

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**  
**FINANCIAL STATEMENTS**  
**December 31, 2009 and 2010**  
**(With Independent Auditors' Report Thereon)**

## **Independent Auditors' Report**

The Board of Directors  
Nan Ya Printed Circuit Board Corporation

We have audited the accompanying balance sheets of Nan Ya Printed Circuit Board Corporation (the "Company") as of December 31, 2009 and 2010, and the related statements of income, 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. However, we did not audit the financial statements of Formosa Petrochemical Corporation as of and for the years ended December 31, 2009 and 2010. The long-term equity investments of the Company in Formosa Petrochemical Corporation were NT\$690,700 thousand and NT\$697,030 thousand, or 1.73% and 1.79% of the Company's total assets, as of December 31, 2009 and 2010, respectively. Equity in net earnings of Formosa Petrochemical Corporation was NT\$49,118 thousand and NT\$51,772 thousand, or 2.02% and 2.25% of income before income tax, for the years ended December 31, 2009 and 2010, respectively. The financial statements of Formosa Petrochemical Corporation were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Formosa Petrochemical Corporation, is based solely on the report 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 regulations 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 auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Nan Ya Printed Circuit Board Corporation as of December 31, 2009 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the requirements of the Business Entity Accounting Act and the Regulation on Handling Business Entity Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have audited the consolidated financial statements of Nan Ya Printed Circuit Board Corporation and subsidiaries as of and for the years ended December 31, 2009 and 2010 (not presented herewith) and have issued a modified unqualified opinion thereon in our report dated March 4, 2011, on the basis of our audits and the reports of other auditors.

KPMG  
Taipei, Taiwan (the Republic of China)  
March 4, 2011

**Notes to Readers**

The accompanying 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 audit 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.

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Balance Sheets**

**December 31, 2009 and 2010**  
(Expressed in thousands of New Taiwan dollars)

<u>Assets</u>	<b>2009.12.31</b>		<b>2010.12.31</b>		<u>Liabilities and Stockholders' Equity</u>	<b>2009.12.31</b>		<b>2010.12.31</b>	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 4)	\$ 2,567,969	6	4,920,939	13	Accounts payable	\$ 1,418,718	4	1,788,339	5
Available-for-sale financial assets—current (note 5)	3,494,614	9	3,825,774	10	Accounts payable—related parties (note 17)	760,365	2	937,750	2
Notes and accounts receivable, net (note 6)	6,348,304	16	7,454,180	19	Accrued expenses (note 12)	1,003,426	2	1,787,446	5
Accounts receivable—related parties (note 17)	122,840	-	107,460	-	Other payables	381,550	1	131,764	-
Other receivables (note 17)	111,044	-	141,381	-	Other current liabilities	50,246	-	82,756	-
Other receivables—related parties (note 17)	9,847,482	25	14	-	Deferred income tax liabilities—current (note 13)	21,657	-	-	-
Inventories, net (note 7)	2,546,708	6	3,993,939	10	<b>Total current liabilities</b>	<b>3,635,962</b>	<b>9</b>	<b>4,728,055</b>	<b>12</b>
Prepayments	311,007	1	17,923	-	<b>Other liabilities:</b>				
Deferred income tax assets—current (note 13)	-	-	61,528	1	Accrued pension liability (note 12)	768,639	2	774,200	2
<b>Total current assets</b>	<b>25,349,968</b>	<b>63</b>	<b>20,523,138</b>	<b>53</b>	Guarantee deposits	12,511	-	15,073	-
<b>Funds and long-term investments</b>					Deferred income tax liabilities—non-current (note 13)	339,952	1	350,679	1
Long-term investments under equity method (note 8)	7,081,695	18	7,164,073	18	Deferred credit—affiliated intercompany gain (note 17)	187,747	-	170,165	-
Cost-method financial assets—non-current (note 5)	-	-	-	-	<b>Total other liabilities</b>	<b>1,308,849</b>	<b>3</b>	<b>1,310,117</b>	<b>3</b>
<b>Total funds and long-term investments</b>	<b>7,081,695</b>	<b>18</b>	<b>7,164,073</b>	<b>18</b>	<b>Total liabilities</b>	<b>4,944,811</b>	<b>12</b>	<b>6,038,172</b>	<b>15</b>
<b>Property, plant and equipment (notes 9 and 17):</b>					<b>Stockholders' equity (notes 5 and 14):</b>				
Buildings and building improvements	2,023,479	5	2,022,170	6	Capital stock	6,303,985	16	6,242,985	16
Machinery and equipment	18,469,716	46	19,381,462	50	Capital surplus	21,817,173	55	21,728,877	56
Transportation equipment	8,711	-	8,838	-	Legal reserve	3,596,154	9	3,806,632	10
Miscellaneous equipment	2,702,538	7	2,747,220	7	Special reserve	2,145,833	5	672,510	2
	23,204,444	58	24,159,690	63	Retained earnings	2,191,140	5	1,175,552	3
Less: accumulated depreciation	(15,958,730)	(40)	(17,716,019)	(46)	Cumulative translation adjustments	(109,571)	-	(646,407)	(2)
Construction in progress and prepayments for equipment	242,262	1	4,649,294	12	Unrealized gain (loss) on financial instruments	334,606	1	(163,650)	-
<b>Net property, plant and equipment</b>	<b>7,487,976</b>	<b>19</b>	<b>11,092,965</b>	<b>29</b>	Treasury stock	(1,242,218)	(3)	-	-
<b>Intangible assets:</b>					<b>Total stockholders' equity</b>	<b>35,037,102</b>	<b>88</b>	<b>32,816,499</b>	<b>85</b>
Professional technology (note 10)	60,682	-	74,492	-	<b>Commitments and contingencies (note 19)</b>				
<b>Total intangible assets</b>	<b>60,682</b>	<b>-</b>	<b>74,492</b>	<b>-</b>					
<b>Other assets</b>									
Refundable deposit	1,592	-	3	-					
<b>Total other assets</b>	<b>1,592</b>	<b>-</b>	<b>3</b>	<b>-</b>					
<b>Total assets</b>	<b>\$ 39,981,913</b>	<b>100</b>	<b>38,854,671</b>	<b>100</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 39,981,913</b>	<b>100</b>	<b>38,854,671</b>	<b>100</b>

See accompanying notes to non-consolidated financial statements.

# NAN YA PRINTED CIRCUIT BOARD CORPORATION

## Statements of Income

**For the years ended December 31, 2009 and 2010**  
**(Expressed in thousands of New Taiwan dollars, except for earnings per share)**

	2009		2010	
	Amount	%	Amount	%
<b>Operating revenues (note 17)</b>				
Sales revenue	\$ 27,277,628	101	36,010,505	101
Less: Sales returns and allowances	<u>278,009</u>	<u>1</u>	<u>352,987</u>	<u>1</u>
<b>Net sales revenue (note 17)</b>	26,999,619	100	35,657,518	100
<b>Other operating revenues</b>	<u>77,204</u>	<u>-</u>	<u>151,914</u>	<u>-</u>
<b>Net operating revenues</b>	27,076,823	100	35,809,432	100
<b>Cost of goods sold (notes 7, 10, 17 and 22)</b>	<u>24,137,827</u>	<u>89</u>	<u>32,524,638</u>	<u>91</u>
<b>Gross profit</b>	2,938,996	11	3,284,794	9
Less: Unrealized profit from affiliated companies (note 17)	1,354	-	1,149	-
Add: Realized profit from affiliated companies (note 17)	<u>2,215</u>	<u>-</u>	<u>1,928</u>	<u>-</u>
<b>Gross profit, net</b>	<u>2,939,857</u>	<u>11</u>	<u>3,285,573</u>	<u>9</u>
<b>Operating expenses (notes 17 and 22)</b>				
Selling expense	369,643	1	859,278	2
Administrative and general expense	<u>633,066</u>	<u>2</u>	<u>708,801</u>	<u>2</u>
<b>Total operating expenses</b>	<u>1,002,709</u>	<u>3</u>	<u>1,568,079</u>	<u>4</u>
<b>Operating income</b>	<u>1,937,148</u>	<u>8</u>	<u>1,717,494</u>	<u>5</u>
<b>Non-operating income and gains:</b>				
Interest income (note 17)	101,839	-	46,343	-
Investment income recognized under equity method (note 8)	139,473	1	450,927	2
Dividend income	24,431	-	94,385	-
Gain on disposal of property, plant and equipment (note 17)	17,987	-	24,611	-
Gain on sale of investment (note 5)	929	-	12	-
Miscellaneous income	<u>247,768</u>	<u>1</u>	<u>394,704</u>	<u>1</u>
<b>Total non-operating income and gains</b>	<u>532,427</u>	<u>2</u>	<u>1,010,982</u>	<u>3</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	163	-	285	-
Loss on disposal of property, plant and equipment	-	-	872	-
Net foreign currency exchange loss	20,730	-	398,986	1
Miscellaneous disbursements	<u>19,760</u>	<u>-</u>	<u>27,459</u>	<u>-</u>
<b>Total non-operating expenses and losses</b>	<u>40,653</u>	<u>-</u>	<u>427,602</u>	<u>1</u>
<b>Income before income tax</b>	2,428,922	10	2,300,874	7
<b>Income tax expense (note 13)</b>	<u>324,147</u>	<u>1</u>	<u>241,982</u>	<u>1</u>
<b>Net income</b>	<u>\$ 2,104,775</u>	<u>9</u>	<u>2,058,892</u>	<u>6</u>
<b>Net income per common share (in dollars)</b>				
<b>Basic earnings per share (note 15)</b>				
Before tax	\$ <u>3.89</u>		<u>3.69</u>	
After tax	\$ <u>3.37</u>		<u>3.30</u>	
<b>Diluted earnings per share (note 15)</b>				
Before tax	\$ <u>3.89</u>		<u>3.66</u>	
After tax	\$ <u>3.37</u>		<u>3.28</u>	

See accompanying notes to non-consolidated financial statements.

**NAN YA PRINTED CIRCUIT BOARD 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	Capital surplus	Retained Earnings			Cumulative translation adjustments	Unrealized gain (loss) on financial instrument	Treasury stock	Total
			Legal reserve	Special reserve	Unappropriated earnings				
<b>Balance as of January 1, 2009</b>	\$ 6,181,574	21,752,215	2,931,433	672,510	6,692,421	51,913	(1,525,237)	(1,242,218)	35,514,611
Issuance of employee stock options	-	64,958	-	-	-	-	-	-	64,958
Net gain for the year ended December 31, 2009	-	-	-	-	2,104,775	-	-	-	2,104,775
Appropriation and distribution (Note 1):									
Legal reserve	-	-	664,721	-	(664,721)	-	-	-	-
Special reserve	-	-	-	1,473,323	(1,473,323)	-	-	-	-
Cash dividend	-	-	-	-	(4,345,601)	-	-	-	(4,345,601)
Stock dividend	122,411	-	-	-	(122,411)	-	-	-	-
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	1,859,843	-	1,859,843
Change in cumulative translation adjustments	-	-	-	-	-	(161,484)	-	-	(161,484)
<b>Balance as of December 31, 2009</b>	<u>6,303,985</u>	<u>21,817,173</u>	<u>3,596,154</u>	<u>2,145,833</u>	<u>2,191,140</u>	<u>(109,571)</u>	<u>334,606</u>	<u>(1,242,218)</u>	<u>35,037,102</u>
Issuance of capital stock due to employee stock options exercised	10	-	-	-	-	-	-	-	10
Cancellation of treasury stock	(61,010)	(215,088)	-	-	(966,120)	-	-	1,242,218	-
Issuance of employee stock options	-	126,792	-	-	-	-	-	-	126,792
Net gain for the year ended December 31, 2010	-	-	-	-	2,058,892	-	-	-	2,058,892
Appropriation and distribution (Note 2):									
Legal reserve	-	-	210,478	-	(210,478)	-	-	-	-
Special reserve	-	-	-	(1,473,323)	1,473,323	-	-	-	-
Cash dividend	-	-	-	-	(3,371,205)	-	-	-	(3,371,205)
Change in cumulative translation adjustments	-	-	-	-	-	(536,836)	-	-	(536,836)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(498,256)	-	(498,256)
<b>Balance as of December 31, 2010</b>	<u>\$ 6,242,985</u>	<u>21,728,877</u>	<u>3,806,632</u>	<u>672,510</u>	<u>1,175,552</u>	<u>(646,407)</u>	<u>(163,650)</u>	<u>-</u>	<u>32,816,499</u>

**Note 1: The bonus to employees of \$7,048 was expensed as \$6,380 and \$218 under the income statement for the years 2008 and 2009, respectively.**

**Note 2: The bonus to employees of \$6,261 was expensed under the income statement for the year 2009.**

See accompanying notes to non-consolidated financial statements.

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Statements of Cash Flows**

**For the years ended December 31, 2009 and 2010**

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

	<b>2009</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,104,775	2,058,892
Adjustments:		
Depreciation	2,320,792	1,966,750
Amortization	14,242	10,321
Loss on doubtful accounts	4,067	17,471
Issuance of employee stock options	64,958	126,315
Loss on obsolete and slow-moving inventories	11,802	33,355
Long-term equity investment income	(139,473)	(450,927)
Cash dividend received from equity-method investees	13,932	45,442
Gain on disposal of property, plant and equipment, net	(17,987)	(23,739)
Gain on sale of investment	(929)	(12)
Unrealized profit from affiliated companies	1,354	1,149
Realized profit from affiliated companies	(2,215)	(1,928)
Unrealized foreign currency exchange loss, net	39,565	244,964
Net change in operating assets and liabilities:		
Net change in operating assets:		
Increase in notes and accounts receivable	(469,162)	(1,339,644)
Decrease (increase) in other receivables	38,419	(30,337)
Increase in inventory	(192,538)	(1,480,586)
(Increase) decrease in prepayments	(267,351)	293,084
Net change in operating liabilities:		
Increase in accounts payable	1,138,172	513,489
(Decrease) increase in accrued expenses	(104,750)	784,020
Decrease in other payables	(395,335)	(249,786)
Increase in other current liabilities	5,026	32,510
Decrease in deferred income tax liability, net	(113,599)	(72,458)
Increase in accrued pension liability	37,211	5,561
<b>Net cash provided by operating activities</b>	<b>4,090,976</b>	<b>2,483,906</b>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(290,000)	(1,119,416)
Proceeds from sale of available-for-sale financial assets	203,609	290,012
Increase in long-term equity investments	-	(213,252)
Purchases of property, plant and equipment	(654,978)	(5,555,978)
Proceeds from sale of property, plant and equipment	50,443	22,546
Decrease in refundable deposits	70	1,589
(Increase) decrease in other receivables from related parties	(5,186,995)	9,847,468
Increase in intangible assets	-	(24,131)
<b>Net cash provided by (used in) investing activities</b>	<b>(5,877,851)</b>	<b>3,248,838</b>
<b>Cash flows from financing activities:</b>		
Increase in guarantee deposits	5,012	2,562
Cash dividend	(4,345,601)	(3,371,206)
Employee stock options exercised	-	10
<b>Net cash used in financing activities</b>	<b>(4,340,589)</b>	<b>(3,368,634)</b>
<b>Effects of foreign currency translation</b>	(2,199)	(11,140)
<b>Increase in cash and cash equivalents</b>	(6,129,663)	2,352,970
<b>Cash and cash equivalents at beginning of period</b>	<b>8,697,632</b>	<b>2,567,969</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,567,969</b>	<b>4,920,939</b>
<b>Supplemental cash flow information:</b>		
Interest paid	<b>\$ 163</b>	<b>285</b>
Income tax paid	<b>\$ 813,550</b>	<b>550,443</b>

See accompanying notes to non-consolidated financial statements.

# **NAN YA PRINTED CIRCUIT BOARD CORPORATION**

## **Notes to Financial Statements**

**December 31, 2009 and 2010**

**(All amounts are expressed in thousands of New Taiwan dollars,  
except for per share information or unless otherwise specified)**

### **(1) Description of Business**

Nan Ya Printed Circuit Board Corporation (the “Company”) was incorporated on October 28, 1997, with the approval by the Ministry of Economic Affairs, and engages primarily in the manufacturing and selling of printed circuit boards.

The Company’s parent company is Na Ya Plastics Corporation.

As of December 31, 2009 and 2010, the Company had 5,553 and 6,977 employees, respectively.

### **(2) Summary of Significant Accounting Policies**

The accompanying financial statements are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Handling Business Entity Accounting, and accounting principles generally accepted in the Republic of China (ROC).

This document is an English translation of a set of financial statements originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language financial statements shall prevail.

The significant accounting policies followed by the Company are as follows:

#### **(a) Use of estimates**

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements****(b) Foreign currency transactions and translation**

The Company's reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the foreign exchange rates at the date the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

For long-term equity investments in foreign investees, which are accounted for by the equity method, a remeasurement of the foreign financial statements into the functional currency is performed first, and the remeasuring differences are accounted for as exchange gains or losses in the statements of income. Translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency and a monetary item that forms part of the Company's net investment in a foreign operation are accounted for as translation adjustment, a separate component of stockholders' equity.

**(c) Basis for classifying assets and liabilities as current or non-current**

Cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current.

Liabilities that are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current.

**(d) Asset impairment**

The Company reverses an impairment loss recognized in prior periods for assets, excluding goodwill, if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements**

The Company assesses the goodwill and intangible assets which have indefinite lives or which are not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

(e) Cash equivalents

Government and corporate bonds with agreements to repurchase, commercial paper and corporate notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents, which are highly liquid investments with no significant level of market or credit risk from potential interest rate changes.

(f) Financial assets / liabilities

Financial instruments are recognized at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A regular way purchase or sale of financial assets is recognized and derecognized using the trade date. Subsequent to initial recognition, financial instruments are measured as described below.

(i) Financial assets/liabilities at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements**

## (iii) Financial assets carried at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

## (g) Allowance for doubtful accounts

Allowance for doubtful accounts is provided according to the status of collectability of each account. The amount is determined by considering the past collection experience, credit ratings of the customers, aging analysis of the outstanding receivables, and the Company's internal controls on credit policy.

## (h) Inventories

The costs of inventories are necessary expenditures and charges for bringing the inventory to a salable and useable condition and location. Fixed manufacturing overhead is allocated to finished goods and work in progress on the basis of the normal capacity of the production equipment. Variable manufacturing overhead is allocated to each unit of production on the basis of the actual use of the production facilities. The inventories are subsequently measured at the lower of cost or net realizable value. The cost is determined by using the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

## (i) Long-term investments under equity method

Long-term investments are accounted for by the equity method when the Company owns 20% or more of an investee's voting stock or less than 20% of an investee's voting stock but is able to exercise significant influence over the investee's operating and financial policies.

Pursuant to the amended Statement of Financial Accounting Standards (SFAS) No. 5 "Long-term Investments under Equity Method", the Company recognizes the difference between the cost of an investment and the underlying equity of the investee as goodwill. The difference between the cost of an investment and the underlying equity of the investee which previously was amortized over five years is no longer amortized since January 1, 2006.

When the Company sells a long-term equity investment, the difference between the selling price and the book value of the investment is treated as a gain or loss from the disposal of the long-term equity investment. If there is a balance of additional paid-in capital, the Company recognizes current gains or losses in accordance with the percentage of sale.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements**

The Company recognizes the investment income under the treasury stock method if the investee company also holds the Company's stock. Unrealized gains or losses from inter-company transactions are deferred, and deferred credit or debit and unrealized gain or loss are adjusted accordingly. Unrealized gains or losses resulting from depreciable or amortizable assets are deferred and amortized over the estimated useful lives of the assets concerned. Unrealized gains or losses from other assets are recognized when realized.

(j) Property, plant and equipment, and related depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Interest costs related to the construction of property, plant and equipment are capitalized and included in the cost of the related asset. Regular maintenance and repairs are expensed when incurred; major additions, improvements and replacements are capitalized.

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the fixed-rate method. Assets still in service after reaching the end of their estimated useful lives are depreciated based on the residual value over their re-estimated useful lives.

In accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation (ARDF), the estimated useful lives, depreciation method and residual value of these assets are reviewed at least at each fiscal year-end. Any change in the estimated useful lives, depreciation method and residual value of these assets is treated as a change in accounting estimate. The estimated economic useful lives of the assets are as follows:

- (i) Buildings: 25 to 35 years.
- (ii) Machinery and equipment: 2 to 10 years.
- (iii) Transportation facilities: 4 to 10 years.
- (iv) Miscellaneous equipment: 2 to 15 years.

Gains or losses on disposal of property, plant and equipment are recorded as non-operating income or expenses.

(k) Intangible assets

The Company adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, other than an intangible assets acquired by way of a government grant, which should be measured at its fair value, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, and less any accumulated impairment losses.

The depreciable amount of intangible assets is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements**

intangible assets from the date that they are available for use. The estimated useful life for the technology cooperation fee is 8 to 15 years.

The residual value, the amortization period, and the amortization method for an intangible asset shall be evaluated at least at each financial year-end. Any change shall be accounted for as changes in accounting estimates.

(l) Employee retirement plan

The Company has established an employee noncontributory defined benefit retirement plan (the "Plan") covering full-time employees in the Republic of China. In accordance with the Plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement. Each employee gets 2 months' salary for each service year for the first 15 years, and 1 month's salary for each service year thereafter, with 45 months' salary as a limitation. A lump-sum retirement benefit is paid through the retirement fund.

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the "New Act") stipulate those employees covered by the defined contribution plan as follows:

- (i) employees who were covered by the Plan and opt to be subject to the pension mechanism under the New Act;
- (ii) employees who were employed after the enforcement date of the New Act.

In accordance with the New Act, the rate of contribution by an employer to an individual labor pension fund account per month shall not be less than 6% of the worker's monthly wages. The Plan has not been modified to conform to the New Act. For those provisions of the New Act not currently included in the Plan, the Company follows the New Act.

The Company adopts SFAS No. 18 "Accounting for Pensions" for its defined benefit retirement plan. SFAS No. 18 requires an actuarial calculation of the Company's pension obligation at the end of each year. Based on the actuarial calculation, the Company recognizes a minimum pension liability and net periodic pension costs.

In accordance with the requirements of the R.O.C. Labor Standards Law, the Company contributes 2% of salaries and wages paid, and deposits it in Bank of Taiwan each month. In addition, under the New Act, the Company contributes amounts equal to 6% of the employees' monthly wages to individual labor pension fund accounts each month.

In accordance with the SFAS No. 23 "Interim Financial Reporting", the information related to an actuarial calculation of the Company's pension obligation outlined in SFAS No. 18 "Accounting for Pensions" is not disclosed when preparing the interim financial statements.

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements****(m) Share-based payments**

The Company applies the intrinsic value method to recognize the difference between the market price of the stock and the exercise price of its employee stock options as compensation cost over the number of service years as described in the compensatory employee stock option plan.

According to Interpretations (92) 070, 071, and 072 issued by the ARDF, the Company need not adjust retroactively the employee share option plan for which the grant date or modification date was before January 1, 2004.

The Company adopted SFAS No. 39 “Share-based Payment” for its share-based payments granted on or after January 1, 2008.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in equity is recognized. The vesting period is the period during which all the specified vesting condition of the share-based payment arrangement are to be satisfied. The vesting conditions include service conditions and performance conditions (including market conditions). When estimating the fair value of the transactions, vesting conditions, other than market conditions, shall not be taken into account.

Fair value at the grant date is measured by the use of the Black-Scholes option pricing model, based on the management’s best estimate of the exercise price, expected valid period, underlying share price, expected volatility, expected dividends, risk-free interest rate, and any other inputs to the model.

**(n) Treasury stock**

In accordance with SFAS No. 30 “Accounting for Treasury Stock”, the Company uses the cost method to account for treasury stock. Under the cost method, the treasury stock account is debited for the cost of the Company’s shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus—treasury stock; if otherwise, the excess of the cost over the price is debited to capital surplus generated from other treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average cost and is calculated by each group according to the reason for purchase.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON****Notes to Financial Statements**

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus – treasury stock. If the capital surplus – treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus – treasury stock.

(o) Revenue recognition

Revenue is recognized upon transfer of risk and compensation, which occurs with delivery of goods.

The Company recognizes sales revenues from triangle-trade based on the total ordering prices of the foreign customers and recognizes costs based on total amounts of costs paid to suppliers from another country or processing charges. The Company recognizes revenue only when persuasive evidence of an arrangement exists, shipment has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonably assured.

(p) Bonus to employees and remuneration to directors and supervisors

Under Interpretation (96) 052 issued by the Accounting Research and Development Foundation (ARDF), which is effective from January 1, 2008, the appropriations of bonus to employees and remuneration to directors and supervisors from current year's earnings are accrued under operating expense or cost of goods sold in the year when earnings arise based on the estimated amounts. The differences between the amount approved in the shareholders' meeting in the following year and the amount accrued in the current year, if any, are treated as a change in accounting estimate and are charged to profit or loss in the following year.

(q) Income tax

The Company has adopted SFAS No. 22 "Income Taxes", under which income taxes are accounted for using the asset and liability method. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects of taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly.

(Continued)

## NAN YA PRINTED CIRCUIT BOARD CORPORATON

### Notes to Financial Statements

Deferred income tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the expected realization date of the asset or liability.

The 10% surtax on undistributed earnings, computed according to the ROC Income Tax Act, is charged to current income tax expense in the year when the shareholders decide during their meeting not to distribute those earnings.

(r) Earnings per share

Earnings per share are calculated by dividing net income by the weighted-average number of shares outstanding. An increase in issuance of stock through stock dividends from unappropriated earnings or capital surplus is added to the shares outstanding retroactively.

The employee stock options and the employees' bonus of the Company are potential common stock. If the potential stock does not have a dilutive effect, the Company would only disclose the basic earnings per share; if otherwise, diluted earnings per share should be disclosed in addition to the basic earnings per share. When calculating the diluted earnings per share, the weighted-average number of shares includes the equivalent shares arising from employee stock options. The number of incremental shares is determined by assuming the dilutive potential stock is outstanding at the beginning of the year.

#### (3) Reasons for and Cumulative Effect of Accounting Principle Change

Effective January 1, 2009, the Company adopted newly revised SFAS No. 10 "Inventories". The Company changed the allocation method of fixed manufacturing overhead according to Sec. 19 of SFAS No. 10, which decreased the net income by \$6,457 and earnings per share by \$0.01.

#### (4) Cash and Cash Equivalents

	<u>2009.12.31</u>	<u>2010.12.31</u>
Cash on hand – petty cash	\$ -	6
Cash in bank	148,969	2,242,632
Cash equivalents – short-term bills payable	259,938	599,082
Cash equivalents – bonds with a put option	<u>2,159,062</u>	<u>2,079,219</u>
	<u>\$ 2,567,969</u>	<u>4,920,939</u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

**(5) Financial Assets**

(a) Non-derivative financial instruments

The financial assets held by the Company as of December 31, 2009 and 2010, consisted of the following:

	<u>2009.12.31</u>	<u>2010.12.31</u>
Available-for-sale financial assets — current		
Mutual funds	\$ 290,004	-
Listed (TSE and OTC) stocks	<u>3,204,610</u>	<u>3,825,774</u>
	<u><b>3,494,614</b></u>	<u><b>3,825,774</b></u>

For the years ended December 31, 2009 and 2010, the Company recognized \$1,859,843 and \$(498,256), respectively, as adjustments to stockholders' equity from available-for-sale financial assets, and \$929 and \$12, respectively, were deducted from stockholders' equity and recognized as current profit or loss. As of December 31, 2009 and 2010, the unrealized gain or loss on available-for-sale financial assets were \$334,606 and \$(163,650), respectively, recorded under unrealized gain or loss on available-for-sale financial assets in stockholders' equity.

	<u>2009.12.31</u>		<u>2010.12.31</u>	
	<u>Amount</u>	<u>% Ownership</u>	<u>Amount</u>	<u>% Ownership</u>
Cost-method financial assets — non-current				
Stock — Antig Technology Corporation	\$ <u>-</u>	5.48	<u>-</u>	5.48

Since there is no directly observable price in active markets, the fair value cannot be reliably measured; therefore, cost-method financial assets — stock held by the Company are measured at cost. In 2008, the Company valued the stock of Antig Technology Corporation and recognized impairment loss amounting to \$32,864, which was the total investment cost.

All the non-derivative financial assets held by the Company were unpledged as of December 31, 2009 and 2010.

**(6) Notes and Accounts Receivable, Net**

	<u>2009.12.31</u>	<u>2010.12.31</u>
Notes receivable	\$ 1,139	1,665
Accounts receivable	<u>6,412,398</u>	<u>7,535,219</u>
	6,413,537	7,536,884
Less: allowance for doubtful accounts	<u>(65,233)</u>	<u>(82,704)</u>
Notes and accounts receivable, net	<u><b>\$ 6,348,304</b></u>	<u><b>7,454,180</b></u>

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

**(7) Inventories, Net**

The details of inventories as of December 31, 2009, and 2010, were as follows:

	<u>2009.12.31</u>	<u>2010.12.31</u>
Finished goods	\$ 931,198	1,031,585
Less: allowance for inventory obsolescence and devaluation	<u>(4,131)</u>	<u>(23,048)</u>
	927,067	1,008,537
Work in process	1,071,992	2,024,045
Less: allowance for inventory obsolescence and devaluation	<u>(24,359)</u>	<u>(36,958)</u>
	<u>1,047,633</u>	<u>1,987,087</u>
Raw materials	503,877	802,940
Less: allowance for inventory obsolescence and devaluation	<u>(15,346)</u>	<u>(14,518)</u>
	<u>488,531</u>	<u>788,422</u>
Supplies	77,843	134,374
Less: allowance for inventory obsolescence and devaluation	<u>(1,913)</u>	<u>(4,580)</u>
	<u>75,930</u>	<u>129,794</u>
Materials and supplies in transit	<u>7,547</u>	<u>80,099</u>
Inventories, net	<u>\$ 2,546,708</u>	<u>3,993,939</u>

The inventory expenses or losses recognized for the years ended December 31, 2009 and 2010, were as follows:

	<u>2009</u>	<u>2010</u>
Unamortized manufacturing overhead	\$ 8,610	13,442
Loss from obsolete inventories	<u>11,802</u>	<u>33,355</u>
Increase in cost of goods sold	<u>\$ 20,412</u>	<u>46,797</u>

**(8) Long-term Investments under Equity Method**

(a) The details of long-term equity investments as of December 31, 2009, and 2010, were as follows:

	<u>2009</u>			<u>2010</u>		
	<u>Investment cost</u>	<u>% Owned</u>	<u>Investment Income (loss)</u>	<u>Investment cost</u>	<u>% Owned</u>	<u>Investment Income (loss)</u>
Nan Ya PCB (Hong Kong) Corporation	\$ 6,385,816	100.00	89,569	6,461,605	100.00	398,915
Nan Ya PCB (USA) Corporation	5,179	100.00	786	5,438	100.00	240
Formosa Petrochemical Corporation	<u>690,700</u>	0.13	<u>49,118</u>	<u>697,030</u>	0.13	<u>51,772</u>
Total	<u>\$ 7,081,695</u>		<u>139,473</u>	<u>7,164,073</u>		<u>450,927</u>

The Company established the subsidiary Nan Ya Printed Circuit Board (Hong Kong) Corporation in Hong Kong, and has started investing in companies in Mainland China pursuant to the resolution reached in the board of directors' meeting in 2000.

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

Although the Company owns less than 20 percent of the stock of Formosa Petrochemical Corporation, the Company accounts for the investment by the equity method because Nan Ya Plastics Corporation, the parent company, has significant influence on Formosa Petrochemical Corporation.

- (b) As of December 31, 2009 and 2010, the translation adjustments for long-term equity investments were as follows:

	<u>2009.12.31</u>	<u>2010.12.31</u>
Translation adjustments:		
Nan Ya PCB (Hong Kong) Corporation	\$ (109,376)	(645,754)
Nan Ya PCB (USA) Corporation	<u>(195)</u>	<u>(653)</u>
	<u>\$ (109,571)</u>	<u>(646,407)</u>

- (c) The market price of the long-term equity investment was as follows:

	<u>2009.12.31</u>	<u>2010.12.31</u>
Formosa Petrochemical Corporation	\$ <u>985,364</u>	<u>1,182,676</u>

- (d) None of the long-term equity investment was pledged as of December 31, 2009 and 2010.

**(9) Property, Plant and Equipment**

None of the property, plant and equipment was pledged to secure bank loans as of December 31, 2009 and 2010.

**(10) Intangible Assets**

The cost and the movements of accumulated amortization in 2009 and 2010 were as follows:

		<u>Professional Technology (technology cooperation fee)</u>
Cost:		
As of January 1, 2009	\$	<u>154,582</u>
As of December 31, 2009	\$	<u>154,582</u>
As of January 1, 2010	\$	154,582
Cost increased in, 2010	\$	<u>24,131</u>
As of December 31, 2010	\$	<u>178,713</u>
Accumulated amortization and impairment loss:		
As of January 1, 2009	\$	79,658
Add: current amortization expense in 2009		<u>14,242</u>
As of December 31, 2009	\$	<u>93,900</u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

	<b>Professional Technology (technology cooperation fee)</b>
As of January 1, 2010	\$ 93,900
Add: current amortization expense in 2010	<u>10,321</u>
As of December 31, 2010	<u><b>104,221</b></u>
Book value:	
As of January 1, 2009	<u><b>74,924</b></u>
As of December 31, 2009	<u><b>60,682</b></u>
As of January 1, 2010	<u><b>60,682</b></u>
As of December 31, 2010	<u><b>74,492</b></u>

The Company amortized intangible assets in the amount of \$14,242 and \$10,321 as operating cost for the years ended December 31, 2009 and 2010, respectively.

**(11) Short-term Loans**

As of December 31, 2009 and 2010, the unused credit facility for short-term loans (including letters of credit) amounted to \$3,300,000.

**(12) Accrued Pension Liabilities**

(a) The funded status was reconciled to accrued pension liability as of December 31, 2009 and 2010, as follows:

	<u><b>2009.12.31</b></u>	<u><b>2010.12.31</b></u>
Benefit obligation:		
Vested benefit obligation	\$ 71,460	112,150
Non-vested benefit obligation	<u>408,298</u>	<u>588,494</u>
Accumulated benefit obligation	479,758	700,644
Projected compensation increase	<u>456,890</u>	<u>642,235</u>
Projected benefit obligation	936,648	1,342,879
Fair value of plan assets	<u>(415,197)</u>	<u>(454,749)</u>
Funded status	521,451	888,130
Unrecognized transitional obligation	(62,958)	(59,023)
Unamortized pension gain or losses	<u>310,146</u>	<u>(54,907)</u>
Accrued pension liability	<u><b>\$ 768,639</b></u>	<u><b>774,200</b></u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(b) For the years ended December 31, 2009 and 2010, the net periodic pension cost was follows:

	<u>2009</u>	<u>2010</u>
Service cost	\$ 47,394	37,385
Interest cost	32,596	28,046
Projected return on plan assets	(12,041)	(12,970)
Amortized and deferred cost	3,935	(3,530)
Net periodic pension cost	<u>\$ 71,884</u>	<u>48,931</u>

(c) Major assumptions used to determine the pension plan funded status for the years ended December 31, 2009 and 2010, were as follows:

	<u>2009.12.31</u>	<u>2010.12.31</u>
Discount rate	3.00%	3.00%
Rate of increase in compensation	3.00%	3.00%
Expected long-term rate of return on plan assets	3.00%	3.00%

(d) For the years ended December 31, 2009 and 2010, the details of the defined contribution pension plan were follows:

	<u>2009</u>	<u>2010</u>
Net periodic pension cost of defined contribution pension plan	<u>\$ 149,767</u>	<u>171,548</u>
Balance of pension liability — under accrued expense	<u>\$ 23,532</u>	<u>32,545</u>

**(13) Income Tax**

(a) According to the Income Tax Act, revised on June 15, 2010, the highest income tax rate was reduced to 17%. The Company's earnings are subject to income tax at a statutory rate of 25% and of 17% for the years 2009 and 2010, respectively, and the Company also adopted the requirements of the "Income Basic Tax Act" in calculating the basic tax.

(b) For the years ended December 31, 2009 and 2010, the components of income tax expense were as follows:

	<u>2009</u>	<u>2010</u>
Income tax expense — current	\$ 433,631	314,440
Income tax benefit — deferred	(113,599)	(72,458)
10% surtax on undistributed earnings	4,115	-
Income tax expense	<u>\$ 324,147</u>	<u>241,982</u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

The details of deferred income tax benefit for the years ended December 31, 2009 and 2010, were as follows:

	<u>2009</u>	<u>2010</u>
Unrealized foreign exchange loss	\$ (13,023)	(34,918)
Deferred unrealized sales profit	283	132
Deferred unrealized profit due to sales of fixed assets	(39)	2,856
Unamortized fixed manufacturing overhead	-	(2,285)
Allowance for doubtful account over limitation	-	(1,063)
Unrealized loss on inventory obsolescence and devaluation	(663)	(5,670)
Unrealized export revenue over tax limitation	-	(6,903)
Unrealized pension expense over tax limitation	(7,370)	(1,713)
Foreign investment income under equity method	18,071	67,856
Provision for foreign investment loss	(17,687)	(36,509)
Deferred income tax effect of change in income tax rate	<u>(93,171)</u>	<u>(54,241)</u>
Deferred income tax benefit	<u>\$ (113,599)</u>	<u>(72,458)</u>

- (c) The income tax on pretax financial income calculated at a statutory income tax rate of 25% and of 17% was reconciled with the actual income tax as reported in the accompanying financial statements for the years ended December 31, 2009 and 2010, as follows:

	<u>2009</u>	<u>2010</u>
Income tax calculated based on pretax financial income	\$ 607,220	391,148
Investment income under equity method	(12,279)	(8,801)
Others	(4,526)	(16,246)
Tax-exempt income	(61,083)	(3,186)
Income tax levied separately	1,091	-
Increase in income tax credit for purchase of machinery and equipment	(105,606)	(63,662)
10% surtax on undistributed earnings	4,115	-
Prior-year income tax adjustment	(14,383)	(3,030)
Effect of changes in income tax rate	<u>(90,402)</u>	<u>(54,241)</u>
Income tax expense	<u>\$ 324,147</u>	<u>241,982</u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

- (d) As of December 31, 2009 and 2010, the components of deferred income tax assets or liabilities were as follows:

	<b>2009.12.31</b>	<b>2010.12.31</b>
Current:		
Deferred income tax assets	\$ 21,295	68,920
Valuation allowance for deferred income tax assets	-	-
Deferred income tax assets, net	21,295	68,920
Deferred income tax liabilities	(42,952)	(7,392)
Current deferred income tax liabilities and assets, net	\$ <b>(21,657)</b>	<b>61,528</b>
Non-current:		
Deferred income tax assets	\$ 192,468	162,342
Valuation allowance for deferred income tax assets	-	-
Deferred income tax assets, net	192,468	162,342
Deferred income tax liabilities	(532,420)	(513,021)
Non-current deferred income tax liabilities, net	\$ <b>(339,952)</b>	<b>(350,679)</b>
Deferred income tax assets, total	\$ <b>213,763</b>	<b>231,262</b>
Deferred income tax liabilities, total	\$ <b>575,372</b>	<b>520,413</b>
Valuation allowance for deferred income tax assets	\$ -	-

- (e) The details of deferred income tax assets and liabilities, and the effects on income tax were as follows:

	<b>2009.12.31</b>		<b>2010.12.31</b>	
	<b>Amount</b>	<b>Effects on income tax</b>	<b>Amount</b>	<b>Effects on income tax</b>
Current deferred income tax assets:				
Unrealized foreign currency exchange loss	\$ 39,565	7,913	244,964	41,644
Deferred credit—unrealized sales profit	1,928	385	1,637	278
Deferred credit—unrealized profit due to disposal of fixed assets	19,223	3,845	19,396	3,297
Unrealized export revenue over tax limitation	-	-	40,607	6,903
Allowance for doubtful account over limitation	10	2	6,262	1,065
Unamortized fixed manufacturing overhead	-	-	13,442	2,285
Unrealized loss on inventory obsolescence and devaluation	45,749	9,150	79,104	13,448
Current deferred income tax assets, net		21,295		68,920
Current deferred income tax liabilities:				
Provision for foreign investment loss	214,761	42,952	43,483	7,392
Current deferred income tax assets (liabilities), net		\$ <b>(21,657)</b>		<b>61,528</b>
Non-current deferred income tax assets:				
Deferred credit—unrealized sales profit	\$ 1,705	341	1,217	207
Deferred credit—unrealized profit due to disposal of fixed assets	164,891	32,978	147,915	25,145
Pension expense over tax limitation	762,880	152,576	772,957	131,403
Impairment loss	32,864	6,573	32,864	5,587
Non-current deferred income tax assets, net		192,468		162,342
Non-current deferred income tax liabilities:				
Foreign investment income under equity method	2,457,573	491,515	2,856,728	485,644
Provision for foreign investment loss	204,527	40,905	161,044	27,377
Non-current deferred income tax liabilities, net		\$ <b>(339,952)</b>		<b>(350,679)</b>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

- (f) The Company is eligible for tax exemption, as it is in an emerging, important, and strategic industry as approved by the National Tax Administration. The tax exemption period is a consecutive five-year period, starting from the date selected by the Company. The details were as follows:

<u>Type of tax exemption</u>	<u>Letter of approval</u>	<u>Item of award</u>	<u>Tax exemption period</u>
Capital increase	97.01.31 No. 09700077200	Ball Grid Array Substrate	2008.1.1~2012.12.31
Capital increase	99.02.22 No. 09900070140	Ball Grid Array Substrate	2010.1.1~2014.12.31

- (g) In accordance with the Industry Innovation Act, the Company can acquire an investment tax credit for research and development expenditures. The maximum amount of the investment tax credit for research and development expenditures is 30% of current income tax payable in the year. In 2010, in accordance with the Industry Innovation Act, the Company acquired an investment tax credit for research and development expenditures amounting to \$28,324 to reduce current income tax payable in the year.
- (h) In accordance with Section 12 of the Statute for Upgrading Industries, the Company recognizes the provision for foreign investment loss as current expense during the year when the investment is made. The recognized amount is 20% of the total foreign investment if the percentage of shares owned by the Company is no less than 50%. If there is no investment loss realized during the next five years, the recognized provision for foreign investment loss will be transferred to revenues in the fifth year. The details were as follows:

<u>Investment year</u>	<u>Investment amount</u>	<u>Provision for investment loss</u>	<u>Year of reversal</u>
2007	217,417	43,483	2011
2008	805,222	161,044	2012
	<b>\$ 1,022,639</b>	<b>204,527</b>	

- (i) The Company's income tax returns have been examined by the ROC tax authority through 2007.
- (j) Imputation credit account (ICA), creditable ratio, and undistributed earnings

	<u>2009.12.31</u>	<u>2010.12.31</u>
Imputation credit account	<b>\$ 109,720</b>	<b>233,213</b>
	<u>2009 (actual)</u>	<u>2010 (projected)</u>
Creditable ratio	<b>18.84%</b>	<b>20.48%</b>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

As of December 31, 2009 and 2010, undistributed earnings of the Company before 1997 (inclusive) were \$3,840 and \$0, respectively.

**(14) Stockholders' Equity**

(a) Common stock

For the year ended December 31, 2010, shares of common stock issued for the exercised employee stock options were as follows:

<u>Date of record for the capital increase</u>	<u>Shares issued for options exercised (thousand shares)</u>	<u>Exercise price per share (in dollars)</u>	<u>Receipts</u>
2010.3.26	\$ <u>1</u>	10	<u>10</u>

On June 21, 2010, the board of directors approved a resolution allowing the Company to decrease its capital by \$61,010 and cancel 6,101,000 treasury shares. After the reduction in capital, the Company's total issued common stock amounted to \$6,242,985. The reduction in capital was approved by the MOEA on August 18, 2010. The related registration processes were completed.

On June 23, 2009, the stockholders adopted a resolution to transfer retained earnings of \$122,411 for issuance of new shares of common stock. This capital increase was approved by the SFB, and the date of record for the capital increase was September 1, 2009. After the capital increase, the total issued common stock amounted to \$6,303,985, divided into 630,399 thousand shares, with \$10 par value per share. The Company has been listed on the Taiwan Stock Exchange

As of December 31, 2009 and 2010, the Company's total authorized capital amounted to \$7,000,000, of which \$115,490 and \$115,480, respectively, were reserved for stock options. And the total issued common stock amounted to \$6,303,985 and \$6,242,985, respectively, with \$10 par value per share.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(b) Treasury stock

1. Movement of the Company's treasury stock for the year ended December 31, 2009, was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Stock purchased back for transferring to employees— shares (in thousands)	<u>6,101</u>	<u>-</u>	<u>-</u>	<u>6,101</u>
Stock purchased back for transferring to employees— amount	\$ <u>1,242,218</u>	<u>-</u>	<u>-</u>	<u>1,242,218</u>

2. Movement of the Company's treasury stock for the year ended December 31, 2010, was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Stock purchased back for transferring to employees— shares (in thousands)	<u>6,101</u>	<u>-</u>	<u>6,101</u>	<u>-</u>
Stock purchased back for transferring to employees— amount	\$ <u>1,242,218</u>	<u>-</u>	<u>1,242,218</u>	<u>-</u>

3. In the year ended December 31, 2007, the Company acquired treasury shares for transferring to employees in the future, according to Article 28-2 of the Securities and Exchange Act. As of December 31, 2010, the 6,101,000 treasury shares that had not been transferred due to the expiry of the time limit were all cancelled.
4. According to the ROC Securities and Exchange Act, the Company cannot buy back more than 10% of its outstanding stock. Moreover, the buy-back amount cannot exceed the sum of retained earnings, additional paid-in capital, and realized capital surplus. As of December 31, 2010, the limitation was 62,430 thousand shares and \$27,191,698.
5. According to the ROC Securities and Exchange Act, treasury shares are not entitled to any shareholder rights before being transferred, and cannot be used as pledge or collateral.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(c) Surplus and reserves

1. Capital surplus

As of December 31, 2009 and 2010, the details of capital surplus were as follows:

	<u>2009.12.31</u>	<u>2010.12.31</u>
Additional paid-in capital in excess of par value	\$ 21,747,476	21,537,004
Treasury stock transactions	4,616	-
Employee stock options	64,958	191,750
Others	<u>123</u>	<u>123</u>
	<b>\$ <u>21,817,173</u></b>	<b><u>21,728,877</u></b>

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficit. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued, donated assets, and additional paid-in capital from treasury stock transactions. The total of capital surplus transferred to share capital cannot exceed 10% of paid-in capital each year.

2. Legal reserve

The ROC Company Act stipulates that a company must retain 10% of its annual net earnings as legal reserve until such retention equals the amount of issued share capital. Legal reserve may be used to offset an accumulated deficit, but cannot be distributed as cash dividends. However, up to 50% of the balance of legal reserve can be converted to capital stock upon approval at a stockholders' meeting when the balance of legal reserve reaches an amount equal to one-half of issued capital stock.

3. Special reserve, and earnings appropriation and distribution

According to the Company's articles of incorporation, the Company's earnings from the current year should be used to pay income tax, offset prior-year deficits, provide a legal reserve of 10% of the remainder, provide a special reserve when necessary, and pay dividends. After the above- mentioned appropriation, the appropriation of the remainder (the distributable earnings after dividends), if any, plus the undistributed earnings from previous years should be proposed by the board of directors and is subject to the shareholders' approval. The special reserve includes the following:

- a. Special reserve recorded for special purpose.
- b. Investment income under equity method.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

c. Net valuation gain from financial instrument transactions.

d. Other special reserves under the regulations.

The Company appropriates 0.1% to 1% of the distributable earnings after dividends as employees' bonus, and records it as periodic expense in the current year.

The Company distributes dividends in cash or stock. Fifty percent or more of the distributable earnings after deducting legal reserve and special reserve should be distributed as dividends, of which cash dividends should be the priority, and the total of earnings and capital surplus transferred to share capital should be no more than 50% of all dividends for the year.

For the years ended December 31, 2009 and 2010, the estimated employees' bonus was \$6,261 and \$0, respectively, based on the ROC Company Act and the distribution plan according to the Company's articles of incorporation. If the actual distributed amounts approved thereafter by the stockholders' meetings are different from the estimate, the differences are treated as changes in accounting estimate, and are charged to profit or loss for 2010 or 2011, respectively.

Pursuant to the resolution of the shareholders' meetings held on June 23, 2009, and June 21, 2010, the distribution of dividends per share, employees' bonus, and remuneration to directors and supervisors for 2008 and 2009 was as follows:

	<u>2008</u>	<u>2009</u>
Common stock dividends per share (dollars):		
Cash	\$ 7.1	5.4
Stock (par value)	<u>0.2</u>	<u>-</u>
	<u>\$ 7.3</u>	<u>5.4</u>
Employees' bonus—cash	<u>\$ 7,048</u>	<u>6,261</u>

The aforementioned earnings distributions did not differ from those proposed by the board of directors.

The aforementioned distributed amount of retained earnings did not differ from the estimated amount recognized in the financial statements of the Company for the year ended December 31, 2009.

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

The difference between the actual distributed amount of retained earnings and the amount recognized in the financial statements of the Company for the year ended December 31, 2008, was as follows:

		<b>2008</b>	
	<b>Actual distributed amount</b>	<b>Amount recognized in financial statements</b>	<b>Difference</b>
Employees' bonus—cash	\$ 7,048	6,830	218
Remuneration to directors and supervisors	-	-	-
	<u>\$ 7,048</u>	<u>6,830</u>	

The difference between the actual distributed amount of employees' bonus and remuneration to directors and supervisors, and the amount recognized in the financial statements was treated as a change in accounting estimate. The difference was charged to profit or loss for the year 2009.

The amount of employees' bonus and directors' and supervisors' remuneration to be distributed from the net income of 2010 will be proposed by the board of directors to a stockholders' meeting. This information can be reviewed on the Website of the Taiwan Stock Exchange after the related meetings have been held.

(d) Share-based payment transactions

On June 25, 2003, the Company was approved by the Securities and Futures Bureau to issue 6,000 units of employee stock options. Each option entitles the holder to subscribe for one thousand common shares of the Company when exercisable, and the total common shares available are 6,000,000 shares. The Company will issue new shares of stock for the options to be exercised. For those options issued before the Company became publicly listed, the exercise price should be no less than net earnings per share in the audited financial report whose issuance date was closest to the option issuance date. As for those issued later, the price should be no less than the closing price of the Company's common stock on the issuance date.

The options granted are valid for 8 years and are not transferable. The options are exercisable at certain percentages after the second anniversary from the grant date, with 50%, 75%, and 100% of these stock options vested after the second, third, and fourth anniversary dates, respectively.

The aforementioned employee stock options were all issued as of December 31, 2003. The exercise prices have been adjusted from \$30 to \$21.3 and \$10 for the years ended December 31, 2006 and 2007, respectively, taking cash dividends and stock dividends into consideration.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

The Company was authorized to issue 9,912 units and 1,588 units of employee stock options on June 23, 2009, and March 25, 2010, respectively, and each option entitles the holder to subscribe for one thousand common shares of the Company at the exercise price of \$89 and \$124.5, respectively. The Company transferred retained earnings to share capital on September 1, 2009, and adjusted the exercise price to \$81 and \$124.5, respectively. Cash dividends were distributed on July 20, 2010, and the exercise price was adjusted to \$77.7 and \$119.5, respectively. The issuance was limited to formal employees of the Company. The options are exercisable at certain percentages after the second anniversary from the issuance date, with 50%, 75%, and 100% of these stock options vested after the second, third, and fourth anniversary dates, respectively, and the options issued are valid for 8 years.

The Company utilized the Black-Scholes option pricing model to value the stock options issuance, and the main inputs to the valuation model were as follows:

	<b><u>The 1st batch in 2009 of employee stock options</u></b>	<b><u>The 2nd batch in 2009 of employee stock options</u></b>
Assumptions:		
Dividend rate	- %	- %
Expected price volatility	42.89%	39.77%
Risk-free interest rate	1.0102%	0.9584%
Expected valid period (years)	5.375	5.375
Projected turnover rate	7.64%	7.64%

The remuneration cost recognized under the fair value method for the years ended December 31, 2009 and 2010, was \$64,958 and \$126,315, respectively.

The details of these employee stock options for the years ended December 31, 2009 and 2010, were as follows:

	2009		2010	
	Number of options (Units)	Weighted-average exercise price (NT\$)	Number of options (Units)	Weighted-average exercise price (NT\$)
Outstanding balance as of January 1, 2009 and 2010	109	\$ 10.00	10,021	88.14
Options granted	9,912	89.00	1,588	124.5
Options exercised	-	-	(1)	10.00
Outstanding balance as of December 31, 2009 and 2010	<b>10,021</b>	88.14	<b>11,608</b>	82.79
Exercisable as of December 31, 2009 and 2010	<b>109</b>		<b>108</b>	
Fair value of options granted during 2009 or 2010 (NT\$)	<b>\$ 35.4</b>		<b>46.3</b>	

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

As of December 31, 2009 and 2010, the details of the Company's outstanding stock options accounted for as a compensatory plan were as follows:

<b>2009.12.31</b>					
<u>Exercise price (NT\$)</u>	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of options</u>	<u>Remaining period (years)</u>	<u>Exercise price (NT\$)</u>	<u>Number of options</u>	<u>Exercise price (NT\$)</u>
\$ <u>10</u>	<u>109</u>	<u>1.83</u>	<u>10</u>	<u>109</u>	<u>10</u>
\$ <u>81</u>	<u>9,912</u>	<u>7.48</u>	<u>81</u>	<u>-</u>	<u>-</u>

  

<b>2010.12.31</b>					
<u>Exercise price (NT\$)</u>	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of options</u>	<u>Remaining period (years)</u>	<u>Exercise price (NT\$)</u>	<u>Number of options</u>	<u>Exercise price (NT\$)</u>
\$ <u>10</u>	<u>108</u>	<u>0.83</u>	<u>10</u>	<u>108</u>	<u>10</u>
\$ <u>77.7</u>	<u>9,912</u>	<u>6.48</u>	<u>77.7</u>	<u>-</u>	<u>-</u>
\$ <u>119.5</u>	<u>1,588</u>	<u>7.24</u>	<u>119.5</u>	<u>-</u>	<u>-</u>

**(15) Earnings per Share**

For the years ended December 31, 2009 and 2010, the basic and diluted earnings per share for the Company were as follows:

	<u>2009</u>		<u>2010</u>	
	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
<b>Basic earnings per share:</b>				
Net income	\$ <u>2,428,922</u>	<u>2,104,775</u>	<u>2,300,874</u>	<u>2,058,892</u>
Weighted-average outstanding shares (thousand shares)	<u>624,298</u>	<u>624,298</u>	<u>624,298</u>	<u>624,298</u>
<b>Basic earnings per share (NT\$)</b>	\$ <u>3.89</u>	<u>3.37</u>	<u>3.69</u>	<u>3.30</u>
<b>Diluted earnings per share:</b>				
Net income	<u>2,428,922</u>	<u>2,104,775</u>	<u>2,300,874</u>	<u>2,058,892</u>
Weighted-average outstanding shares (thousand shares)	624,298	624,298	624,298	624,298
Impact of potential common shares— employee stock options (thousand shares)	<u>672</u>	<u>672</u>	<u>3,907</u>	<u>3,907</u>
Weighted-average outstanding shares in calculating diluted earnings per share (thousand shares)	<u>624,970</u>	<u>624,970</u>	<u>628,205</u>	<u>628,205</u>
<b>Diluted earnings per share</b>	\$ <u>3.89</u>	<u>3.37</u>	<u>3.66</u>	<u>3.28</u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

**(16) Financial Instrument Information**

(a) Fair value of financial instruments

As of December 31, 2009 and 2010, the book values and fair values of Company's financial assets and liabilities were as follows:

	2009.12.31			2010.12.31		
	Book Value	Market value in active market	Value determined by using broker quote/carrying value	Book value	Market value in active market	Value determined by using broker quote/carrying value
<u>Non-derivative financial instruments:</u>						
Financial assets:						
Cash and cash equivalents	\$ 2,567,969	148,969	2,419,000	4,920,939	2,242,638	2,678,301
Available-for-sale financial assets						
— current						
Mutual fund	290,004	290,004	-	-	-	-
Stock of listed companies	3,204,610	3,204,610	-	3,825,774	3,825,774	-
Notes and accounts receivable (including accounts receivable — related parties)	6,471,144	-	6,471,144	7,561,640	-	7,561,640
Other receivables — related parties (lending to related parties)	9,847,482	-	9,847,482	14	-	14
Refundable deposits	1,592	-	-	3	-	-
Financial liabilities:						
Accounts payable (including accounts payable — related parties)	2,179,083	-	2,179,083	2,726,089	-	2,726,089
Guarantee deposits	12,511	-	-	15,073	-	-

Assumptions and methods the Company used to evaluate the fair market value of financial instruments:

- A. The book value of short-term financial instruments is considered to be the fair value because of the short-term nature of these instruments, and the book value method is considered to be a reasonable basis to assess the fair value. Such method is applicable to cash and cash equivalents, notes and accounts receivable and payable including related parties, and other receivables — related parties.
- B. If a published price quotation in an active market exists for a financial instrument in its entirety, then the quote price will be the fair value. If market value is not available, an assessment method will be used. The assumptions used should be the same as those used by financial market traders when quoting their prices.
- C. The fair value of cash deposit is based on the carrying amount because cash deposit is on a cash basis.

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(b) Financial risk information

(i) Market risk

- A. The Company's available-for-sale financial assets and derivative financial instruments are affected by the fluctuation of market price, which exposes the Company to a risk from such fluctuation.
- B. Values of the foreign currency deposits, accounts receivable, and accounts payable fluctuate due to changes in foreign exchange rates, so the Company is exposed to a risk from such changes.

(ii) Credit risk

- A. The counterparties of the Company's notes and accounts receivable are well-known international companies with good credit ratings. Since no bad debts actually occurred in recent years, the credit risk is expected to be insignificant.
- B. The Company's exposure to credit risk arises from available-for-sale financial assets, and the effect is expected to be insignificant because there is an active market for the financial assets.

(iii) Liquidity risk

- A. All of the counterparties of the Company's notes and accounts receivable are well-known international companies with good credit ratings, and all the receivables are due within one year and do not differ from general transactions. As a result, there is no significant liquidity risk to the Company.
- B. The available-for-sale financial assets invested in by the Company are considered to be actively traded. Hence, the financial assets can be readily sold at fair value on the market. As a result, the liquidity risk borne by the Company is not significant.

**(17) Related-party Transactions**

(a) Names and relationship of related parties

<u>Name</u>	<u>Relationship with the Company</u>
Nan Ya Plastics Corp. (NPC)	Parent company
Nan Ya Technology Corp. (NTC)	Investee of NPC under equity method
Wen Fung Industrial (WFI)	Common chairman
Nan Ya PCB (Kunshan) Corp. (NPKC)	Subsidiary of the Company

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

<u>Name</u>	<u>Relationship with the Company</u>
Nan Ya PCB (Hong Kong) Corp. (NPHK)	Subsidiary of the Company
Nan Ya PCB (USA) Corp. (NPUC)	Subsidiary of the Company
Formosa Plastics Corporation (FPC)	NPC is a director of FPC.
Formosa Heavy Industries Corp. (FHIC)	Investee of NPC under equity method
Formosa Plastic Transport Corp. (FPTC)	Investee of NPC under equity method
Formosa Chemicals & Fiber Corp. (FCFC)	The chairman is a Company director.
Formosa Petrochemical Corp. (FPeC)	Investee of the Company under equity method
Formosa Advanced Technologies Co. (FATC)	The chairman is a Company director.
Asia Pacific Investment Corp. (AIC)	A director is the Company's chairman.
Formosa Automobile Sales Corp. (FASC)	Investee of NPC under equity method
Pen Jen Corp., Ltd. (PJC)	Subsidiary of NTC
Inotera Memories, Inc. (IMI)	Investee of NTC under equity method
Directors, supervisors, general manager and vice general manager	Main management

(b) Significant related-party transactions

(i) Sales revenue and purchases

Significant transactions with related parties for the years ended December 31, 2009 and 2010, were as follows:

	<u>2009</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of net purchases</u>	<u>Amount</u>	<u>% of net purchases</u>
Purchases:				
NPC	\$ 1,378,017	8.23	1,655,791	6.80
NPKC	7,298,853	43.58	10,723,279	44.04
WFI	119,251	0.71	142,866	0.58
FPC	<u>45,659</u>	<u>0.27</u>	<u>53,094</u>	<u>0.22</u>
	<u>\$ 8,841,780</u>	<u>52.79</u>	<u>12,575,030</u>	<u>51.64</u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

	2009		2010	
	Amount	% of net sales	Amount	% of net sales
Sales:				
NPKC	\$ 62,191	0.23	52,442	0.15
FATC	272,361	1.01	535,949	1.50
NTC	64,542	0.24	62,579	0.18
	\$ <b>399,094</b>	<b>1.48</b>	<b>650,970</b>	<b>1.83</b>

1. Purchases from NPC included steam and utility expenses.
2. Purchases from WFI were OEM payable.
3. Sales to NPKC were components and stores.
4. Purchase prices and payment terms:

Purchase prices and payment terms of purchases from related parties are not materially different from those from non-related general suppliers. The Company pays NPC, FPC, and NPKC on the 15<sup>th</sup> from the month following the month of purchase, and pays WFI within 90 days of the invoice date.

5. Sales price and collection terms:

The normal credit terms with the related parties above are collection before the 15<sup>th</sup> of the month following sales, and the credit terms with NPKC and FATC are OA 150 days and OA 83 days, respectively. Sales price is cost plus 5%~10% as profit.

6. For the years ended December 31, 2009 and 2010, the realized (unrealized) inter-company profits due to sales to NPKC were as follows:

	2009	2010
Downstream unrealized sales profit	\$ (1,354)	(1,149)
Downstream realized sales profit	2,215	1,928
	\$ <b>861</b>	<b>779</b>

As of December 31, 2009 and 2010, the balances of unrealized profits from inter-company sales transactions were \$3,633 and \$2,854, respectively, and they are recognized under other liabilities — deferred credits.

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(ii) Accounts receivable / payable (excluding financing to/from related parties):

As of December 31, 2009 and 2010, the accounts receivable resulting from the aforementioned transactions were as follows:

	<u>2009.12.31</u>		<u>2010.12.31</u>	
	<u>Amount</u>	<u>% of notes and accounts receivable</u>	<u>Amount</u>	<u>% of notes and accounts receivable</u>
Accounts receivable:				
NPKC	\$ 14,777	0.23	11,776	0.15
FATC	107,837	1.67	95,230	1.26
NTC	<u>226</u>	<u>-</u>	<u>454</u>	<u>0.01</u>
	<u>\$ 122,840</u>	<u>1.90</u>	<u>107,460</u>	<u>1.42</u>

As of December 31, 2009 and 2010, the accounts payable resulting from the aforementioned transactions were as follows:

	<u>2009.12.31</u>		<u>2010.12.31</u>	
	<u>Amount</u>	<u>% of accounts payable</u>	<u>Amount</u>	<u>% of accounts payable</u>
Accounts payable:				
NPC	\$ 129,171	5.93	140,745	5.16
NPKC	583,378	26.77	715,989	26.26
WFI	43,327	1.99	44,866	1.65
FPC	<u>4,489</u>	<u>0.20</u>	<u>4,820</u>	<u>0.18</u>
	<u>\$ 760,365</u>	<u>34.89</u>	<u>906,420</u>	<u>33.25</u>

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**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(iii) Financing to/from related parties

As of December 31, 2009 and 2010, financing to related parties was as follows:

<b>2009</b>							
	<b>Date of</b>	<b>Maximum</b>	<b>Maximum</b>	<b>Balance as of</b>	<b>Interest</b>	<b>Interest</b>	
	<b>Maximum</b>	<b>Balance</b>	<b>Balance</b>	<b>December</b>	<b>Rate</b>	<b>Income</b>	
	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>31, 2009</b>	<b>Interest Rate</b>	<b>Income</b>	<b>Interest</b>
							<b>Receivable</b>
							<b>as of December</b>
							<b>31, 2009</b>
Other receivables – related parties							
NPC	2009.01.20	\$ 1,000,000		350,100	0.988%~1.306%	4,268	296
FPC	2009.02.02	1,000,000		799,700	0.988%~1.306%	3,818	332
FCFC	2009.01.20	1,000,000		1,000,000	0.988%~1.306%	7,775	491
FPeC	2009.02.10	1,000,000		935,900	0.988%~1.306%	3,046	101
FASC	2009.01.01	45,000		37,000	0.988%~1.306%	448	32
PJC	2009.01.09	100,000		100,000	0.988%~1.306%	1,014	85
NTC	2009.12.31	6,622,100		6,622,100	0.988%~1.306%	35,168	1,652
NPHK	2009.03.20	7,716		2,682	0.781%~1.766%	51	51
AIC	2009.08.11	3,022,900		-	0.988%~1.306%	23,991	-
IMI	2009.07.03	35,400		-	0.988%~0.991%	44	-
FPTC	2009.07.29	3,000		-	0.988%~0.994%	1	-
				<b>\$ 9,847,482</b>		<b>79,624</b>	<b>3,040</b>
<b>2010</b>							
	<b>Date of</b>	<b>Maximum</b>	<b>Maximum</b>	<b>Balance as of</b>	<b>Interest</b>	<b>Interest</b>	<b>Interest</b>
	<b>Maximum</b>	<b>Balance</b>	<b>Balance</b>	<b>December</b>	<b>Rate</b>	<b>Income</b>	<b>Receivable</b>
	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>31, 2010</b>	<b>Interest Rate</b>	<b>Income</b>	<b>as of December</b>
							<b>31, 2010</b>
Other receivables – related parties							
NPC	2010.01.07	\$ 1,000,000		-	0.994%~1.014%	1,364	-
FPC	2010.02.09	1,000,000		-	0.994%~0.998%	1,422	-
FCFC	2010.01.01	1,000,000		-	0.994%~1.021%	4,935	-
FPeC	2010.02.24	1,000,000		-	0.994%~0.998%	1,469	-
FASC	2010.01.01	37,000		-	0.998%	11	-
PJC	2010.01.26	100,000		-	0.994%~1.127%	959	15
NTC	2010.01.01	6,622,100		-	0.994%~1.124%	9,964	-
NPHK	2010.09.03	3,709		14	0.758%~0.814%	11	7
				<b>\$ 14</b>		<b>20,135</b>	<b>22</b>
Other payable – related parties							
NPC	2010.04.06	\$ 3,900		-	1.014%	-	-

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(iv) Property transactions

For the years ended December 31, 2009 and 2010, the Company sold equipment amounting to \$54,794 and \$25,782, respectively, to NPKC. As of December 31, 2009 and 2010, the uncollected amounts of the transactions were \$26,145 and \$4,378, respectively, which were classified under other receivables.

For the years ended December 31, 2009 and 2010, the realized (unrealized) inter-company profits due to disposal of fixed assets to NPKC were as follows:

	<b>2009</b>	<b>2010</b>
Downstream unrealized profit on disposal of fixed assets	\$ (22,410)	(2,494)
Downstream realized profit on disposal of fixed assets	17,814	19,298
	<b>\$ (4,596)</b>	<b>16,804</b>

As of December 31, 2009 and 2010, the balances of unrealized profits from inter-company property transactions were \$184,114 and \$167,311, respectively, and they are recognized under other liabilities – deferred credits.

(v) Construction

The Company contracted with a related party to construct a factory for the Company. The construction costs for the years ended December 31, 2009 and 2010, and the unpaid amounts due to the related party as of December 31, 2009 and 2010, were as follows:

	<b>2009.12.31</b>		<b>2010.12.31</b>	
	<b>Construction</b>	<b>Payable–</b>	<b>Construction</b>	<b>Payable–</b>
	<b>costs</b>	<b>related</b>	<b>costs</b>	<b>related</b>
	<b>parties</b>	<b>parties</b>	<b>parties</b>	<b>parties</b>
FHIC	\$ -	-	<b>82,100</b>	<b>31,330</b>

(vi) Lease contracts

The Company signed lease contracts with NPC to rent the factory (which was located at No. 338, Sec. 1, Nankan Rd., Lujhu Township, Taoyuan County), the employees' dormitory, the office in Taipei, etc.

The rent expenditure resulting from the above transactions for the years ended December 31, 2009 and 2010, was as follows:

	<b>2009</b>	<b>2010</b>
Rent expense	\$ <b>148,199</b>	<b>147,072</b>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(vii) Other significant transactions

For the years ended December 31, 2009 and 2010, NPUC was authorized to gather information about market conditions and credit investigations, and introduce customers to the Company. The commission expenditures were \$20,501 and \$20,729, respectively, and were all paid at the end of the years.

(c) Compensation of board of directors, supervisors, and management personnel

For the years ended December 31, 2009 and 2010, the compensation of the board of directors, supervisors, general manager, and vice general manager was as follows:

	<u>2009</u>	<u>2010</u>
Salaries	\$ 14,629	15,415
Special compensation	390	380
Employees' bonus	<u>10</u>	<u>-</u>
	<u>\$ 15,029</u>	<u>15,795</u>

The estimated amount of directors' and supervisors' remuneration and employees' bonus is included in the above amounts and is disclosed in note 14.

**(18) Pledged Properties: None.**

**(19) Significant Commitments and Contingencies**

As of December 31, 2010, in addition to those described in the financial statements and accompanying notes, the commitments and contingencies of the Company were as follows:

- (a) The balance of outstanding letters of credit for the importation of raw materials of the Company amounted to \$303,338.
- (b) The guarantee for customs and guarantee for imports were \$28,100 and \$65,133, respectively.

**(20) Significant Disaster Loss: None.**

**(21) Significant Subsequent Events**

On January 21, 2011, Nan Ya PCB (Hong Kong) Corp. (NPHK) received a syndicated loan amounting to USD 43,000 thousand from Chang Hwa Bank, Taiwan Cooperative Bank, Hua Nan Bank, and Bank of Taiwan, and on January 28, 2011, NPHK lent this amount to Nan Ya PCB (Kunshan) Corp. (NPKC). The Company is the guarantor of the loan.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

**(22) Others**

- (a) A summary of the Company's personnel, depreciation, and amortization expenses for the years ended December 31, 2009 and 2010, categorized by operating costs and operating expenses, is as follows:

	<b>2009</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Personnel expenses			
Salaries (Note)	3,560,702	407,753	3,968,455
Labor and health insurance	256,920	21,982	278,902
Pension expenses	197,955	23,696	221,651
Other personnel expenses	99,741	8,172	107,913
Depreciation expenses	2,315,408	5,384	2,320,792
Amortization expenses	14,242	-	14,242

	<b>2010</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Personnel expenses			
Salaries (Note)	4,829,601	460,217	5,289,818
Labor and health insurance	310,876	23,276	334,152
Pension expenses	202,279	18,200	220,479
Other personnel expenses	119,277	8,223	127,500
Depreciation expenses	1,963,059	3,691	1,966,750
Amortization expenses	10,321	-	10,321

Note: For the year ended December 31, 2009, the employees' bonus recognized under operating costs and operating expenses was \$5,579 and \$682, respectively.

For the year ended December 31, 2010, the employees' bonus recognized under operating costs and operating expenses was \$0 and \$0, respectively.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(b) Other

The Company's financial assets and liabilities denominated in foreign currencies were as follows:

	2009.12.31		2010.12.31	
	Foreign currency (thousand)	Exchange rate	Foreign currency (thousand)	Exchange rate
Financial assets:				
USD	181,456	32.03	220,244	29.50
EUR	453	46.19	4	38.83
YEN	54,301	0.348	81,544	0.358
Long-term investments under equity method:				
USD	199,532	32.03	219,222	29.50
Financial liabilities:				
USD	8,876	32.03	9,791	29.50
EUR	194	46.19	100	38.83
YEN	875,429	0.348	1,774,545	0.358

**(23) Other Disclosure Items**

(a) Related information on material transaction items

(i) Financing provided:

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for 2010	Balance as of December 31, 2010	Annual Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
0	The Company	NPC	Other receivables – related parties	\$1,000,000	-	0.994%~1.014%	Short-term financing	\$1,655,791	Operating capital	-	-	-	\$8,204,125 (Note 1) 6,563,300 (Note 2)	\$16,408,250 (Note 3) 13,126,600 (Note 4)
0	The Company	FPC	Other receivables – related parties	1,000,000	-	0.994%~0.998%	Short-term financing	53,094	Operating capital	-	-	-	“	“
0	The Company	FCFC	Other receivables – related parties	1,000,000	-	0.994%~1.021%	Short-term financing	-	Operating capital	-	-	-	“	“
0	The Company	FPeC	Other receivables – related parties	1,000,000	-	0.994%~0.998%	Short-term financing	-	Operating capital	-	-	-	“	“
0	The Company	FASC	Other receivables – related parties	37,000	-	0.998%	Short-term financing	-	Operating capital	-	-	-	“	“
0	The Company	PJC	Other receivables – related parties	100,000	-	0.994%~1.127%	Short-term financing	-	Operating capital	-	-	-	“	“

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for 2010	Balance as of December 31, 2010	Annual Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
0	The Company	NTC	Other receivables – related parties	6,622,100	-	0.994%~1.124%	Short-term financing	62,579	Operating capital	-	-	-	-	-
0	The Company	NPHK	Other receivables – related parties	3,709	14	0.758%~0.814%	Short-term financing	-	Operating capital	-	-	-	-	-

Note 1: The Company grants financing to a related party even if the Company has no normal business transactions with the entity. However, such financing is limited to 25% of the related party's equity based on the current independent accountants' review report.

Note 2: The Company grants financing to an entity even if the Company has no normal business transactions with the entity. However, such financing is limited to 20% of the Company's equity based on the current independent accountants' review report.

Note 3: The maximum amount was 50% of the net assets of the financing company as of December 31, 2010.

Note 4: The maximum amount of short-term financing could not exceed 40% of the net assets of the financing company as of December 31, 2010.

(ii) Guarantees and endorsements for other parties: None.

(iii) Information regarding securities held:

Name of company which holds securities	Category and name of securities	Relationship between issuer of security and the company which holds securities	Account name	December 31, 2010				Note
				Shares / Units (in thousands)	Carrying value	Percentage of ownership	Market value or net asset value	
The Company	NPHK stock	Subsidiary of the Company	Long-term investments under equity method	1,017,900	6,461,605	100%	6,461,605	The market value is the net asset value.
The Company	NPUC stock	Subsidiary of the Company	"	1,000	5,438	100%	5,438	"
The Company	FPeC stock	Investee of the Company under equity method	"	11,958	<u>697,030</u>	0.13%	1,182,676	-
			Subtotal		<u>7,164,073</u>			
The Company	FPC stock	NPC is a director of FPC	Available-for-sale financial assets – non-current	6,741	657,247	0.11%	657,247	-
The Company	FCFC stock	The chairman is a Company director	"	14,982	1,471,270	0.26%	1,471,270	-
The Company	IMI stock	Investee of NTC under equity method	"	121,667	<u>1,697,257</u>	2.62%	1,697,257	-
			Subtotal		<u>3,825,774</u>			
The Company	Antig Technology Co. stock	None	Financial assets carried at cost – non-current	1,132	-	5.48%	-	-

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(iv) Information regarding purchase or sale of securities for the period exceeding \$100 million or 20% of the Company's paid-in capital:

Company Name	Type and Issuer of Marketable Securities	Account Name	Counterparty	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Reversal of Unrealized Gains on Financial Instruments	Ending Balance	
					Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal		Number of Shares	Amount
The Company	FGIT Wan-tai	Available-for-sale financial assets - current	-	-	20,042	290,004	-	-	20,042	290,012	290,000	12	(4)	-	-
The Company	IMI stock	Available-for-sale financial assets - current	-	-	63,494	1,711,163	58,173	1,119,416	-	-	-	-	(1,133,322)	121,667	1,697,257
The Company	NPHK stock	Long-term investments under equity method	NPHK	Subsidiary of the company	966,420	6,385,816	51,480	213,252	-	-	-	-	(137,463) (Note)	1,017,900	6,461,605

Note: Including investment income recognized under equity method and cumulative translation adjustment.

(v) Information on acquisition of real estate for which the purchase amount exceeded \$100 million or 20% of the Company's paid-in capital: None.

(vi) Information regarding receivables from disposal of real estate exceeding \$100 million or 20% of the Company's paid-in capital: None.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(vii) Information regarding related-party purchases and/or sales for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

Purchasing (selling) company	Related party	Nature of relationship	Transaction details				Abnormal transaction		Accounts/notes receivable (payable)		Note
			Purchase (sale)	Amount	% to total	Payment terms	Amount	Payment terms	Ending balance	Notes/accounts receivable or (payable)	
The Company	NPC	Parent company	Purchase	1,655,791	6.80%	Before the 15 <sup>th</sup> of the following month	-	-	(140,745)	(5.16)%	-
The Company	NPKC	Subsidiary of the Company	Purchase	10,723,279	44.04%	Before the 15 <sup>th</sup> of the following month	-	-	(715,989)	(26.26)%	-
The Company	WFI	Common Chairman	Purchase	142,866	0.58%	O/A 90 days	-	-	(44,866)	(1.65)%	-
The Company	FATC	The Chairman is a Company director	(Sale)	(535,949)	(1.50)%	O/A 83 days	-	-	95,230	1.26%	-

(viii) Information regarding receivables from related parties for which the amount exceeded \$100 million or 20% of the Company's paid-in capital: None.

(ix) Information regarding trading in derivative financial instruments: None.

(b) Investees of the Company

(i) Names and locations of, and related information on, investees on which the Company exercises significant influence (currencies in thousands):

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
The Company	NPHK	HK	Business of electronic products	4,252,766 (USD 130,500)	4,039,514 (USD 123,900)	1,017,900	100.00%	6,461,605	398,915	398,915	-
The Company	NPUC	USA	Customer sales promotion	3,479 (USD 100)	3,479 (USD 100)	1,000	100.00%	5,438	240	240	-
NPHK	NPKC	CHINA	Production and marketing of PCBs	USD 130,400	USD 123,800	-	100.00%	6,516,695	433,386	433,386	-

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

(ii) Financing provided (in thousands):

No.	Financing Company	Counterparty	Financial Statement Account	Maximum Balance for 2010	Balance as of December 31, 2010	Annual Interest Rate	Type of Financing (Note 1)	Transaction Amount (Note 2)	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
1	NPKC	Bicheng Glass Fiber (Kunshan) Co., Ltd.	Other receivable—related parties	122,309	-	1.25%~1.82%	2	-	Operating capital	-	-	-	2,606,678	6,516,695
1	NPKC	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	Other receivable—related parties	198,753	-	1.25%~1.54%	2	-	Operating capital	-	-	-	3,258,348	6,516,695
2	NPHK	NPKC	Other receivable—related parties	826,000 (USD28,000)	826,000 (USD28,000)	1.05%~1.25%	2	-	Operating capital	-	-	-	3,876,963	6,461,605

Note: NPKC's reporting currency is the RMB.

NPHK's reporting currency is the HKD.

Note 1: 1: For transactions.

2: For short-term financing.

Note 2: Transaction amount is amount of purchases plus sales.

(iii) Guarantees and endorsements for other parties: None.

(iv) Information regarding securities held:

Name of Company which Holds Securities	Category and Name of Securities	Relationship between Issuer of Securities and the Company which Holds Securities	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
NPHK	NPKC stock	NPKC is a subsidiary of NPHK.	Long-term investments under equity method	-	6,516,695	100%	6,516,695	-

(v) Information regarding purchase or sale of securities for the period exceeding \$100 million or 20% of the Company's paid-in capital:

Company Name	Type and Issuer of Marketable Securities	Account Name	Counterparty	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Reversal of Unrealized Gains on Financial Instruments (Note)	Ending Balance	
					Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal		Number of Shares	Amount
NPHK	NPKC	Long-term investments under equity method	NPKC	Subsidiary company of NPHK	-	6,425,559	-	213,252	-	-	-	-	(122,116)	-	6,516,695

Note: Including investment income recognized under equity method and cumulative translation adjustment.

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

- (vi) Information on acquisition of real estate for which the purchase amount exceeded \$100 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding receivables from disposal of real estate exceeding \$100 million or 20% of the Company's paid-in capital: None.
- (viii) Information regarding related-party purchases and/or sales for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

Purchasing (selling) company	Related party	Nature of relationship	Transaction details				Abnormal transaction		Accounts/notes receivable (payable)		Note
			Purchase (sale)	Amount	% to total	Payment terms	Amount	Payment terms	Ending balance	Notes/accounts receivable or (payable)	
NPKC	The Company	Subsidiary of the Company	(Sale)	(10,723,279)	(94.27)%	Before the 15 <sup>th</sup> of the following month	-	-	715,989	94.76%	-
NPKC	Nan Ya Electronic Material (Kunshan) Co.	Common chairman	Purchase	2,135,782	24.19%	O/A 60 days	-	-	(321,032)	(40.31)%	-
NPKC	Nan Ya Copper Foil (Kunshan) Co., Ltd.	Common chairman	Purchase	265,218	3.00%	O/A 60 days	-	-	(28,779)	(3.61)%	-

- (ix) Information regarding receivables from related parties for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

Company with accounts receivable	Related party	Nature of relationship	Amount	Turnover	Past-due receivables from related party		Received subsequently	Allowance for bad debt
					Amount	Method		
NPHK	NPKC	Subsidiary of NPHK	826,000	-	-	-	-	-
NPKC	The Company	Parent company	715,989	16.51	-	-	715,989	-

- (x) Derivative financial instruments

Derivative financial instruments held by NPKC as of December 31, 2010, were as follows:

	<u>2010.12.31</u>	
	<u>Book value</u>	<u>Nominal amount (USD thousand)</u>
Financial liabilities measured at fair value through profit or loss		
— current:		
Interest rate swaps	\$ <u>-</u>	<u>-</u>

Net interest revenue or expense on derivative financial instruments of NPKC for the year ended December 31, 2010, was as follows:

	<u>2010</u>
	<u>Net interest expense</u>
Interest rate swaps	\$ <u><u>10,648</u></u>

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

Unrealized valuation gain on derivative financial instruments of NPKC for the year ended December 31, 2010, was as follows:

	<u>2010</u>
Interest rate swaps	\$ <u>10,471</u>

NPKC signed an interest rate swap (IRS) contract with Bank of America in 2008. The IRS was intended as a hedge of fluctuations in interest rates.

(c) Investment in Mainland China

(i) Information on indirect investment in companies in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan 1, 2010	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan as of Dec 31, 2010	Direct and Indirect Shareholding Ratio by the Company	Investment Gain (Loss) (Note)	Carrying Values as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
NPKC	Production and marketing of PCBs	USD130,400 thousand	Indirect investment	USD123,800 thousand	USD6,600 thousand	-	USD130,400 thousand	100%	433,386	6,516,695	-

Note: The investment income recognized was calculated on the basis of the financial statements audited by auditors of the Company.

(ii) Quota for investment in Mainland China

Accumulated Outflow of Investment from Taiwan to China as of Dec 31, 2010	Investment Amounts Authorized by the Investment Commission, MOEA	Maximum Allowable Investment Authorized by the Investment Commission, MOEA
3,846,800 (USD 130,400 thousand)	4,625,600 (USD 156,800 thousand)	19,689,899 (Note)

Note: 60% of equity

(iii) Information on significant transactions

Information on significant transactions between the Company and its investees in Mainland China is disclosed in notes 23(a) and (b).

(Continued)

**NAN YA PRINTED CIRCUIT BOARD CORPORATON**

**Notes to Financial Statements**

**(24) Segment Information**

(a) Industrial information

The Company's main operating activities are to manufacture and to sell printed circuit board products, which belong to a single industrial segment.

(b) Geographic information

The Company has no foreign operating segment; thus, no geographic information is provided.

(c) Information on export sales

Export sales to geographic areas in 2009 and 2010 are summarized as follows:

<u>Area</u>	<u>2009</u>	<u>2010</u>
Asia	\$ 18,838,577	23,234,169
Americas	978,020	2,078,411
Europe	804,510	1,060,709
Other	1,393	2,542
	<u>\$ 20,622,500</u>	<u>26,375,831</u>

(d) Information on major clients

The major clients of the Company in 2009 and 2010 were as follows:

	<u>2009</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of net sales</u>	<u>Amount</u>	<u>% of net sales</u>
A	\$ <u>6,584,663</u>	<u>24.32</u>	<u>9,286,506</u>	<u>26.04</u>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Cash and Cash Equivalents**  
**December 31, 2010**  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 6
Cash in bank	Checking account	7,097
	Demand deposits	7,381
	Foreign currency demand deposits (Note 1)	58,154
	Fixed deposits	2,170,000
Cash equivalents	Short-term transaction instruments (Note 2)	599,082
	Bonds with a put option (Note 2)	2,079,219
Total		<u>\$ 4,920,939</u>

Note 1:

	<u>Amount</u>	<u>Exchange Rate</u>
USD	1,953,385	29.500
EUR	4,319	38.83
JPY	1,011,378	0.3580

Note 2:

	<u>Period</u>	<u>Rate</u>
	2011.01.03~2011.01.21	0.45%~0.5%

**Schedule of Available-for-sale Financial Assets – Current**

<u>Item</u>	<u>Description</u>	<u>Quantity (shares)</u>	<u>Acquisition Cost</u>	<u>Market Price Price</u>	<u>Total</u>	<u>NOTE</u>
Stock	FPC	\$ 6,741,000	280,866	97.5	657,247	-
Stock	FCFC	14,982,380	637,391	98.2	1,471,270	-
Stock	IMI	121,667,176	3,071,167	13.95	1,697,257	-
Total			<u>\$ 3,989,424</u>		<u>3,825,774</u>	

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Notes and Accounts Receivable (Including Related Parties)**

**December 31, 2010**  
**(Expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Name Of Client</u>	<u>Description</u>	<u>Amount</u>
Notes receivable	Wei Sheng Environment Company	Common Client/Operation	\$ 483
	Lingsen Precision Industries Ltd.	Common Client/Operation	1,146
	Ulin Enterprise Co., Ltd.	Common Client/Operation	28
	National Tax Administration	Tax Refund	8
	Subtotal of notes receivable		<u>1,665</u>
Accounts receivable	Intel Corporation	Common Client/Operation	1,420,413
	Advanced Semiconductor Engineering, Inc.	Common Client/Operation	592,289
	Siliconware Precision Industries Co., Ltd.	Common Client/Operation	894,619
	Skwentex International Corp.	Common Client/Operation	879,533
	Quanta Computer Inc.	Common Client/Operation	468,728
	Hon Hai Precision Ind. Co., Ltd.	Common Client/Operation	730,325
	AMKOR Technology Inc.	Common Client/Operation	452,435
	Others (Note 1)	Common Client/Operation	<u>2,096,877</u>
	Subtotal of accounts receivable		<u>7,535,219</u>
	Total of notes and accounts receivable		7,536,884
Less:	Allowance for doubtful accounts		<u>(82,704)</u>
	Notes and accounts receivable, net		<b>\$ <u>7,454,180</u></b>
Receivables from related parties	Nan Ya PCB (Kunshan) Corporation	Operation	\$ 11,776
	Formosa Advanced Technologies Co., Ltd.	Operation	95,230
	Nan Ya Technology Corporation	Operation	454
			<b>\$ <u>107,460</u></b>

Note 1: less than 5% of the total amount.

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Other Receivables**

**December 31, 2010**  
**(Expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivables	Receivables on disposal of property, plant and equipment	\$ 4,378
	Business tax refund receivable	134,219
	Sale of material	1,613
	Accrued interest	580
	Others	<u>591</u>
<b>Total</b>		<b>\$ <u><u>141,381</u></u></b>

**Schedule of Other Receivables – Related Parties**

<u>Item</u>	<u>Description</u>	<u>Date of Maximum Balance</u>	<u>Maximum Balance</u>	<u>Interest Rate</u>	<u>Balance as of December 31, 2010</u>
Other receivables	NPC	2010.01.07	\$ 1,000,000	0.994%~1.014%	\$ -
– related parties	FPC	2010.02.09	1,000,000	0.994%~0.998%	-
	FCFC	2010.01.01	1,000,000	0.994%~1.021%	-
	FPeC	2010.02.24	1,000,000	0.994%~0.998%	-
	FASC	2010.01.01	37,000	0.998%	-
	PJC	2010.01.26	100,000	0.994%~1.127%	-
	NTC	2010.01.01	6,622,100	0.994%~1.124%	-
	NPHK	2010.09.03	3,709	0.758%~0.814%	<u>14</u>
					<b>\$ <u><u>14</u></u></b>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Inventories**

**December 31, 2010**

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

<b>ITEM</b>	<b>AMOUNT</b>	
	<b>COST</b>	<b>NET REALIZABLE VALUE</b>
Raw materials	\$ 802,940	788,422
Supplies	134,374	129,794
Work in process	2,024,045	1,987,087
Finished goods	1,031,585	1,008,537
Materials and supplies in transit	80,099	80,099
Subtotal	4,073,043	<b><u>3,993,939</u></b>
Less: Allowance for inventory obsolescence and devaluation	(79,104)	
Inventories, net	<b><u>\$ 3,993,939</u></b>	

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Long-term Investments Under Equity Method**

**For the Year Ended December 31, 2010**

**(Expressed in thousands of New Taiwan dollars / thousands of shares)**

	Balance as of Jan 1, 2010		Current Increase		Current Decrease		Investment Income on Equity-Method Investees	Translation Adjustment on Equity-Method Investees	Other	Balance as of Dec 31, 2010			Market Value or Net Book Value		
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Owned %	Amount	Price	Total	Collateral
Evaluation of Equity-Method Investment:															
NPHK	966,420	\$ 6,495,192	51,480	213,252	-	-	398,915	-	-	1,017,900	100%	7,107,359	-	6,461,605	None
NPUC	1,000	5,374	-	-	-	-	240	-	477	1,000	100%	6,091	-	5,438	None
FPeC	11,958	690,700	-	-	-	45,442	51,772	-	-	11,958	0.13%	697,030	98.9	1,182,676	None
Add:															
Translation Adjustment on Foreign Currencies:															
NPHK		(109,376)		-		-	-	(536,378)	-			(645,754)	-	-	
NPUC		(195)		-		-	-	(458)	-			(653)	-	-	
		<u>\$ 7,081,695</u>		<u>213,252</u>		<u>45,422</u>		<u>450,927</u>		<u>477</u>		<u>7,164,073</u>		<u>7,649,719</u>	

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Changes in Property, Plant and Equipment**

For the Year Ended December 31, 2010  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Balance as of Jan 1, 2010</u>	<u>Additions</u>	<u>Less</u>	<u>Reclassification</u>	<u>Balance as of Dec 31, 2010</u>
Buildings	\$ 2,023,479	-	-	(1,309)	2,022,170
Machinery and equipment	18,469,716	1,013,736	223,024	121,034	19,381,462
Transportation equipment	8,711	127	-	-	8,838
Miscellaneous equipment	2,702,538	3,620	2,048	43,110	2,747,220
Prepayments for construction equipment	<u>242,262</u>	<u>4,569,867</u>	<u>-</u>	<u>(162,835)</u>	<u>4,649,294</u>
	<b><u>\$ 23,446,706</u></b>	<b><u>5,587,350</u></b>	<b><u>225,072</u></b>	<b><u>-</u></b>	<b><u>28,808,984</u></b>

**Schedule of Changes in Accumulated Depreciation**

<u>Item</u>	<u>Balance as of Jan 1, 2010</u>	<u>Additions</u>	<u>Less</u>	<u>Reclassification</u>	<u>Balance as of Dec 31, 2010</u>
Buildings	\$ 376,338	105,628	-	-	481,966
Machinery and equipment	13,785,947	1,557,704	207,428	-	15,136,223
Transportation equipment	7,129	473	-	-	7,602
Miscellaneous equipment	<u>1,789,316</u>	<u>302,945</u>	<u>2,033</u>	<u>-</u>	<u>2,090,228</u>
	<b><u>\$ 15,958,730</u></b>	<b><u>1,966,750</u></b>	<b><u>209,461</u></b>	<b><u>-</u></b>	<b><u>17,716,019</u></b>

**Schedule of Changes in Professional Technology**

<u>Item</u>	<u>Amortization period</u>	<u>Balance as of Jan 1, 2010</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance as of Dec 31, 2010</u>
NGK Insulators, Ltd.	2000.04.12 ~ 2010.04.12	\$ 2,553	-	2,553	-
NGK Insulators, Ltd.	2003.12.17 ~ 2011.12.16	2,102	-	1,073	1,029
Dupont Corporation	2008.01.17 ~ 2023.01.17	56,027	-	4,282	51,745
NTK Technologies Inc	2010.01 ~ 2019.12	<u>-</u>	<u>24,131</u>	<u>2,413</u>	<u>21,718</u>
		<b><u>\$ 60,682</u></b>	<b><u>24,131</u></b>	<b><u>10,321</u></b>	<b><u>74,492</u></b>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Accounts Payable (Including Related Parties)**

**December 31, 2010**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts payable	Purchases of raw materials and supplies	\$ 615,344
	Purchases of O/A	908,374
	Construction payable	42
	OEM payable	193,409
	Others	<u>71,170</u>
Total		<b>\$ <u>1,788,339</u></b>
Accounts payable—related parties	Nan Ya Plastics Corp.	\$ 140,745
	Nan Ya PCB (Kunshan) Corporation	715,989
	Wen Fung Industrial Co., Ltd.	44,866
	Formosa Plastics Corporation	4,820
	Formosa Heavy Industries Corp.	<u>31,330</u>
Total		<b>\$ <u>937,750</u></b>

**Schedule of Accrued Expenses**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued expenses	Salaries	\$ 1,178,007
	Freight	28,049
	Utilities expense	1,703
	Customs clearance fee	37,774
	Pension reserve	32,545
	Insurance	67,120
	Managers' bonus	120,624
	Employees' bonus	33,014
	Others	<u>288,610</u>
Total		<b>\$ <u>1,787,446</u></b>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Other Payables**

**December 31, 2010**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Dividend payable	Cash dividend	\$ 498
Income tax payable	Corporate income tax	130,916
Others	Transportation fee	<u>350</u>
Total		<b>\$ <u>131,764</u></b>

**Schedule of Other Current Liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Temporary credits	Others	\$ 34,751
Receipts under custody	Tax on salary, labor insurance, national health insurance, etc.	32,251
Accounts under custody	Salary under custody	3,229
Unearned receipts	Advanced income from sale of scrap and wastes	<u>12,525</u>
Total		<b>\$ <u>82,756</u></b>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Deferred Credits – Profits from Affiliated Companies**

**December 31, 2010**

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

<b>Item</b>	<b>Amount</b>
Unrealized sales profit from affiliated companies	\$ 2,854
Unrealized profit from affiliated companies due to disposal of fixed assets	<u>167,311</u>
Total	<b><u>\$ 170,165</u></b>

**Schedule of Operating Revenues**

**For the Year Ended December 31, 2010**

<b>Item</b>	<b>Unit</b>	<b>Quantity</b>	<b>Amount</b>
PCB	1,000 square feet	25,358	\$ 35,566,452
By-products revenue			151,914
Others			<u>91,066</u>
Net Sales			<b><u>\$ 35,809,432</u></b>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Operating Costs**

**For the Year Ended December 31, 2010**  
**(Expressed in thousands of New Taiwan dollars)**

Item	Amount
Raw materials	
Beginning balance of raw materials	\$ 511,424
Purchases	10,983,307
Ending balance of raw materials	(883,039)
Add: Sample raw materials provided by manufacturers	9,772
Raw materials provided by the Company	64,181
Less: Reclassification to manufacturing overhead	258,922
Reclassification to selling and general & administrative expenses	21,342
Sale of raw materials	<u>28,057</u>
Cost of raw materials consumed	<u>10,377,324</u>
Supplies	
Beginning balance of supplies	77,843
Purchases	2,583,185
Ending balance of supplies	(134,374)
Add: Recycled scrap and wastes	2,076
Sample raw materials provided by manufacturers	4,697
Reclassification to manufacturing overhead	2,478,779
Reclassification to selling expenses	1,324
Reclassification to general & administrative expenses	13,434
Sale of supplies	<u>39,890</u>
Cost of supplies consumed	<u>-</u>
Direct labor	4,224,975
Manufacturing overhead	<u>8,264,798</u>
Manufacturing costs	22,867,097
Beginning balance of work in progress	1,071,992
Ending balance of work in progress	(2,024,045)
Add: Finished goods transferred in	680,565
Less: Finished goods transferred to warehouse	<u>64,181</u>
Cost of finished goods	22,531,428
Beginning balance of finished goods	931,198
Add: Purchases of finished goods	10,783,415
Less: Reclassification to manufacturing overhead	858
Reclassification to selling expenses	8,395
Reclassification to work in progress	680,565
Ending balance of finished goods	<u>(1,031,585)</u>
Operating Costs	<b>\$ <u><u>32,524,638</u></u></b>

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Operating Manufacturing Overhead**

**For the Year Ended December 31, 2010**  
**(Expressed in thousands of New Taiwan dollars)**

<u>Account Name</u>	<u>Amount</u>
Indirect labor	\$ 1,237,058
Depreciation	1,963,059
OEM	874,625
Supplies expenses	1,536,777
Utilities expenses	814,942
Others (Note)	<u>1,838,337</u>
Total	<b>\$ <u><u>8,264,798</u></u></b>

Note: less than 5% of the total amount.

**Schedule of Selling Expenses**

<u>Item</u>	<u>Amount</u>
Commissions on export sales	\$ 265,510
Salary expense	114,401
Employee benefits	48,227
Others (Note)	<u>431,140</u>
Total	<b>\$ <u><u>859,278</u></u></b>

Note: less than 5% of the total amount.

## NAN YA PRINTED CIRCUIT BOARD CORPORATION

## Schedule of Administrative and General Expenses

For the Year Ended December 31, 2010  
(Expressed in thousands of New Taiwan dollars)

<u>Account Name</u>	<u>Amount</u>
Salary expenses	\$ 395,515
Rent expenses	37,829
Traveling expenses	38,407
Miscellaneous expenses	36,255
Amortization	50,860
Others (Note)	149,935
<b>Total</b>	<b>\$ <u>708,801</u></b>

Note: less than 5% of the total amount.

**NAN YA PRINTED CIRCUIT BOARD CORPORATION**

**Schedule of Non-Operating Income and Gains**

**For the Year Ended December 31, 2010**  
**(Expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Interest revenue	Interest revenue from deposit	\$ 8,362
	Advance to subsidiaries	20,135
	Marketable securities – short-term notes	<u>17,846</u>
	Subtotal	<u>46,343</u>
Investment income recognized under equity method	Nan Ya PCB (HK) Co., Ltd.	398,915
	Nan Ya PCB (USA) Co., Ltd.	240
	Formosa Petrochemical Corp.	<u>51,772</u>
	Subtotal	<u>450,927</u>
Gain on sale of investment	Gain on sale of available-for-sale financial assets	<u>12</u>
Dividend income	Dividend income from available-for-sale financial assets	<u>94,385</u>
Gain on disposal of fixed assets		7,807
Realized gain on sale of fixed assets		19,298
Unrealized gain on sale of fixed assets		<u>(2,494)</u>
	Subtotal	<u>24,611</u>
Gain from disposal of waste materials		361,548
Other revenue	Gains on sale of materials	6,796
	Other	<u>26,360</u>
	Subtotal	<u>394,704</u>
Total		\$ <u><u>1,010,982</u></u>

**Schedule of Non-Operating Expenses and Losses**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Interest expenses		\$ <u>285</u>
Foreign currency exchange loss, net		<u>398,986</u>
Loss on disposal of property, plant and equipment		<u>872</u>
Other expenses	Accrued net trade deficit	16,027
	Other	<u>11,432</u>
	Subtotal	<u>27,459</u>
Total		\$ <u><u>427,602</u></u>