

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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 consolidated balance sheets of Nanya Technology Corporation (the Company) and its subsidiaries as of December 31, 2009 and 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statement of subsidiaries included in the 2009 and 2010 consolidated financial statement of the Company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as if related to the amount included for these subsidiaries, is based solely on the reports on the other auditors. The carrying values of these subsidiaries' total assets were 2.70% (NT\$ 3,603,833 thousand) and 2.88% (NT\$ 3,806,478 thousand) of the consolidated total assets as of December 31, 2009 and 2010, respectively, and their net sales were 25.35% (NT\$ 10,844,601 thousand) and 34.14% (NT\$ 19,498,440 thousand) of the consolidated total net sales in 2009 and 2010, respectively.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and other auditor's reports provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation and its subsidiaries as of December 31, 2009 and 2010, and the results of its operations and cash flows for the years then ended, in accordance with 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 and its subsidiaries has suffered net losses of \$15,131,538 thousand for the years ended December 31, 2010. Also, the Company and its subsidiaries has liquidity risks as its current liabilities exceeded its current assets by \$28,924,010 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 and its subsidiaries adopted the new issued Republic of China Statement of Financial Accounting Standards (SFAS) . The effect of these changes in accounting principle on the consolidated financial statements was as stated in note 3.

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

The accompanying consolidated financial statements are intended only to present the consolidated 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 jurisdiction. The standards, procedures and practices to audit such consolidated 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.

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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 | \$ 14,407,552 | 11 | 6,202,972 | 5 | Short-term loans | \$ 1,708,124 | 1 | 200,000 | - |
| Notes and accounts receivable, net of allowance for doubtful accounts of NT\$11,669 and NT\$12,015 thousands dollars. | 12,025,282 | 9 | 9,194,565 | 7 | Notes and accounts payable | 3,428,497 | 3 | 4,037,631 | 3 |
| Accounts receivable—related parties | 4,985 | - | 434 | - | Accounts payable—related parties | 5,487,300 | 5 | 3,163,737 | 2 |
| Other receivables | 1,415,216 | 1 | 1,456,225 | 1 | Accrued expenses | 4,680,527 | 3 | 3,767,927 | 3 |
| Other receivables—related parties | 734,784 | 1 | 1,562,137 | 1 | Financial liabilities reported as fair value through profit or loss—current | 285,134 | - | 211,978 | - |
| Inventories, net | 7,943,532 | 7 | 8,750,709 | 7 | Other payables—related parties | 17,095,307 | 13 | 26,789,943 | 20 |
| Prepayments | 646,051 | - | 1,559,572 | - | Current portion of bonds payable | 13,030,000 | 10 | 5,390,000 | 4 |
| Deferred income tax assets, net—current | 3,858 | - | 8,156 | 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 | 290,004 | - | - | - | Other current liabilities | 33,033 | - | 80,337 | - |
| Total current assets | <u>37,471,264</u> | <u>29</u> | <u>28,734,770</u> | <u>22</u> | Total current liabilities | <u>49,410,101</u> | <u>38</u> | <u>57,658,780</u> | <u>43</u> |
| Funds and long-term investments: | | | | | Long-term liabilities: | | | | |
| Long-term investments carried on the equity method | 15,870,863 | 12 | 16,191,416 | 13 | Bonds payable | 7,077,767 | 5 | 1,693,499 | 1 |
| Available-for-sale financial assets—non-current | 329,428 | - | 291,779 | - | Long-term loans | 38,229,754 | 29 | 38,985,840 | 30 |
| Total Funds and long-term investments | <u>16,200,291</u> | <u>12</u> | <u>16,483,195</u> | <u>13</u> | Long-term accounts payable | 242,038 | - | - | - |
| Property, plant and equipment: | | | | | Lease payables—long-term | 317,288 | - | 311,077 | - |
| Land | 1,013,924 | 1 | 1,013,924 | 1 | Total long-term liabilities | <u>45,866,847</u> | <u>34</u> | <u>40,990,416</u> | <u>31</u> |
| Buildings and building improvements | 5,070,730 | 4 | 5,247,141 | 4 | Other liabilities: | | | | |
| Machinery and equipment | 108,760,863 | 82 | 132,623,785 | 101 | Accrued pension liabilities | 377,121 | - | 389,027 | - |
| Transportation equipment | 9,216 | - | 7,195 | - | Guarantee deposits | 150,389 | - | 136,535 | - |
| Leased assets | 345,637 | - | 345,637 | - | Miscellaneous liabilities | 113,544 | - | 112,587 | - |
| Miscellaneous equipment | 1,596,167 | 1 | 1,827,042 | 1 | Total other liabilities | <u>641,054</u> | <u>-</u> | <u>638,149</u> | <u>-</u> |
| | 116,796,537 | 88 | 141,064,724 | 107 | Total liabilities | <u>95,918,002</u> | <u>72</u> | <u>99,287,345</u> | <u>74</u> |
| Less: accumulated depreciation | (57,141,029) | (43) | (71,067,835) | (54) | Stockholders' equity: | | | | |
| Construction in progress | 8,826,804 | 7 | 7,323,500 | 6 | Common stock | 34,047,425 | 26 | 40,343,415 | 31 |
| Prepayments for equipment | 137,140 | - | 309,168 | - | Advance receipts for capital stock | 111,113 | - | 3,089 | - |
| Net property, plant and equipment | <u>68,619,452</u> | <u>52</u> | <u>77,629,557</u> | <u>59</u> | Capital surplus | 13,555,224 | 10 | 17,831,745 | 14 |
| Intangible assets: | | | | | Accumulated deficit | (10,242,807) | (8) | (25,374,345) | (19) |
| Patents | 1,723,663 | 1 | 1,234,991 | 1 | Cumulative translation adjustments | 7,929 | - | (14,159) | - |
| Other intangible assets | 3,269,194 | 2 | 1,793,230 | 1 | Unrealized loss on financial instruments | 243,517 | - | 205,868 | - |
| Total intangible assets | <u>4,992,857</u> | <u>3</u> | <u>3,028,221</u> | <u>2</u> | 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 | 4,270 | - | 70,756 | - | Minority interest | 2 | - | 31,057 | - |
| Deferred charges | 53,338 | - | 39,635 | - | Total stockholders' equity and minority interest | <u>37,374,890</u> | <u>28</u> | <u>32,679,137</u> | <u>26</u> |
| Lease receivable—long-term | 2,706,173 | 2 | 2,664,183 | 2 | Commitments and contingencies | | | | |
| Deferred income tax assets, net—non-current | 3,224,357 | 2 | 3,246,253 | 2 | | | | | |
| Restricted current assets | 20,874 | - | 21,492 | - | | | | | |
| Miscellaneous assets | 16 | - | 48,420 | - | | | | | |
| Total other assets | <u>6,009,028</u> | <u>4</u> | <u>6,090,739</u> | <u>4</u> | | | | | |
| Total assets | <u>\$ 133,292,892</u> | <u>100</u> | <u>131,966,482</u> | <u>100</u> | Total liabilities and stockholders' equity | <u>\$ 133,292,892</u> | <u>100</u> | <u>131,966,482</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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 | % | Amount | % |
| Operating revenues, net | \$ 42,773,863 | 100 | 57,109,418 | 100 |
| Operating costs | <u>(52,617,543)</u> | <u>(123)</u> | <u>(60,567,684)</u> | <u>(106)</u> |
| Gross loss | <u>(9,843,680)</u> | <u>(23)</u> | <u>(3,458,266)</u> | <u>(6)</u> |
| Operating expenses | | | | |
| Selling expenses | (781,525) | (2) | (774,746) | (1) |
| Administrative expenses | (1,813,566) | (4) | (917,625) | (2) |
| Research and development expenses | <u>(3,438,508)</u> | <u>(8)</u> | <u>(6,543,092)</u> | <u>(11)</u> |
| Total operating expenses | <u>(6,033,599)</u> | <u>(14)</u> | <u>(8,235,463)</u> | <u>(14)</u> |
| Operating loss | <u>(15,877,279)</u> | <u>(37)</u> | <u>(11,693,729)</u> | <u>(20)</u> |
| Non-operating income and gains: | | | | |
| Interest income | 307,912 | 1 | 309,696 | 1 |
| Dividend Income | 18,719 | - | 14,522 | - |
| Gain on disposal of property, plant and equipment | 6,236 | - | 98,798 | - |
| Foreign exchange gain, net | 150,143 | - | 345,570 | 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>812,982</u> | <u>2</u> | <u>234,517</u> | <u>-</u> |
| Total non-operating income and gains | <u>1,404,938</u> | <u>3</u> | <u>1,076,267</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) | (1,378,938) | (3) | (1,386,472) | (2) |
| Investment loss recognized under equity method | (4,717,814) | (11) | (2,796,520) | (5) |
| Loss on disposal of property, plant and equipment | (46,428) | - | (65,999) | - |
| Impairment loss | - | - | (77,537) | - |
| Miscellaneous disbursements | <u>(123,619)</u> | <u>-</u> | <u>(185,937)</u> | <u>-</u> |
| Total non-operating expenses and losses | <u>(6,266,799)</u> | <u>(14)</u> | <u>(4,512,465)</u> | <u>(7)</u> |
| Loss before income tax | (20,739,140) | (48) | (15,129,927) | (25) |
| Income tax expenses | <u>(14,387)</u> | <u>-</u> | <u>(1,034)</u> | <u>-</u> |
| Net loss | <u>\$ (20,753,527)</u> | <u>(48)</u> | <u>(15,130,961)</u> | <u>(25)</u> |
| Consolidated net loss | \$ (20,753,527) | (48) | (15,131,538) | (25) |
| Net loss of minority interest | <u>-</u> | <u>-</u> | <u>577</u> | <u>-</u> |
| | <u>\$ (20,753,527)</u> | <u>(48)</u> | <u>(15,130,961)</u> | <u>(25)</u> |
| | | | | |
| | Before | After | Before | After |
| Net loss per common share (in dollars) | Income tax | Income tax | Income tax | Income tax |
| Basic loss per share | <u>\$ (8.67)</u> | <u>(8.67)</u> | <u>(4.34)</u> | <u>(4.34)</u> |

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated 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 Instrument</u> | <u>Treasury stock</u> | <u>Minority interest</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) | 1 | 28,176,849 |
| 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) |
| Increase in minority interest | - | - | - | - | - | - | - | - | - | 1 | 1 |
| 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) | 2 | 37,374,890 |
| 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) | - | - | - | 577 | (15,130,961) |
| 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) |
| Increase in minority interest | - | - | - | - | - | - | - | - | - | 30,478 | 30,478 |
| Adjustment to change of long-term equity investments | - | - | 35,325 | - | - | - | - | (37,649) | - | - | (2,324) |
| Balance as of December 31, 2010 | \$ 40,343,415 | 3,089 | 17,831,745 | - | - | (25,374,345) | (14,159) | 205,868 | (347,533) | 31,057 | 32,679,137 |

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2010

(Expressed in thousands of New Taiwan Dollars)

| | 2009 | 2010 |
|--|------------------------|------------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (20,753,527) | (15,130,961) |
| Adjustments to reconcile net income (loss) to net cash provided by: | | |
| Depreciation | 12,395,792 | 14,893,031 |
| 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 | (4,198,637) | 2,218,910 |
| Investment loss recognized under equity method | 4,717,814 | 2,796,520 |
| Loss (gain) on disposal of property, plant and equipment, net | 40,192 | (32,799) |
| Gain on valuation of financial assets | (91,965) | (73,156) |
| Impairment (recoveries) loss | (16,977) | 77,537 |
| Unrealized foreign currency exchange loss (gain), net | 101,707 | (156,067) |
| Unrealized interest revenue amortization | (291,824) | (294,789) |
| Change in operating assets and liabilities: | | |
| Change in operating assets: | | |
| Decrease financial asset held for trading | (290,004) | 290,004 |
| (Increase) decrease in notes and accounts receivable | (7,514,471) | 2,508,508 |
| (Increase) decrease in other receivables | (522,221) | 624,189 |
| Decrease (increase) in inventory | 2,202,742 | (3,026,087) |
| Decrease (increase) in prepayments | 104,416 | (913,521) |
| Increase in deferred income tax assets, net | (1,543) | (26,194) |
| Change in operating liabilities: | | |
| Increase (decrease) in notes and accounts payable | 3,598,849 | (1,627,888) |
| Decrease in accrued expenses | (3,187,993) | (827,963) |
| Increase in other current liabilities | 12,858 | 666,239 |
| Increase in accrued pension liability | 21,998 | 11,906 |
| Decrease in miscellaneous liabilities | (828) | (145) |
| Net cash (used in) provided by operating activities | (10,791,761) | 4,138,060 |
| Cash flows from investing activities: | | |
| Acquisition of investments accounted for equity method | - | (4,426,608) |
| Return of capital from subsidiary due to subsidiary's capital reduction | 874,650 | - |
| Purchases of property, plant and equipment | (15,088,169) | (23,990,036) |
| Proceeds from sales of property, plant and equipment | 98,171 | 239,488 |
| Decrease (increase) in refundable deposits | 1,344 | (66,486) |
| Increase in deferred expense | (47,134) | (11,700) |
| Restricted current assets | (20,874) | (618) |
| (Increase) decrease in lease receivable | (248,461) | 244,228 |
| Increase in miscellaneous assets | (16) | (2,856) |
| Net cash used in investing activities | (14,430,489) | (28,014,588) |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term loans | 1,702,386 | (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 | 15,708,100 | 9,147,005 |
| 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 |
| Increase in minority interest | - | 30,478 |
| Net cash provided by financing activities | 36,639,730 | 15,703,464 |
| Effect of foreign currency exchange translation | (16,838) | (9,046) |
| Effect of subsidiaries initial consolidated | - | (22,470) |
| Increase (decrease) in cash and cash equivalents | 11,400,642 | (8,204,580) |
| Cash and cash equivalents at beginning of period | 3,006,910 | 14,407,552 |
| Cash and cash equivalents at end of period | \$ 14,407,552 | \$ 6,202,972 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 1,527,156 | 1,652,176 |
| Less: Capitalized interest | 74,182 | 158,086 |
| Interest paid excluding capitalized interest | \$ 1,452,974 | \$ 1,494,090 |
| Income tax paid | \$ 10,818 | \$ 14,747 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Current portion of Long-term loans | \$ 3,662,179 | \$ 14,017,227 |
| Current portion of bonds payable | \$ 13,030,000 | \$ 5,390,000 |
| Return of capital from subsidiary due to subsidiary's capital reduction | \$ - | \$ 1,400,000 |
| Cash paid for acquisition of properties: | | |
| Total acquisition | \$ (14,195,984) | (24,212,096) |
| Decrease in accounts payable-machinery and equipment, net | (892,185) | 222,060 |
| Cash paid for acquisition of properties | \$ (15,088,169) | \$ (23,990,036) |

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