305,395	1
Gain on disposal of property, plant and equipment	6,236	-	98,521	-
Foreign exchange gain, net	150,424	-	396,646	1
Gain on idle assets' value recoveries	16,977	-	-	-
Gain on valuation of financial assets	4	-	8	-
Gain on valuation of financial liabilities	91,965	-	73,156	-
Miscellaneous income	<u>810,361</u>	<u>2</u>	<u>232,678</u>	<u>-</u>
Total non-operating income and gains	<u>1,381,403</u>	<u>3</u>	<u>1,106,404</u>	<u>2</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$74,182 thousand and NT\$158,086 thousand for 2009 and 2010, respectively)	(1,373,546)	(3)	(1,381,546)	(2)
Investment loss recognized under equity method	(4,672,497)	(11)	(2,754,437)	(5)
Loss on disposal of property, plant and equipment	(46,428)	-	(65,999)	-
Impairment loss	-	-	(77,537)	-
Miscellaneous disbursements	<u>(123,374)</u>	<u>-</u>	<u>(185,885)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(6,215,845)</u>	<u>(14)</u>	<u>(4,465,404)</u>	<u>(7)</u>
Loss before income tax	(20,753,646)	(48)	(15,152,853)	(27)
Income tax benefit	<u>119</u>	<u>-</u>	<u>21,315</u>	<u>-</u>
Net loss	<u>\$ (20,753,527)</u>	<u>(48)</u>	<u>(15,131,538)</u>	<u>(27)</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>\$ (8.67)</u>	<u>(8.67)</u>	<u>(4.34)</u>	<u>(4.34)</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>\$ (20,753,646)</u>	<u>(20,753,527)</u>	<u>(15,152,853)</u>	<u>(15,131,538)</u>
Basic loss per share	<u>\$ (8.64)</u>	<u>(8.64)</u>	<u>(4.33)</u>	<u>(4.33)</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION
Statements of Cash Flows
For the years ended December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars)

	<u>2009</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (20,753,527)	(15,131,538)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	12,387,328	14,880,223
Amortization	2,373,932	1,993,905
Compensation costs on employee stock option plans	499,089	133,889
Amortization of discount on bonds payable and long-term loans	8,840	33,532
(Gain) loss on inventory valuation and obsolescence	(4,179,863)	2,218,689
Investment loss recognized under equity method	4,672,497	2,754,437
Loss (gain) on disposal of property, plant and equipment, net	40,192	(32,522)
Gain on valuation of financial liabilities	(91,965)	(73,156)
Impairment (recoveries) loss	(16,977)	77,537
Unrealized gain (loss) from affiliated companies	10,699	(27,555)
Realized loss (gain) from affiliated companies	38,592	(10,699)
Unrealized foreign currency exchange loss (gain), net	101,707	(156,710)
Unrealized interest revenue amortization	(291,824)	(294,789)
Change in operating assets and liabilities:		
Change in operating assets:		
(Increase) decrease financial asset held for trading	(290,004)	290,004
(Increase) decrease in notes and accounts receivable	(7,816,331)	2,679,454
(Increase) decrease in other receivables	(540,485)	627,017
Decrease (increase) in inventory	2,222,032	(3,040,392)
Decrease (increase) in prepayments	107,082	(914,684)
Increase in deferred income tax assets	-	(21,346)
Change in operating liabilities:		
Increase (decrease) in notes and accounts payable	3,594,214	(1,625,006)
Decrease in accrued expenses	(3,202,340)	(845,218)
Increase in other current liabilities	24,922	676,562
Increase in accrued pension liability	21,998	11,906
Decrease in miscellaneous liabilities	(828)	(448)
Net cash (used in) provided by operating activities	<u>(11,081,020)</u>	<u>4,203,092</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	-	(4,512,714)
Return of capital from subsidiary due to subsidiary's capital reduction	874,650	-
Purchases of property, plant and equipment	(15,085,785)	(23,975,516)
Proceeds from sales of property, plant and equipment	98,171	238,464
Decrease (increase) in refundable deposits	1,064	(64,576)
Increase in Deferred Expense	(47,134)	(11,700)
Increase in other receivable from related parties	-	(350,000)
(Increase) decrease in lease receivable	(248,461)	244,228
Increase in miscellaneous assets	(16)	(2,001)
Net cash used in investing activities	<u>(14,407,511)</u>	<u>(28,433,815)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	1,708,124	(1,508,124)
Decrease in bonds payable	(11,882,605)	(13,030,000)
Increase from long-term loans	4,000,000	14,750,000
Decrease from long-term loans	-	(3,666,667)
Decrease in guarantee deposits	(21,038)	(11,446)
Increase in other payables from related parties	15,721,600	9,478,400
Decrease in lease payable	(5,523)	(5,857)
Decrease in long-term accounts payable	(1,604,958)	(242,038)
Issuance of common stock for cash	28,212,000	9,895,000
Issuance of common stock for exercise of employee stock options	531,368	345,113
Net cash provided by financing activities	<u>36,658,968</u>	<u>16,004,381</u>
Effect of foreign currency exchange translation	<u>(13,315)</u>	<u>12,343</u>
Increase (decrease) in cash and cash equivalents	11,157,122	(8,213,999)
Cash and cash equivalents at beginning of period	2,506,146	13,663,268
Cash and cash equivalents at end of period	<u>\$ 13,663,268</u>	<u>5,449,269</u>
Supplemental cash flow information:		
Interest paid	\$ 1,521,748	1,647,354
Less: Capitalized interest	74,182	158,086
Interest paid excluding capitalized interest	<u>\$ 1,447,566</u>	<u>1,489,268</u>
Income tax paid	<u>\$ 119</u>	<u>31</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of bonds payable	<u>\$ 13,030,000</u>	<u>5,390,000</u>
Current portion of long-term loans	<u>\$ 3,662,179</u>	<u>14,017,227</u>
Return of capital from subsidiary due to subsidiary's capital reduction	<u>\$ -</u>	<u>1,400,000</u>
Cash paid for acquisition of properties:		
Total acquisition	<u>\$ (14,193,600)</u>	<u>(24,197,576)</u>
Decrease in accounts payable-machinery and equipment, net	<u>\$ (892,185)</u>	<u>222,060</u>
Cash paid for acquisition of properties	<u>\$ (15,085,785)</u>	<u>(23,975,516)</u>

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