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.

Balance as of January 1, 2009

Issuance of common stock for cash

Make-up of the accumulated deficit by capital reduction

Make-up of the accumulated deficit by capital surplus

Make-up of the accumulated deficit

Make-up of the accumulated deficit by special reserve

Advance receipts for common stock due to employee stock options exercised

Recognized compensation costs on employee stock options

Net loss in 2009

Losses on foreign currency exchange of long-term investments

Adjustment to change of long-term equity investments

Balance as of December 31, 2009

Issuance of common stock for cash

Advance receipts for common stock due to employee stock options exercised

Recognized compensation costs on employee stock options

Net loss in 2010

Adjustment arising from changes in percentage of ownership in investees

Losses on foreign currency exchange of long-term investments

Adjustment to change of long-term equity investments

Balance as of December 31, 2010

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)

Common stock	Advance receipts for <u>capital stock</u>	Capital Surplus	Legal reserve	Special reserve	Accumulated deficit	Cumulative translation adjustments	Unrealized Loss on Financial Instruments	Treasury stock	Total
\$ 46,933,975	-	25,133,947	2,814,499	2,655,892	(49,121,653)	11,715	96,006	(347,533)	28,176,848
18,000,000	-	10,212,000	-	-	-	-	-	-	28,212,000
(31,178,240)	-	-	-	-	31,178,240	-	-	-	-
-	-	(22,983,742)	-	-	22,983,742	-	-	-	-
-	-	-	(2,814,499)	-	2,814,499	-	-	-	-
-	-	-	-	(2,655,892)	2,655,892	-	-	-	-
291,690	111,133	128,544	-	-	-	-	-	-	531,367
-	-	499,089	-	-	-	-	-	-	499,089
-	-	-	-	-	(20,753,527)	-	-	-	(20,753,527)
-	-	-	-	-	-	(3,786)	-	-	(3,786)
		565,386					147,511		712,897
34,047,425	111,133	13,555,224	-	-	(10,242,807)	7,929	243,517	(347,533)	37,374,888
6,000,000	-	3,895,000	-	-	-	-	-	-	9,895,000
295,990	(108,044)	157,167	-	-	-	-	-	-	345,113
-	-	133,889	-	-	-	-	-	-	133,889
-	-	-	-	-	(15,131,538)	-	-	-	(15,131,538)
-	-	55,140	-	-	-	-	-	-	55,140
-	-	-	-	-	-	(22,088)	-	-	(22,088)
		35,325					(37,649)		(2,324)
\$_40.343.415	3.089	17.831.745	-	-	(25,374,345)	<u>(14.159)</u>	205.868	(347.533)	32.648.080

(Continued)

Balance Sheets

December 31, 2009 and 2010

(Expressed in Thousands of New Taiwan Dollars)

	2009		2010			2009		2010	
<u>Assets</u>	Amount	<u>%</u>	Amount	<u>%</u>	Liabilities and Stockholders' Equity	Amount	%	Amount	%
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	6,801,314	5	4,842,535	4	Notes and accounts payable	3,420,609	3	4,032,668	3
of NT\$0 thousands dollars.		_			Accounts payable—related parties	5,487,300	5	3,163,737	2
Accounts receivable—related parties	5,929,090	5	4,881,655	4	Accrued expenses	4,653,752	3	3,723,896	3
Other receivables	1,408,824	1	1,446,725	l	Financial liabilities reported as fair value through profit or loss—current	285,134	-	211,978	-
Other receivables—related parties	734,784	1	1,912,417	I	Other payables—related parties	16,663,267	13	26,709,576	20
Inventories, net	7,827,418	7	8,649,121	7	Current portion of bonds payable	13,030,000	10	5,390,000	4
Prepayments	641,042	-	1,555,726	1	Current portion of long-term loans	3,662,179	3	14,017,227	11
Financial assets reported as fair value through profit or loss—current	<u>290,004</u>	- 29	28,737,448		Other current liabilities	9.027	-	46.376	-
Total current assets Funds and long-term investments:	37,295,744	<u>29</u>	20,737,440	22	Total current liabilities	48,919,392	38	57,495,458	43
Long-term investments: Long-term investments carried on the equity method	15,974,091	12	16,386,167	12	Total callent habitates	10,717,372		37,193,130	
Total Funds and long-term investments	15,974,091	<u>12</u> 12	16,386,167	<u>12</u> 12	Long-term liabilities:				
Total Funus and long-term investments	13,974,091	12	10,360,107	12	Bonds payable	7,077,767	5	1,693,499	1
Property, plant and equipment:					Long-term loans	38,229,754	29	38,985,840	30
Land	1,013,924	1	1,013,924	1	Long-term accounts payable	242,038	-	-	-
Buildings and building improvements	5,062,293	4	5,238,538	4	Lease payables—long-term	317,288	_	311,077	_
Machinery and equipment	108,741,498	82	132,595,706	101	Total long-term liabilities	45,866,847	34	40,990,416	31
Transportation equipment	5,855	-	5,855	-					
Leased assets	345,637	_	345,637	_	Other liabilities:				
Miscellaneous equipment	1,561,604	1	1,792,342	1	Accrued pension liabilities	377,121	_	389,027	_
	116,730,811	88	140,992,002	107	Guarantee deposits	150,389	_	136,535	-
Less: accumulated depreciation	(57,097,431)	(43)	(71,016,594)	(54)	Miscellaneous liabilities	156,537		162,360	
Construction in progress	8,826,804	7	7,323,500	7	Total other liabilities	684,047		687,922	
Prepayments for equipment	137,140	_	308,197		Total liabilities	95,470,286	72	99,173,796	<u>74</u>
Net property, plant and equipment	68,597,324	52	77,607,105	60					
		<u> </u>		<u> </u>	Stockholders' equity:				
Intangible assets:					Common stock	34,047,425	26	40,343,415	31
Patents	1,723,663	1	1,234,991	1	Advance receipts for capital stock	111,133	-	3,089	-
Other intangible assets	3,269,194	2	1,793,230	1	Capital surplus	13,555,224	10	17,831,745	14
Total intangible assets	4,992,857	3	3,028,221	2	Accumulated deficit	(10,242,807)	(8)	(25,374,345)	(19)
					Cumulative translation adjustments	7,929	-	(14,159)	-
Other assets:					Unrealized loss on financial instruments	243,517	-	205,868	-
Refundable deposits	1,473	-	66,049	-	Treasury stock	(347,533)		(347,533)	
Deferred charges	53,338	-	39,635	-	Total stockholders' equity	37,374,888	28	32,648,080	26
Lease receivable—long-term	2,706,173	2	2,664,183	2	Commitments and contingencies				
Deferred income tax assets, net—non-current	3,224,158	2	3,245,504	2					
Miscellaneous assets	<u>16</u>		47,564						
Total other assets	5,985,158	4	6,062,935	4					
Total assets	\$ <u>132,845,174</u>	100	131,821,876	100	Total liabilities and stockholders' equity	\$ <u>132,845,174</u>	100	131,821,876	100

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					
	Amount	<u>%</u>	Amount	<u>%</u>				
Operating revenues, net	\$ 42,456,473	3 100	56,543,895	100				
Operating costs	(52,580,703		(59,834,813)	(106)				
Gross loss	(10,124,230		(3,290,918)	(6)				
G1035 1035	(10,121,230	(21)	(3,270,710)	(0)				
Unrealized profit(loss) from affiliated companies	(10,699	9) -	27,555	-				
Realized (loss) profit from affiliated companies	(38,592	<u> </u>	10,699					
Gross loss, net	(10,173,52)	<u>(24</u>)	(3,252,664)	<u>(6</u>)				
Operating expenses								
Selling expenses	(481,715		(474,274)	(1)				
Administrative expenses	(1,825,460)) (4)	(1,524,801)	(3)				
Research and development expenses	(3,438,508		(6,542,114)	(12)				
Total operating expenses	(5,745,683		<u>(8,541,189</u>)	<u>(16</u>)				
Operating loss	(15,919,204	<u>(37</u>)	(11,793,853)	<u>(22</u>)				
Non-operating income and gains:	207.42	_	207.207					
Interest income	305,436		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		1 -	8	-				
Gain on valuation of financial liabilities	91,965		73,156	-				
Miscellaneous income	810,36		232,678					
Total non-operating income and gains	1,381,403	<u>3</u>	1,106,404	2				
Non-operating expenses and losses:								
Interest expenses (excluding capitalized interest of NT\$74,182	(1,373,546	5) (3)	(1,381,546)	(2)				
thousand and NT\$158,086 thousand for 2009 and 2010, respectively	•	(- /	()))	()				
Investment loss recognized under equity method	(4,672,497	7) (11)	(2,754,437)	(5)				
Loss on disposal of property, plant and equipment	(46,428		(65,999)	-				
Impairment loss	-	-	(77,537)	_				
Miscellaneous disbursements	(123,374	- (4	(185,885)	_				
Total non-operating expenses and losses	(6,215,845		(4,465,404)	(7)				
1 0 1								
Loss before income tax	(20,753,646	5) (48)	(15,152,853)	(27)				
Income tax benefit	119	<u> </u>	21,315					
Net loss	\$ <u>(20,753,527</u>	<u>(48</u>)	<u>(15,131,538</u>)	<u>(27</u>)				
N.A.L. and a second of the sec	D - £	A 64	D - C	A 64				
Net loss per common share (in dollars)	Before Income tax	After Income tox	Before	After				
Basic loss per share	\$(8.67)	<u>Income tax</u> <u>(8.67)</u>	<u>Income tax</u> (4.34)	(4.34)				
Zaute 1000 per bitare	Ψ <u>(U•U1</u>)	<u>(U•U1</u>)		(1,21)				
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:								
	Before	After	Before	After				
Not loss	Income tax	<u>Income tax</u>		Income tax				
Net loss	\$ <u>(20,753,646)</u>	(20,753,527)		<u>15,131,538</u>)				
Basic loss per share	\$ <u>(8.64</u>)	<u>(8.64</u>)	<u>(4.33</u>)	(4.33)				

Statements of Cash Flows

For the years ended December 31, 2009 and 2010

(Expressed in thousands of New Taiwan dollars)

Net loss from operating extinizes \$ (2075) \$25, \$1,000.000.000.000.000.000.000.000.000.00		2009	2010
Pages	Cash flows from operating activities:		
Degree 1,238,738 1,480,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,223 1,280,233 1,280,2	Net loss	\$ (20,753,527)	(15,131,538)
Amontzazioin 2,737,825 1,938,905 Congeneration costs on employee stock option plans 49,908,90 13,889 Amenization of discount on bands popular and long term hours 4,814,91 23,884,91 Interviente in term term and term perty plant and segreptiment, see 6,107,92 22,784,477 Claic on valuation of financial liabilities 10,067,93 77,375,53 Integration (executive) loss 10,007,93 77,375,53 Realized both of financial liabilities 38,95,10 10,007,93 Unresidited forciga curracy exchange loss (pain), act 10,007 10,007 Change in quertiling assets and flatibilities 38,95,10 10,007 Change in quertiling assets and flatibilities 2,000,30 2,000,30 Change of perturing assets and secoults secondly 2,000,30 2,000,30 Change of perturing assets of self for tradig 2,000,30 2,000,30 Change of perturing assets and flatibilities 2,000,30 2,000,30 Change of perturing assets and secoults secondly 0,316,33 2,000,30 Change of perturing assets and secoults secondly 0,202,40 2,000,30 Change of p	•		
Compensation costs on employee sock option plans Amontazion of discounts on booth popuble and loag-term loans (San San San San San San San San San San	•		
(公前) cost inventory valuation of devisors (1978年87) (2718年87)			
Investment inser exequized under equity method	Amortization of discount on bonds payable and long-term loans	*	
Case (gain on adisposal of peopersy plant and equipment, net			
Came on valuation of framed in finalistics (19,15%) (73,15%)			
Realized spin (toos) from allifilated companies			
Realized loss (gain) from affiliared companies 38,502 (10,600) Unrealized foreign currency exchange loss (gain), net (201,824) (201,820) Change in operating asserts revenue amonitarion (201,824) (201,820) Change in operating asserts mental abstilites (201,824) (20			
Turealbord furiegor curronney exchange fore (gain), net Content Conten		*	
Change in operating assets and inhibitions			
Cloage in operating isserts	Unrealized interest revenue amortization		
(Increase) decrease financial asset fed for training (Rocease) (1781,833) (2079,451 (160-2082) (1781,833) (2079,451 (160-2082) (1781,833) (2079,451 (160-2082) (1781,833) (2079,451 (160-2082) (1781,833) (2079,451 (160-2082) (1781,833) (2079,451 (1781,833) (2	Change in operating assets and liabilities:		
(Increase) decrease in notes and accounts receivable (5,63,45) (5,70,70) (Increase) decrease in invernory 2,222,232 (3,040,302) Decrease (increase) in invernory (2,10,40) (1,00) (9,14,80) Increase in deferred income tax assets (2,10,40) (1,00)	• •		
(,
Decrease increases) in prepayments 12,202,00 (8),40,80 Decrease in deferred income tax seases 0,10,80 (8),40 Change operating laborities 35,94,12 (1,625,006) Decrease in accreace deprenses 3,59,21 (8),625,128 Increase in accreace deprenses 3,202,340 (8),528 Increase in onther current liabilities 24,922 676,562 Increase in accreace deprenses in intensity 20,323 4,932 Need to seat in querion of provided by operating activities 3,233 4,932 Acquisition investiments accounted for equity method 8,74 (8,17,18) Return of capital from subsidiary due to subsidiary's capital reduction 8,16 (8,17,18) Purchases of property, plant and equipment 8,17 2,23,45 Purchases of property, plant and equipment 9,17 2,24 Increase in beferred increase in remarked property, plant and equipment 1,08 1,00 Increase in the beferred increase in remarked property, plant and equipment 1,00 2,0 Increase in contract payable from chaled parties 1,00 2,0 Increase in payable from chaled parties <td></td> <td></td> <td></td>			
Decrease increases in perpayments 10,00% (2,14,6%) Change In operating liabilities (1,05,00%) (1,05,00%) Increase in accread expenses 3,594,214 (1,05,00%) Increase in accread expenses 3,594,214 (1,05,00%) Increase in accread expenses (2,00%) (2,00%) Increase in inscellance in shallifies (2,00%) (2,00%) Poer sees in miscallance in shallifies (2,00%) (2,00%) Net cash (used in) provided by operating activities 3,00%,20% (2,00%) Reum of capital from abilisating due to subsidiary's apital reduction 874,50% (2,00%) Reum of capital from abilisating due to subsidiary's apital reduction 874,50% (2,00%) Procease finacrease in inscellance plupiment 9,0%,17 23,864 Procease finacrease in present plant and equipment 9,0%,17 (2,00%) Increase in other receivable from relatel parties 1,0%,10% (2,00%) Increase in other receivable from relatel parties 2,0%,10% (2,00%) Increase in other payable from related parties 1,0%,10% (2,00%) Increase in cother payable from related parties	(
Change in operating liabilities 3.594,214 (3.625,80) Increase in ancerued expenses (3,202,340) (8,452,80) Increase in accrued expenses (3,202,340) (8,528,80) Increase in ancerued pension liability (2,988) (1,980) Net cash (used in) provided by operating activities (2,898) (4,812,714) Activated in investments accounted for equity method 7 (4,512,714) Return of equital from subsidiary due to subsidiary's capital reduction 87,450,80 (2,975,516) Purchases for property, plant and equipment 9,150,40 (2,975,516) Purchases for property, plant and equipment 9,10,40 (2,975,516) Decrease (internace) in terturbal deepositie 9,10,40 (2,975,516) Increase in beferred Expense 1,00 (2,975,516) Increase in internee internee receivable 2,0 (3,500,60) Increase in miscellarious issued 2,0 (3,500,60) Increase in insect process in such account in investing activities 2,0 (3,500,60) Increase in beferred Expense 1,0 (2,000,60) (3,500,60) Increase in inseclarious insus in investing ac	Decrease (increase) in prepayments		(914,684)
Decrease in acrote decrease in notes and accounts payable (1,625,006)		-	(21,346)
Decrease in accured expenses		2.504.214	(1, (25, 006)
Increase in other current liabilities			
Decrease in misculianous liabilities (40,000) Ck teck alt (used in) provided by operating activities (10,100,000) Ckapilistion of investing activities - (45,015) Acquisition of investing activities - (45,015) Return of capital from usbidiary due to subsidiary's capital reduction 874,60 - Proceeds from sales of property, plant and equipment (81,015) (30,000) Proceeds from sales of property, plant and equipment (81,016) (81,016) Proceeds from sales of property, plant and equipment (81,016) (81,016) Increase in other receivable from related parties (81,016) (30,000) Increase in other receivable from related parties (10,000) </td <td>•</td> <td></td> <td></td>	•		
Net cask (used in) provided by operating activities 4,00,000 Claims from investing activities - 4,61,51,71 Acquisition of investments accounted for equity method 5 4,61,51,71 Return of capital from subsidiary due to subsidiary's capital reduction 874,650 1 Purchases of property, plant and equipment (5,058,758) 23,975,161 Decrease (increase) in refundable deposits (47,134) (11,700,000) Increase in Deferred Expense (47,134) (11,700,000) Increase in other receivable from related parties (248,461) 244,228 Increase in loser receivable (248,461) 244,228 Increase in inscellaerous assests (1,000,000) (2,000,000) Net cash used in investing activities 1,708,124 (2,000,000) Decrease in bonds possible from related parties 1,708,124 (2,000,000) Increase in bonds payable 1,708,124 (3,000,000) (3,000,000) Increase in on long-term loans 4,000,000 (3,000,000) (3,000,000) (3,000,000) (3,000,000) (3,000,000) (3,000,000) (3,000,000) (3,000,000) (3,0			
Cash flows from investing activities (4,512,178) Acquisition of investments accounted for equity method 874,650 Return of capital from subsidiary set to subsidiary's capital reduction 874,650 Purchases of property, plant and equipment 98,151 238,461 Procease (increase) in refundable deposits 1,064 (64,576) Increase in other receivable from related parties (78,000) (1,000) Increase in other receivable from related parties (16 2,000) (Increase) of the crease in miscellaneous assets (16 2,000) (Increase) in miscellaneous assets (18,000) (1,000) Cash Used in investing activities 1,708,124 (1,508,124) Cash used in investing activities 1,708,124 (1,508,124) Decrease in miscellaneous assets (1,188,260) (1,300,000) Increase (decrease) in short-tern loans 1,170,8124 (1,508,124) Decrease in miscellaneous assets (1,188,260) (1,188,260) Increase (decrease) in short-tern loans (1,188,260) (1,188,200) Decrease in bushap in bonds papable (1,188,260) (1,188,200)			
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