

**NANYA TECHNOLOGY CORPORATION**  
**Financial Statements**  
**March 31, 2009 and 2010**  
**(With Independent Auditors' Review Report Thereon)**

## **Independent Auditors' Review Report**

The Board of Directors  
Nanya Technology Corporation:

We have reviewed the accompanying unconsolidated balance sheets of Nanya Technology Corporation (the Company) as of March 31, 2009 and 2010, and the related unconsolidated statements of operations and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

Except as mentioned in the third paragraph, we conducted our reviews in accordance with the Republic of China Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

We did not review the financial statements of certain long-term investments carried on the equity method except for Inotera Memories, Inc., which amounted to NT\$2,544,744 thousand and NT\$1,753,038 thousand as of March 31, 2009 and 2010, respectively, and for which the equity in net loss amounted to NT\$110,437 thousand and net gain amounted to NT\$69,820 thousand for the three-month periods ended March 31, 2009 and 2010, respectively. Those financial statements were based on unreviewed financial statements in the same period. Nor were we able to satisfy ourselves as to the carrying value of the investment in the investee companies and the equity in their earnings by other review procedures.

Based on our reviews, except for the effects of the information as discussed in the preceding paragraph, we are not aware of any material modifications that should be made to the unconsolidated financial statements referred to in the first paragraph in order for them to be in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

For the three-month period ended March 31 2009, the Company adopted the newly revised Republic of

China Statement of Financial Accounting Standards (SFAS) .The effect of these changes in accounting principle on the accompanying unconsolidated financial statements was as stated in note 3.

Taipei, Taiwan (the Republic of China)  
April 20, 2010

The accompany financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

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**NANYA TECHNOLOGY CORPORATION**

**Balance Sheets**

**March 31, 2009 and 2010**

(expressed in thousands of New Taiwan dollars)

<b>Assets</b>	<b>2009</b>		<b>2010</b>		<b>Liabilities and Stockholders' Equity</b>	<b>2009</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 1,413,482	1	1,929,349	2	Short-term loans	\$ 921,400	1	1,545,500	1
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	2,454,325	2	4,515,469	4	Notes and accounts payable	4,170,882	4	6,151,795	5
Accounts receivable—related parties	2,232,457	2	6,867,725	5	Accounts payable—related parties	4,544,916	5	4,945,305	4
Other receivables	1,128,214	1	1,564,625	1	Accrued expenses	7,008,375	6	2,425,100	2
Other receivables—related parties	601,005	1	350,664	-	Financial liabilities reported as fair value through profit or loss—current	327,724	-	260,592	-
Inventories, net	4,784,185	4	8,129,511	6	Other payable—related parties	2,505,801	2	7,740,566	6
Prepayments	537,383	1	694,074	1	Other payables	11,335	-	6,917	-
<b>Total current assets</b>	<b>13,151,051</b>	<b>12</b>	<b>24,051,417</b>	<b>19</b>	Current portion of bonds payable	11,386,904	11	13,030,000	10
<b>Funds and long-term investments</b>					Current portion of long-term loans	-	-	10,669,359	9
Long-term investments carried on the equity method	19,351,491	18	20,273,213	16	Other current liabilities	378,259	-	1,115	-
<b>Total Funds and long-term investments</b>	<b>19,351,491</b>	<b>18</b>	<b>20,273,213</b>	<b>16</b>	<b>Total current liabilities</b>	<b>31,255,596</b>	<b>29</b>	<b>46,776,249</b>	<b>37</b>
<b>Property, plant and equipment:</b>					<b>Long-term liabilities</b>				
Land	1,013,924	1	1,013,924	1	Bonds payable	20,103,468	19	7,079,200	6
Buildings and building improvements	5,943,898	6	5,227,590	4	Long-term loans	37,922,125	35	36,258,141	28
Machinery and equipment	107,439,398	99	109,481,828	86	Long-term accounts payable	826,721	1	194,259	-
Transportation equipment	5,855	-	5,855	-	Lease payables—long-term	321,712	-	315,769	-
Leased assets	345,637	-	345,637	-	<b>Total long-term liabilities</b>	<b>59,174,026</b>	<b>55</b>	<b>43,847,369</b>	<b>34</b>
Miscellaneous equipment	1,584,193	1	1,575,822	1	<b>Other liabilities:</b>				
	116,332,905	107	117,650,656	92	Accrued pension liability	358,202	-	379,609	-
Less: accumulated depreciation	(51,977,456)	(48)	(60,281,042)	(47)	Guarantee deposits	155,200	-	135,635	-
Construction in progress	1,894,121	2	15,144,680	12	Miscellaneous liabilities	67,253	-	144,148	-
<b>Net property, plant and equipment</b>	<b>66,249,570</b>	<b>61</b>	<b>72,514,294</b>	<b>57</b>	<b>Total other liabilities</b>	<b>580,655</b>	<b>-</b>	<b>659,392</b>	<b>-</b>
<b>Intangible assets:</b>					<b>Total liabilities</b>	<b>91,010,277</b>	<b>84</b>	<b>91,283,010</b>	<b>71</b>
Patents	2,146,894	2	1,601,271	1	<b>Stockholders' equity:</b>				
Other intangible assets	4,430,522	4	2,881,660	2	Common stock	46,933,975	43	34,279,255	27
<b>Total intangible assets</b>	<b>6,577,416</b>	<b>6</b>	<b>4,482,931</b>	<b>3</b>	Advance receipts for capital stock	-	-	17,417	-
<b>Other assets:</b>					Capital surplus	25,150,219	23	13,752,136	11
Refundable deposits	1,841	-	1,473	-	Legal reserve	2,814,499	3	-	-
Deferred charges	68,319	-	46,433	-	Special reserve	2,655,892	2	-	-
Lease receivable—long-term	118,847	-	2,777,621	2	Accumulated deficit	(59,634,487)	(55)	(11,867,993)	(9)
Deferred income tax assets, net—non-current	3,224,158	3	3,224,158	3	Cumulative translation adjustments	16,652	-	2,412	-
Miscellaneous assets	-	-	93	-	Unrealized gain on financial instruments	143,199	-	252,929	-
<b>Total other assets</b>	<b>3,413,165</b>	<b>3</b>	<b>6,049,778</b>	<b>5</b>	Treasury stock	(347,533)	-	(347,533)	-
					<b>Total stockholders' equity</b>	<b>17,732,416</b>	<b>16</b>	<b>36,088,623</b>	<b>29</b>
<b>Total assets</b>	<b>\$ 108,742,693</b>	<b>100</b>	<b>127,371,633</b>	<b>100</b>	<b>Commitments and contingencies</b>				
					<b>Total liabilities and stockholders' equity</b>	<b>\$ 108,742,693</b>	<b>100</b>	<b>127,371,633</b>	<b>100</b>

See accompanying notes to financial statements.

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**NANYA TECHNOLOGY CORPORATION**

**Statements of Operation**

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

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

	2009		2010	
	Amount	%	Amount	%
Operating revenues, net	\$ 6,171,965	100	14,120,809	100
Operating costs	<u>(13,341,317)</u>	<u>(216)</u>	<u>(13,935,457)</u>	<u>(99)</u>
Gross loss	(7,169,352)	(116)	185,352	1
Unrealized loss (profit) from affiliated companies	218,966	4	(6,739)	-
Realized (loss) profit from affiliated companies	<u>(38,592)</u>	<u>(1)</u>	<u>10,699</u>	<u>-</u>
Gross (loss) profit, net	<u>(6,988,978)</u>	<u>(113)</u>	<u>189,312</u>	<u>1</u>
Operating expenses				
Selling expenses	(99,660)	(2)	(105,759)	(1)
Administrative expenses	(386,789)	(6)	(293,635)	(2)
Research and development expenses	<u>(871,421)</u>	<u>(14)</u>	<u>(1,014,731)</u>	<u>(7)</u>
Total operating expenses	<u>(1,357,870)</u>	<u>(22)</u>	<u>(1,414,125)</u>	<u>(10)</u>
Operating loss	<u>(8,346,848)</u>	<u>(135)</u>	<u>(1,224,813)</u>	<u>(9)</u>
<b>Non-operating income and gains:</b>				
Interest income	7,685	-	75,383	1
Gain on disposal of property, plant and equipment	941	-	675	-
Foreign exchange gain, net	-	-	45,198	-
Gain on idle assets' value recoveries	22,798	-	-	-
Gain on valuation of financial assets	-	-	8	-
Gain on valuation of financial liabilities	49,375	1	24,542	-
Miscellaneous income	<u>148,593</u>	<u>2</u>	<u>86,667</u>	<u>1</u>
Total non-operating income and gains	<u>229,392</u>	<u>3</u>	<u>232,473</u>	<u>2</u>
<b>Non-operating expenses and losses:</b>				
Interest expenses (excluding capitalized interest of NT\$11,378 thousand and NT\$26,848 thousand for 2009 and 2010, respectively)	(343,244)	(6)	(337,034)	(2)
Investment loss recognized under equity method	(1,679,518)	(27)	(266,338)	(2)
Loss on disposal of property, plant and equipment	(27,173)	-	(1,428)	-
Foreign exchange loss, net	(205,055)	(3)	-	-
Impairment loss	-	-	(14,228)	-
Miscellaneous disbursements	<u>(140,360)</u>	<u>(2)</u>	<u>(13,787)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(2,395,350)</u>	<u>(38)</u>	<u>(632,815)</u>	<u>(4)</u>
Loss before income tax	(10,512,806)	(170)	(1,625,155)	(11)
Income tax expenses	<u>(28)</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
Net loss	\$ <u><u>(10,512,834)</u></u>	<u><u>(170)</u></u>	\$ <u><u>(1,625,186)</u></u>	<u><u>(11)</u></u>
Net loss per common share (in dollars)				
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Income tax</b>	<b>Income tax</b>	<b>Income tax</b>	<b>Income tax</b>
Basic loss per share	\$ <u><u>(6.70)</u></u>	<u><u>(6.70)</u></u>	<u><u>(0.48)</u></u>	<u><u>(0.48)</u></u>
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Income tax</b>	<b>Income tax</b>	<b>Income tax</b>	<b>Income tax</b>
Net loss	\$ <u><u>(10,512,806)</u></u>	<u><u>(10,512,834)</u></u>	<u><u>(1,625,155)</u></u>	<u><u>(1,625,186)</u></u>
Basic loss per share	\$ <u><u>(6.67)</u></u>	<u><u>(6.67)</u></u>	<u><u>(0.48)</u></u>	<u><u>(0.48)</u></u>

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**NANYA TECHNOLOGY CORPORATION**

**Statements of Cash Flows**

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

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

	<u>2009</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (10,512,834)	(1,625,186)
Adjustments:		
Gain on valuation of financial liabilities	(49,375)	(24,542)
Depreciation	3,174,285	3,201,794
Amortization	746,364	516,140
Compensation costs on employee stock option plans	4,972	4,972
Unrealized interest revenue amortization	(1,375)	(75,000)
Investment loss recognized under equity method	1,679,518	266,338
Impairment (recoveries) loss	(22,798)	14,228
Gain on inventory valuation and obsolescence	(218,053)	(2,836)
Decrease financial asset held for trading	-	290,004
Loss on disposal of property, plant and equipment, net	26,232	753
Amortization of discount on bonds payable and long-term lands	1,740	8,433
Unrealized (loss) gain from affiliated companies	(218,966)	6,739
Realized loss (gain) from affiliated companies	38,592	(10,699)
Unrealized foreign currency exchange loss (gain), net	281,715	(11,745)
Decrease in notes and accounts receivable	328,307	1,227,662
Decrease (increase) increase in inventory	1,413,415	(299,257)
Decrease in other receivables	15,747	332,100
Decrease (increase) in prepayments	99,001	(53,032)
Increase in notes and accounts payable	1,207,826	457,804
Increase (decrease) in accrued expenses	16,482	(1,377,711)
Increase(decrease) in other current liabilities	372,133	(1,694)
Increase in accrued pension liability	3,079	2,488
Increase in miscellaneous liabilities	763	703
<b>Net cash (used in) provided by operating activities</b>	<u>(1,613,230)</u>	<u>2,848,456</u>
<b>Cash flows from investing activities:</b>		
Decrease(increase) in lease receivable	2,328	(100,229)
Proceeds from sales of property, plant and equipment	20,834	139,247
Increase in Deferred Expense and Intangible Assets	(500)	-
Purchases of property, plant and equipment	(874,194)	(7,182,642)
Decrease in refundable deposits	696	-
Increase in other receivables from related parties	(379,800)	-
Increase in miscellaneous assets	-	(77)
Acquisition of investments accounted for equity method	-	(4,503,468)
<b>Net cash used in investing activities</b>	<u>(1,230,636)</u>	<u>(11,647,169)</u>
<b>Cash flows from financing activities:</b>		
Decrease in lease payable	(1,351)	(1,433)
Increase (decrease) in short-term loans	921,400	(162,624)
Increase in long-term loans	-	5,030,000
Decrease in long-term accounts payable	(1,114,516)	(28,729)
Decrease in guarantee deposits	(16,227)	(14,754)
Issuance of common stock for exercise of employee stock options	-	263,029
Increase (decrease) in other lending from related parties	2,498,200	(8,020,700)
Redemption of Bonds	(492,900)	-
<b>Net cash provided by (used in) financing activities</b>	<u>1,794,606</u>	<u>(2,935,211)</u>
<b>Effect of foreign currency exchange translation</b>	<u>(43,404)</u>	<u>5</u>
<b>Decrease in cash and cash equivalents</b>	<u>(1,092,664)</u>	<u>(11,733,919)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>2,506,146</u>	<u>13,663,268</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ <b>1,413,482</b></u>	<u>\$ <b>1,929,349</b></u>
<b>Supplemental cash flow information:</b>		
Income tax paid	\$ <u>28</u>	\$ <u>31</u>
Interest paid (excluding capitalized interest)	\$ <u>182,462</u>	\$ <u>237,167</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Current portion of bonds payable	\$ <u>11,386,904</u>	\$ <u>13,030,000</u>
Current portion of long-term debt	\$ <u>-</u>	\$ <u>10,669,359</u>
<b>Cash paid for acquisition of properties</b>		
Total acquisition	\$ (249,251)	(7,273,195)
Decrease (increase) in accounts payable-machinery and equipment, net	<u>(624,943)</u>	<u>90,553</u>
Cash paid for acquisition of properties	\$ <u><b>(874,194)</b></u>	\$ <u><b>(7,182,642)</b></u>

(Continued)