

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Financial Statements**

**March 31, 2009 and 2010**

**(The Consolidated Financial Statements  
is not Reviewed by chartered Accountants')**

**(The Consolidated Financial Statements is not Reviewed by chartered Accountants’)**  
**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 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>
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 1,826,131	2	3,284,051	3	Short-term loans	\$ 927,371	1	1,545,500	1
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$34,700 and NT\$11,438 thousands dollars.	4,225,573	4	10,193,016	8	Notes and accounts payable	4,172,553	4	6,158,271	5
Accounts receivable—related parties	-	-	99	-	Accounts payable—related parties	4,544,916	4	4,945,305	4
Other receivables	1,132,939	1	1,569,174	1	Accrued expenses	7,056,366	7	2,475,687	2
Other receivables—related parties	601,005	1	350,664	-	Financial liabilities reported as fair value through profit or loss—current	327,724	-	260,592	-
Inventories, net	5,182,701	5	8,225,778	6	Other payable—related parties	2,980,234	3	8,196,607	6
Prepayments	554,989	1	740,567	1	Other payables	11,467	-	6,946	-
Deferred income tax assets, net—current	-	-	3,833	-	Current portion of bonds payable	11,386,904	10	13,030,000	10
<b>Total current assets</b>	<u>13,523,338</u>	<u>14</u>	<u>24,367,182</u>	<u>19</u>	Current portion of long-term loans	-	-	10,669,359	9
					Other current liabilities	378,259	-	1,502	-
<b>Funds and long-term investments</b>					<b>Total current liabilities</b>	<u>31,785,794</u>	<u>29</u>	<u>47,289,769</u>	<u>37</u>
Long-term investments carried on the equity method	19,294,383	18	20,061,320	16					
Available-for-sale financial assets—non-current	229,110	-	338,840	-	<b>Long-term liabilities</b>				
<b>Total Funds and long-term investments</b>	<u>19,523,493</u>	<u>18</u>	<u>20,400,160</u>	<u>16</u>	Bonds payable	20,103,468	18	7,079,200	6
					Long-term loans	37,922,125	35	36,258,141	28
<b>Property, plant and equipment:</b>					Long-term accounts payable	826,721	1	194,259	-
Land	1,013,924	1	1,013,924	1	Lease payables—long-term	321,712	-	315,769	-
Buildings and building improvements	5,947,286	5	5,235,926	4	<b>Total long-term liabilities</b>	<u>59,174,026</u>	<u>54</u>	<u>43,847,369</u>	<u>34</u>
Machinery and equipment	107,458,935	98	109,501,155	86					
Transportation equipment	8,512	-	28,289	-	<b>Other liabilities:</b>				
Leased assets	345,637	-	345,637	-	Accrued pension liability	358,202	-	379,609	-
Miscellaneous equipment	1,626,432	1	1,592,368	1	Guarantee deposits	155,200	-	135,635	-
	116,400,726	105	117,717,299	92	Miscellaneous liabilities	115,788	-	114,092	-
Less: accumulated depreciation	(52,017,363)	(48)	(60,325,824)	(47)	<b>Total other liabilities</b>	<u>629,190</u>	<u>-</u>	<u>629,336</u>	<u>-</u>
Construction in progress	1,894,121	2	15,144,680	12	<b>Total liabilities</b>	<u>91,589,010</u>	<u>83</u>	<u>91,766,474</u>	<u>71</u>
<b>Net property, plant and equipment</b>	<u>66,277,484</u>	<u>59</u>	<u>72,536,155</u>	<u>57</u>					
					<b>Stockholders' equity:</b>				
<b>Intangible assets:</b>					Common stock	46,933,975	43	34,279,255	27
Patents	2,146,894	2	1,601,271	1	Advance receipts for capital stock	-	-	17,417	-
Other intangible assets	4,430,522	4	2,881,660	2	Capital surplus	25,150,219	23	13,752,136	11
<b>Total intangible assets</b>	<u>6,577,416</u>	<u>6</u>	<u>4,482,931</u>	<u>3</u>	Legal reserve	2,814,499	3	-	-
					Special reserve	2,655,892	2	-	-
<b>Other assets:</b>					Accumulated deficit	(59,634,487)	(54)	(11,867,993)	(9)
Refundable deposits	8,303	-	8,411	-	Cumulative translation adjustments	16,652	-	2,412	-
Deferred charges	68,319	-	46,433	-	Unrealized gain on financial instruments	143,199	-	252,929	-
Lease receivable—long-term	118,847	-	2,777,621	2	Treasury stock	(347,533)	-	(347,533)	-
Deferred income tax assets, net—non-current	3,224,158	3	3,224,355	3	<b>Total stockholders' equity</b>	<u>17,732,416</u>	<u>17</u>	<u>36,088,623</u>	<u>29</u>
Miscellaneous assets	70	-	93	-	Minority interest	2	-	8,704	-
Restricted current assets	-	-	20,460	-	<b>Total stockholders' equity and minority interest</b>	<u>17,732,418</u>	<u>17</u>	<u>36,097,327</u>	<u>29</u>
<b>Total other assets</b>	<u>3,419,697</u>	<u>3</u>	<u>6,077,373</u>	<u>5</u>	<b>Commitments and contingencies</b>				
<b>Total assets</b>	<u>\$ 109,321,428</u>	<u>100</u>	<u>127,863,801</u>	<u>100</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 109,321,428</u>	<u>100</u>	<u>127,863,801</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.

**(The Consolidated Financial Statements is not Reviewed by chartered Accountants')**

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Operations**

**Three-month periods ended March 31, 2009 and 2010**

**(expressed in thousands of New Taiwan dollars, except earnings per share)**

	<u>2009</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating revenues, net</b>	\$ 6,097,942	100	14,250,513	100
<b>Operating costs</b>	<u>(13,040,951)</u>	<u>(214)</u>	<u>(13,972,930)</u>	<u>(98)</u>
<b>Gross loss</b>	(6,943,009)	(114)	277,583	2
<b>Operating expenses</b>				
<b>Selling expenses</b>	(152,418)	(2)	(175,182)	(1)
<b>Administrative expenses</b>	(461,913)	(8)	(287,693)	(2)
<b>Research and development expenses</b>	<u>(871,421)</u>	<u>(14)</u>	<u>(1,014,731)</u>	<u>(7)</u>
<b>Total operating expenses</b>	<u>(1,485,752)</u>	<u>(24)</u>	<u>(1,477,606)</u>	<u>(10)</u>
<b>Operating loss</b>	<u>(8,428,761)</u>	<u>(138)</u>	<u>(1,200,023)</u>	<u>(8)</u>
<b>Non-operating income and gains:</b>				
Interest income	8,334	-	76,130	1
Gain on disposal of property, plant and equipment	941	-	675	-
Foreign exchange gain, net	-	-	57,987	-
Gain on idle assets' value recoveries	22,798	-	-	-
Gain on valuation of financial assets	-	-	8	-
Gain on valuation of financial liabilities	49,375	1	24,542	-
Miscellaneous income	<u>149,182</u>	<u>2</u>	<u>87,850</u>	<u>1</u>
<b>Total non-operating income and gains</b>	<u>230,630</u>	<u>3</u>	<u>247,192</u>	<u>2</u>
<b>Non-operating expenses and losses:</b>				
Interest expenses (excluding capitalized interest of NT\$11,378 thousand and NT\$26,848 thousand for 2009 and 2010, respectively)	(344,607)	(6)	(338,159)	(2)
Investment loss recognized under equity method	(1,614,857)	(26)	(303,175)	(2)
Loss on disposal of property, plant and equipment	(27,173)	-	(1,428)	-
Foreign exchange loss, net	(187,660)	(3)	-	-
Impairment loss	-	-	(14,228)	-
Miscellaneous disbursements	<u>(140,360)</u>	<u>(2)</u>	<u>(13,795)</u>	<u>-</u>
<b>Total non-operating expenses and losses</b>	<u>(2,314,657)</u>	<u>(37)</u>	<u>(670,785)</u>	<u>(4)</u>
<b>Loss before income tax</b>	(10,512,788)	(172)	(1,623,616)	(10)
<b>Income tax expenses</b>	<u>(45)</u>	<u>-</u>	<u>(1,861)</u>	<u>-</u>
<b>Net loss</b>	<u>\$ (10,512,833)</u>	<u>(172)</u>	<u>(1,625,477)</u>	<u>(10)</u>
<b>Consolidated net loss</b>	(10,512,834)	(172)	(1,625,186)	(10)
<b>Net income (loss) of minority interest</b>	<u>1</u>	<u>-</u>	<u>(291)</u>	<u>-</u>
	<u>\$ (10,512,833)</u>	<u>(172)</u>	<u>(1,625,477)</u>	<u>(10)</u>
<b>Net loss per common share (in dollars)</b>				
<b>Basic loss per share</b>	<u>Before</u> <u>Income tax</u>	<u>After</u> <u>Income tax</u>	<u>Before</u> <u>Income tax</u>	<u>After</u> <u>Income tax</u>
	\$ <u>(6.67)</u>	<u>(6.67)</u>	<u>(0.48)</u>	<u>(0.48)</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.

**(The Consolidated Financial Statements is not Reviewed by chartered Accountants')**

**NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Three-month periods ended March 31, 2009 and 2010**

**(expressed in thousands of New Taiwan dollars)**

	<u>2009</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (10,512,833)	(1,625,477)
Adjustments:		
Gain on valuation of financial liabilities	(49,375)	(24,542)
Depreciation	3,175,779	3,203,231
Amortization	746,364	516,140
Compensation costs on employee stock option plans	4,972	4,972
Unrealized interest revenue amortization	(1,375)	(75,000)
Investment loss recognized under equity method	1,614,857	303,175
Decrease financial asset held for trading	-	290,004
Loss(gain) on inventory valuation and obsolescence	(218,053)	(2,836)
Loss on disposal of property, plant and equipment, net	26,232	753
Impairment (recoveries) loss	(22,798)	14,228
Amortization of discount on bonds payable and long-term loans	1,740	8,433
Unrealized foreign currency exchange loss (gain), net	281,715	(11,744)
Decrease in notes and accounts receivable	408,509	1,717,640
Decrease (increase) in inventory	1,092,949	(279,410)
Decrease in other receivables	35,678	333,943
Increase (Decrease) in prepayments	86,252	(94,517)
Increase in notes and accounts payable	1,206,244	456,392
Increase (decrease) in accrued expenses	52,046	(1,353,899)
Increase (decrease) in other current liabilities	363,488	(25,583)
Increase in accrued pension liability	3,079	2,488
Increase in miscellaneous liabilities	807	751
Decrease in deferred income tax assets, net	-	27
<b>Net cash (used in) provided by operating activities</b>	<u>(1,703,723)</u>	<u>3,359,133</u>
<b>Cash flows from investing activities:</b>		
Increase (decrease) in lease payable	2,328	(100,229)
Proceeds from sales of property, plant and equipment	20,834	139,247
Increase in Deferred Expense and Intangible Assets	(500)	-
Purchases of property, plant and equipment	(874,228)	(7,183,853)
Increase in guarantee deposits	(2,689)	(4,141)
Increase in other receivables from related parties	(379,800)	-
Increase in miscellaneous assets	(70)	(77)
Acquisition of investments accounted for equity method	-	(4,426,607)
Decrease unrestricted current assets	-	414
<b>Net cash used in investing activities</b>	<u>(1,234,125)</u>	<u>(11,575,246)</u>
<b>Cash flows from financing activities:</b>		
Decrease in lease payable	(1,351)	(1,433)
Increase (decrease) in short-term loans	921,633	(162,624)
Increase in long-term loans	-	5,030,000
Decrease in long-term Accounts payable	(1,114,516)	(28,729)
Decrease in guarantee deposits	(16,227)	(14,754)
Issuance of common stock for exercise of employee stock options	-	263,029
Increase (decrease) in lending payable from related parties	2,499,800	(7,996,400)
Increase in minority interest	-	8,994
Redemption of Bonds	(492,900)	-
<b>Net cash provided by (used in) financing activities</b>	<u>1,796,439</u>	<u>(2,901,917)</u>
<b>Effect of foreign currency exchange translation</b>	<u>(39,370)</u>	<u>(5,267)</u>
<b>Effect of subsidiaries' initial consolidated</b>	<u>-</u>	<u>(204)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(1,180,779)</u>	<u>(11,123,501)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>3,006,910</u>	<u>14,407,552</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,826,131</u>	<u>3,284,051</u>
<b>Supplemental cash flow information:</b>		
Income tax paid	<u>\$ 45</u>	<u>1,862</u>
Interest paid (excluding capitalized interest)	<u>\$ 184,228</u>	<u>237,883</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Current portion of bonds payable	<u>\$ 11,386,904</u>	<u>13,030,000</u>
Current portion of long-term loans	<u>\$ -</u>	<u>10,669,359</u>
<b>Cash paid for acquisition of properties</b>		
Total acquisition	\$ (249,285)	(7,274,406)
Decrease (increase) in accounts payable-machinery and equipment, net	(624,943)	90,553
<b>Cash paid for acquisition of properties</b>	<u>\$ (874,228)</u>	<u>(7,183,853)</u>

(Continued)