

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

June 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 consolidated balance sheets of Nanya Technology Corporation (the "Company") and its subsidiaries as of June 30, 2009 and 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

The financial statements of certain subsidiaries were consolidated based on their unaudited or unreviewed financial statements as of and for the six-month periods then ended June 30, 2009 and 2010. Total assets of these subsidiaries amounts to NT\$3,337,419 thousand and NT\$6,977,953 thousand, representing 2.95 percent and 5.26 percent of the related consolidated totals, and total liability amounts to NT\$612,789 thousand and NT\$588,412 thousand, representing 0.68 percent and 0.60 percent of the related consolidated totals, respectively, as of June 30, 2009 and 2010, and total net operating revenue amounts to NT\$4,356,468 thousand and NT\$12,512,988 thousand, representing 30.93 percent and 41.55 percent of the related consolidated totals for the six-month periods then ended, respectively, and the net loss of those subsidiaries amounted to NT\$2,584 thousand and the net gain of those subsidiaries amounted to NT\$16,720 thousand representing 0.02 percent and (0.62) percent of the consolidated net loss for the six-month period ended June 30, 2009 and 2010. In addition, the financial statements of certain long-term investments accounted for under the equity method were not audited by independent accountants. Long-term investments in these company amounted to NT\$2,257,326 thousand and NT\$1,425,225 thousand as of June 30, 2009 and 2010, respectively, and the related investment loss amounted to NT\$156,147 thousand and investment income amounted to NT\$41,336 thousand for the six-month periods then ended, respectively. As well as the investees' information to the consolidated financial statements were recognized and disclosed based on the basis of these investees' unaudited financial statements for the same period as these of the Company. We did not review the financial statement in accordance with the procedures and practices which generally accepted and applied in the Republic of China as stated in the second paragraph.

Based on our reviews , except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain investee companies been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", and generally accepted accounting principles in the Republic of China.

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

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

The accompany consolidated 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.

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.

(Reviewed only, not audited in accordance with generally accepted auditing standards)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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	\$ 2,383,790	2	5,032,178	4	Short-term loans	\$ 2,772,586	3	695,400	1
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$34,300 and NT\$12,235 thousands dollars.	5,048,373	4	11,132,928	8	Notes and accounts payable	4,478,152	4	4,291,975	3
Accounts receivable—related parties	-	-	325	-	Accounts payable—related parties	5,132,160	5	3,736,312	3
Other receivables	1,413,771	1	1,285,304	1	Accrued expenses	6,932,353	6	4,158,727	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	7,331,821	7	9,272,843	7	Other payables — related parties	1,348,413	1	16,682,062	13
Prepayments	614,524	1	916,196	1	Other payables	9,834	-	10,705	-
Deferred income tax assets, net—current	-	-	3,888	-	Current portion of bonds payable	13,037,211	12	10,530,000	8
Total current assets	<u>17,183,995</u>	<u>15</u>	<u>27,990,497</u>	<u>21</u>	Current portion of long-term loans	-	-	10,670,585	8
					Other current liabilities	<u>1,433</u>	<u>-</u>	<u>25,359</u>	<u>-</u>
Funds and long-term investments:					Total current liabilities	<u>34,022,813</u>	<u>31</u>	<u>51,067,715</u>	<u>39</u>
Long-term investments carried on the equity method	17,345,237	15	19,640,303	15					
Available-for-sale financial assets—non-current	<u>233,329</u>	<u>-</u>	<u>353,631</u>	<u>-</u>	Long-term liabilities:				
Total Funds and long-term investments	<u>17,578,566</u>	<u>15</u>	<u>19,993,934</u>	<u>15</u>	Bonds payable	15,954,901	14	5,430,633	4
					Long-term loans	37,927,150	33	40,264,415	31
Property, plant and equipment:					Long-term accounts payable	602,627	1	-	-
Land	1,013,924	1	1,013,924	1	Lease payables — long-term	<u>320,259</u>	<u>-</u>	<u>314,228</u>	<u>-</u>
Buildings and building improvements	4,721,370	4	5,247,931	4	Total long-term liabilities	<u>54,804,937</u>	<u>48</u>	<u>46,009,276</u>	<u>35</u>
Machinery and equipment	102,488,134	91	118,393,161	89					
Transportation equipment	8,426	-	7,699	-	Other liabilities:				
Leased assets	345,637	-	345,637	-	Accrued pension liabilities	360,996	-	382,772	-
Miscellaneous equipment	<u>1,588,345</u>	<u>2</u>	<u>1,646,748</u>	<u>1</u>	Guarantee deposits	143,454	-	108,068	-
	110,165,836	98	126,655,100	95	Miscellaneous liabilities	<u>113,513</u>	<u>-</u>	<u>108,698</u>	<u>-</u>
Less: accumulated depreciation	(51,203,661)	(45)	(63,292,358)	(48)	Total other liabilities	<u>617,963</u>	<u>-</u>	<u>599,538</u>	<u>-</u>
Construction in progress	<u>7,020,757</u>	<u>6</u>	<u>11,322,131</u>	<u>9</u>	Total liabilities	<u>89,445,713</u>	<u>79</u>	<u>97,676,529</u>	<u>74</u>
Net property, plant and equipment	<u>65,982,932</u>	<u>59</u>	<u>74,684,873</u>	<u>56</u>					
					Stockholders' equity:				
Intangible assets:					Common stock	25,755,735	23	34,319,735	26
Patents	2,008,565	2	1,481,260	1	Advance receipts for capital stock	-	-	1,823	-
Other intangible assets	<u>4,042,988</u>	<u>4</u>	<u>2,518,850</u>	<u>2</u>	Capital surplus	4,398,783	4	13,787,165	10
Total intangible assets	<u>6,051,553</u>	<u>6</u>	<u>4,000,110</u>	<u>3</u>	Accumulated deficit	(6,542,749)	(6)	(12,953,495)	(10)
					Cumulative translation adjustments	11,842	-	(228)	-
Other assets:					Unrealized loss on financial instruments	147,417	-	267,720	-
Refundable deposits	9,566	-	8,413	-	Treasury stock	<u>(347,533)</u>	<u>-</u>	<u>(347,533)</u>	<u>-</u>
Deferred charges	62,848	-	46,661	-	Total stockholders' equity	23,423,495	21	35,075,187	26
Lease receivable—long-term	2,775,196	2	2,740,790	2	Minority interest	<u>1</u>	<u>-</u>	<u>7,701</u>	<u>-</u>
Deferred income tax assets, net—non-current	3,224,158	3	3,224,358	3	Total stockholders' equity and minority interest	23,423,496	21	35,082,888	26
Miscellaneous assets	395	-	47,896	-	Commitments and contingencies				
Restricted current assets	-	-	21,885	-					
Total other assets	<u>6,072,163</u>	<u>5</u>	<u>6,090,003</u>	<u>5</u>					
Total assets	<u>\$ 112,869,209</u>	<u>100</u>	<u>132,759,417</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 112,869,209</u>	<u>100</u>	<u>132,759,417</u>	<u>100</u>

(Reviewed only, not audited in accordance with generally accepted auditing standards)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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	
	Amount	%	Amount	%
Operating revenues, net	\$ 14,086,936	100	30,116,657	100
Operating costs	<u>(24,722,712)</u>	<u>(176)</u>	<u>(28,178,789)</u>	<u>(94)</u>
Gross (loss) profit	<u>(10,635,776)</u>	<u>(76)</u>	<u>1,937,868</u>	<u>6</u>
Operating expenses				
Selling expenses	(347,428)	(2)	(350,542)	(1)
Administrative expenses	(880,518)	(6)	(572,759)	(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>(2,930,052)</u>	<u>(20)</u>	<u>(3,655,092)</u>	<u>(12)</u>
Operating loss	<u>(13,565,828)</u>	<u>(96)</u>	<u>(1,717,224)</u>	<u>(6)</u>
Non-operating income and gains:				
Interest income	150,592	1	154,235	1
Gain on disposal of property, plant and equipment	4,694	-	92,649	-
Foreign exchange gain, net	52,370	-	209,293	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>558,266</u>	<u>4</u>	<u>114,084</u>	<u>-</u>
Total non-operating income and gains	<u>855,799</u>	<u>5</u>	<u>588,813</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)	(651,149)	(5)	(658,310)	(2)
Investment loss recognized under equity method	(3,571,337)	(25)	(731,536)	(2)
Loss on disposal of property, plant and equipment	(28,968)	-	(15,282)	-
Impairment loss	-	-	(73,208)	-
Miscellaneous disbursements	<u>(88,360)</u>	<u>(1)</u>	<u>(96,418)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(4,339,814)</u>	<u>(31)</u>	<u>(1,574,754)</u>	<u>(4)</u>
Loss before income tax	(17,049,843)	(122)	(2,703,165)	(8)
Income tax expenses	<u>(3,626)</u>	<u>-</u>	<u>(8,818)</u>	<u>-</u>
Net loss	\$ <u><u>(17,053,469)</u></u>	<u><u>(122)</u></u>	\$ <u><u>(2,711,983)</u></u>	<u><u>(8)</u></u>
Consolidated net loss	(17,053,469)	(122)	(2,710,688)	(8)
Net loss of minority interest	<u>-</u>	<u>-</u>	<u>(1,295)</u>	<u>-</u>
	\$ <u><u>(17,053,469)</u></u>	<u><u>(122)</u></u>	\$ <u><u>(2,711,983)</u></u>	<u><u>(8)</u></u>
Net loss per common share (in dollars)	Before	After	Before	After
Basic loss per share	Income tax	Income tax	Income tax	Income tax
	\$ <u><u>(8.06)</u></u>	<u><u>(8.06)</u></u>	<u><u>(0.79)</u></u>	<u><u>(0.79)</u></u>

(Reviewed only, not audited in accordance with generally accepted auditing standards)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

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

(Expressed in thousands of New Taiwan Dollars)

	Common stock	Advance receipts for capital stock	Capital Surplus	Legal reserve	Special reserve	Accumulated deficit	Cumulative translation adjustments	Unrealized Loss on Financial Instrument	Treasury stock	Minority interest	Total
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)	1	28,176,849
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>1</u>	<u>23,423,496</u>
Balance as of January 1, 2010	\$ 34,047,425	111,133	13,555,224	-	-	(10,242,807)	7,929	243,517	(347,533)	2	37,374,890
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)	-	-	-	(1,295)	(2,710,688)
Adjustment arising from changes in percentage of ownership in investees	-	-	59,568	-	-	-	-	-	-	-	59,568
Adjustment to change of long-term equity investments	-	-	14,801	-	-	-	-	24,203	-	-	39,004
Increase in minority interest	-	-	-	-	-	-	-	-	-	8,994	8,994
Losses on foreign currency exchange of long-term investments	-	-	-	-	-	-	(8,157)	-	-	-	(8,157)
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>7,701</u>	<u>35,082,888</u>

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(Reviewed only, not audited in accordance with generally accepted auditing standards)
NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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)	(2,711,983)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	6,304,070	6,730,785
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	(1,318,351)	(51,293)
Investment loss recognized under equity method	3,571,337	731,536
Loss (gain) on disposal of property, plant and equipment, net	24,274	(77,367)
Gain on valuation of financial assets	(66,428)	(18,544)
Impairment loss	-	73,208
Impairment recoveries	(23,449)	-
Unrealized foreign currency exchange loss (gain), net	335,954	(158,351)
Unrealized interest revenue amortization	(142,110)	(149,147)
Increase in deferred income tax assets, net	-	(31)
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	(447,285)	1,131,764
(Increase) decrease in other receivables	(396,445)	617,996
Decrease (increase) in inventory	44,127	(1,278,018)
Decrease (increase) in prepayments	26,717	(270,145)
Change in operating liabilities:		
Decrease in notes payable	(1,004)	(587)
Increase (decrease) in accounts payable	2,806,933	(1,413,097)
Decrease in accrued expenses	(1,261,997)	(544,108)
(Decrease) increase in other current liabilities	(9,601)	69,556
Increase in accrued pension liability	5,873	5,651
Decrease in miscellaneous liabilities	(1,265)	(4,440)
Net cash (used in) provided by operating activities	<u>(6,296,373)</u>	<u>4,009,113</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	-	(4,426,607)
Purchases of property, plant and equipment	(4,649,038)	(12,695,765)
Proceeds from sales of property, plant and equipment	48,322	335,983
Increase in refundable deposits	(3,952)	(4,143)
Increase in deferred expense	(500)	(6,000)
Restricted current assets	-	(1,011)
(Increase) decrease in lease receivable	(248,461)	14,395
Increase in miscellaneous assets	(395)	(2,333)
Net cash used in investing activities	<u>(4,854,024)</u>	<u>(16,785,481)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	2,766,848	(1,012,724)
Decrease in bonds payable	(2,992,900)	(4,150,000)
Increase from long-term loans	-	9,030,000
Decrease in guarantee deposits	(27,973)	(42,321)
Decrease in other payables from related parties	2,800	(494,600)
Decrease in lease payable	(2,721)	(2,886)
Decrease in long-term accounts payable	(1,467,554)	(242,038)
Issuance of common stock for cash	12,220,000	-
Issuance of common stock for exercise of employee stock options	-	310,627
Increase in minority interest	-	8,994
Net cash provided by financing activities	<u>10,498,500</u>	<u>3,405,052</u>
Effect of foreign currency exchange translation	28,777	(3,854)
Effect of subsidiaries initial consolidated	-	(204)
Decrease in cash and cash equivalents	(623,120)	(9,375,374)
Cash and cash equivalents at beginning of period	3,006,910	14,407,552
Cash and cash equivalents at end of period	<u>\$ 2,383,790</u>	<u>5,032,178</u>
Supplemental cash flow information:		
Interest paid	\$ 585,806	715,189
Less: Capitalized interest	<u>24,958</u>	<u>88,350</u>
Interest paid excluding capitalized interest	<u>\$ 560,848</u>	<u>626,839</u>
Income tax paid	<u>\$ 1,779</u>	<u>8,818</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of Long-term loans	<u>\$ -</u>	<u>10,670,585</u>
Current portion of bonds payable	<u>\$ 13,037,211</u>	<u>10,530,000</u>
Cash paid for acquisition of properties:		
Total acquisition	<u>\$ (5,393,061)</u>	<u>(13,173,733)</u>
Decrease in accounts payable-machinery and equipment, net	<u>\$ 744,023</u>	<u>477,968</u>
Cash paid for acquisition of properties	<u>\$ (4,649,038)</u>	<u>(12,695,765)</u>

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