

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2009 and 2010

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

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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	\$ 2,287,963	2	5,902,380	4	Short-term loans	\$ 4,114,501	4	-	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$35,920and NT\$12,525 thousands dollars.	8,336,306	7	10,525,643	8	Notes and accounts payable	3,045,027	3	4,810,698	4
Accounts receivable—related parties	3,779	-	344	-	Accounts payable—related parties	4,906,716	5	3,777,230	3
Other receivables	1,422,870	1	1,315,062	1	Accrued expenses	5,970,553	5	3,638,270	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	8,259,155	7	11,029,782	8	Other payables — related parties	7,780,052	6	23,222,582	17
Prepayments	549,053	1	1,132,433	1	Other payables	6,290	-	8,759	-
Deferred income tax assets, net—current	-	-	3,774	-	Current portion of bonds payable	13,037,518	11	7,830,000	6
Total current assets	<u>21,595,821</u>	<u>19</u>	<u>30,247,587</u>	<u>22</u>	Current portion of long-term loans	3,661,805	3	14,015,497	10
					Other current liabilities	8,916	-	959	-
Funds and long-term investments:					Total current liabilities	<u>42,845,595</u>	<u>37</u>	<u>57,554,255</u>	<u>43</u>
Long-term investments carried on the equity method	18,947,931	14	18,947,932	14					
Available-for-sale financial assets—non-current	325,394	-	325,394	-	Long-term liabilities:				
Total Funds and long-term investments	<u>19,273,325</u>	<u>14</u>	<u>19,273,325</u>	<u>14</u>	Bonds payable	13,256,334	12	5,432,066	4
					Long-term loans	38,270,428	33	37,260,620	28
Property, plant and equipment:					Long-term accounts payable	322,591	-	-	-
Land	1,013,924	1	1,013,924	1	Lease payables — long-term	318,784	-	312,664	-
Buildings and building improvements	5,248,501	4	5,034,001	4	Total long-term liabilities	<u>52,168,137</u>	<u>45</u>	<u>43,005,350</u>	<u>32</u>
Machinery and equipment	102,740,758	89	126,937,725	96					
Transportation equipment	8,378	-	6,434	-	Other liabilities:				
Leased assets	345,637	-	345,637	-	Accrued pension liabilities	357,822	-	385,840	-
Miscellaneous equipment	1,559,683	1	1,658,762	1	Guarantee deposits	163,352	-	152,666	-
	110,702,381	95	135,210,983	102	Miscellaneous liabilities	115,834	-	108,882	-
Less: accumulated depreciation	(54,142,378)	(47)	(66,875,254)	(50)	Total other liabilities	<u>637,008</u>	<u>-</u>	<u>647,388</u>	<u>-</u>
Construction in progress	9,921,603	9	5,977,641	4	Total liabilities	<u>95,650,740</u>	<u>82</u>	<u>101,206,993</u>	<u>75</u>
Prepayments for equipment	239,778	-	549,386	-					
Net property, plant and equipment	<u>66,721,384</u>	<u>57</u>	<u>74,862,756</u>	<u>56</u>	Stockholders’ equity:				
					Common stock	25,755,735	23	34,324,035	26
Intangible assets:					Advance receipts for capital stock	213,076	-	9,519	-
Patents	1,868,177	2	1,358,126	1	Capital surplus	5,096,233	4	13,801,040	10
Other intangible assets	3,655,454	3	2,156,040	2	Accumulated deficit	(10,441,771)	(9)	(15,220,876)	(11)
Total intangible assets	<u>5,523,631</u>	<u>5</u>	<u>3,514,166</u>	<u>3</u>	Cumulative translation adjustments	11,739	-	190	-
					Unrealized loss on financial instruments	213,935	-	239,483	-
Other assets:					Treasury stock	(347,533)	-	(347,533)	-
Refundable deposits	9,456	-	9,785	-	Total stockholders’ equity	<u>20,501,414</u>	<u>18</u>	<u>32,805,858</u>	<u>25</u>
Deferred charges	57,501	-	45,382	-	Minority interest	1	-	5,853	-
Lease receivable—long-term	2,741,134	2	2,702,985	2	Total stockholders’ equity and minority interest	<u>20,501,415</u>	<u>18</u>	<u>32,811,711</u>	<u>25</u>
Deferred income tax assets, net—non-current	3,224,158	3	3,224,352	3	Commitments and contingencies				
Miscellaneous assets	651	-	115,962	-					
Restricted current assets	-	-	22,404	-					
Total other assets	<u>6,032,900</u>	<u>5</u>	<u>6,120,870</u>	<u>5</u>					
Total assets	<u>\$ 116,152,155</u>	<u>100</u>	<u>134,018,704</u>	<u>100</u>	Total liabilities and stockholders’ equity	<u>\$ 116,152,155</u>	<u>100</u>	<u>134,018,704</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

For the 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	\$ 25,844,764	100	45,061,338	100
Operating costs	<u>(37,682,876)</u>	<u>(146)</u>	<u>(42,132,072)</u>	<u>(93)</u>
Gross (loss) profit	<u>(11,838,112)</u>	<u>(46)</u>	<u>2,929,266</u>	<u>7</u>
Operating expenses				
Selling expenses	(542,470)	(2)	(559,259)	(1)
Administrative expenses	(1,266,878)	(5)	(903,704)	(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>(4,318,253)</u>	<u>(17)</u>	<u>(6,027,327)</u>	<u>(13)</u>
Operating loss	<u>(16,156,365)</u>	<u>(63)</u>	<u>(3,098,061)</u>	<u>(6)</u>
Non-operating income and gains:				
Interest income	228,221	1	231,030	1
Dividend income	18,719	-	14,522	-
Gain on disposal of property, plant and equipment	5,422	-	95,751	-
Foreign exchange gain, net	170,577	-	248,196	1
Gain on idle assets' value recoveries	16,758	1	-	-
Gain on valuation of financial assets	-	-	8	-
Gain on valuation of financial liabilities	62,882	-	34,874	-
Miscellaneous income	<u>605,380</u>	<u>2</u>	<u>182,793</u>	<u>-</u>
Total non-operating income and gains	<u>1,107,959</u>	<u>4</u>	<u>807,174</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)	(1,011,865)	(4)	(1,009,880)	(2)
Investment loss recognized under equity method	(4,755,830)	(18)	(1,430,663)	(3)
Loss on disposal of property, plant and equipment	(29,062)	-	(52,749)	-
Impairment loss	-	-	(66,001)	-
Miscellaneous disbursements	<u>(97,160)</u>	<u>-</u>	<u>(117,501)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(5,893,917)</u>	<u>(22)</u>	<u>(2,676,794)</u>	<u>(5)</u>
Loss before income tax	(20,942,323)	(81)	(4,967,681)	(9)
Income tax expenses	<u>(10,168)</u>	<u>-</u>	<u>(13,531)</u>	<u>-</u>
Net loss	\$ <u>(20,952,491)</u>	<u>(81)</u>	\$ <u>(4,981,212)</u>	<u>(9)</u>
 Consolidated net loss	(20,952,491)	(81)	(4,978,069)	(9)
Net loss of minority interest	<u>-</u>	<u>-</u>	<u>(3,143)</u>	<u>-</u>
	\$ <u>(20,952,491)</u>	<u>(81)</u>	\$ <u>(4,981,212)</u>	<u>(9)</u>
 Net loss per common share (in dollars)	Before	After	Before	After
	Income tax	Income tax	Income tax	Income tax
Basic loss per share	\$ <u>(9.23)</u>	<u>(9.23)</u>	<u>(1.46)</u>	<u>(1.46)</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the 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)	(4,981,212)
Adjustments to reconcile net income (loss) to net cash provided by:		
Depreciation	9,303,440	10,610,750
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	(2,762,022)	(51,293)
Investment loss recognized under equity method	4,755,830	1,430,663
Loss (gain) on disposal of property, plant and equipment, net	23,640	(43,002)
Gain on valuation of financial assets	(66,882)	(34,874)
Impairment loss	-	66,001
Impairment recoveries	(16,758)	-
Unrealized foreign currency exchange loss (gain), net	107,466	(84,197)
Unrealized interest revenue amortization	(215,992)	(222,418)
Decrease in deferred income tax assets, net	-	89
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	(3,764,229)	1,467,213
(Increase) decrease in other receivables	(642,580)	593,161
Decrease (increase) in inventory	450,503	(3,034,957)
Decrease (increase) in prepayments	202,149	(486,382)
Change in operating liabilities:		
Decrease in notes payable	(1,364)	(610)
Increase in accounts payable	3,117,226	40,812
Decrease in accrued expenses	(2,107,578)	(995,237)
(Decrease) increase in other current liabilities	(6,159)	136,653
Increase in accrued pension liability	2,699	8,719
Increase (decrease) in miscellaneous liabilities	<u>1,259</u>	<u>(4,053)</u>
Net cash (used in) provided by operating activities	<u>(10,712,325)</u>	<u>6,247,644</u>
Cash flows from investing activities:		
Acquisition of investments accounted for equity method	-	(4,426,607)
Return of capital from subsidiary due to subsidiary's capital reduction	874,650	-
Purchases of property, plant and equipment	(10,292,372)	(17,582,274)
Proceeds from sales of property, plant and equipment	87,064	370,567
Increase in refundable deposits	(3,841)	(5,515)
Increase in deferred expense	(500)	(10,800)
Restricted current assets	-	(1,530)
(Increase) decrease in lease receivable	(248,461)	129,214
Increase in miscellaneous assets	<u>(651)</u>	<u>(70,400)</u>
Net cash used in investing activities	<u>(9,584,111)</u>	<u>(21,597,345)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	4,108,763	(1,708,124)
Decrease in bonds payable	(5,692,901)	(6,850,000)
Increase from long-term loans	4,000,000	9,363,333
Decrease (increase) in guarantee deposits	(8,075)	2,277
Increase in other payables from related parties	6,347,900	5,992,200
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
Increase in minority interest	<u>-</u>	<u>8,994</u>
Net cash provided by financing activities	<u>19,576,860</u>	<u>6,887,053</u>
Effect of foreign currency exchange translation	<u>629</u>	<u>(42,320)</u>
Effect of subsidiaries initial consolidated	<u>-</u>	<u>(204)</u>
Decrease in cash and cash equivalents	<u>(718,947)</u>	<u>(8,505,172)</u>
Cash and cash equivalents at beginning of period	<u>3,006,910</u>	<u>14,407,552</u>
Cash and cash equivalents at end of period	\$ <u>2,287,963</u>	<u>5,902,380</u>
Supplemental cash flow information:		
Interest paid	\$ 948,912	1,090,982
Less: Capitalized interest	<u>43,591</u>	<u>134,266</u>
Interest paid excluding capitalized interest	\$ <u>905,321</u>	<u>956,716</u>
Income tax paid	\$ <u>3,441</u>	<u>13,531</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of Long-term loans	\$ <u>3,661,805</u>	<u>14,015,497</u>
Current portion of bonds payable	\$ <u>13,037,518</u>	<u>7,830,000</u>
Cash paid for acquisition of properties:		
Total acquisition	\$ <u>(9,176,003)</u>	<u>(17,293,891)</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>(10,292,372)</u>	<u>(17,582,274)</u>

(Continued)