

NANYA TECHNOLOGY CORPORATION
Financial Statements
March 31, 2008 and 2009
(With Independent Auditors' Review Report Thereon)

Independent Review Report

The Board of Directors
Nanya Technology Corporation:

We have reviewed the accompanying balance sheets of Nanya Technology Corporation (the Company) as of March 31, 2008 and 2009, and the related statements of income 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 discussed in the following 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\$278,560 thousand and NT\$2,544,744 thousand as of March 31, 2008 and 2009, respectively, and for which the equity in net loss amounted to NT\$18,371 thousand and NT\$110,437 thousand for the three months ended March 31, 2008 and 2009, 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 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.

The Company adopted Republic of China Statement of Financial Accounting Standards(SFAS) from January 1, 2008. The effect of these changes in accounting principle on the accompanying financial statements was as stated in note 3.

Because of the continuing global economic recession and the significant drop in the selling price of DRAM in the market where supply and demand are not balanced, the Company has suffered net losses of \$10,512,834 thousand for the three months ended March 31, 2009. Also, the Company has liquidity risks as its current liabilities exceed its current assets by \$18,104,545 thousand as of March 31, 2009. Management's plans on these matters are described . The financial statements described in the first paragraph above do not include any adjustments that might result from the outcome of this uncertainty.

Taipei, Taiwan (the Republic of China)
April 13, 2009

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, 2008 and 2009
(expressed in thousands of New Taiwan dollars)

<u>Assets</u>	<u>2008</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:				
Cash and cash equivalents	\$ 1,031,941	1	1,413,482	1
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	3,262,617	2	2,454,325	2
Accounts receivable—related parties	2,880,534	2	2,232,457	2
Other receivables	1,070,764	1	1,128,214	1
Other receivables—related parties	10,551,627	7	601,005	1
Inventories, net	4,969,494	4	4,748,185	4
Prepayments	1,174,403	1	537,383	1
Non-current assets held for sale	4,530,750	3	-	-
Financial assets reported as fair value through profit or loss—current	19,915	-	-	-
Total current assets	<u>29,492,045</u>	<u>21</u>	<u>13,151,051</u>	<u>12</u>
Funds and long-term investments				
Long-term investments carried on the equity method	24,409,029	18	19,351,491	18
Prepayments for Long-Term Investments in Stocks	1,000	-	-	-
Available-for-sale financial assets—non-current	207,902	-	-	-
Total Funds and long-term investments	<u>24,617,931</u>	<u>18</u>	<u>19,351,491</u>	<u>18</u>
Property, plant and equipment:				
Land	1,013,924	1	1,013,924	1
Buildings and building improvements	5,306,082	4	5,943,898	6
Machinery and equipment	93,819,820	68	107,439,398	99
Transportation equipment	5,855	-	5,855	-
Leased assets	345,637	-	345,637	-
Miscellaneous equipment	1,474,193	1	1,584,193	1
	101,965,511	74	116,332,905	107
Less: accumulated depreciation	(41,381,543)	(30)	(51,977,456)	(48)
Construction in progress	15,942,836	12	1,894,121	2
Prepayments for equipment	136,930	-	-	-
Net property, plant and equipment	<u>76,663,734</u>	<u>56</u>	<u>66,249,570</u>	<u>61</u>
Intangible assets:				
Patents	1,523,284	1	2,146,894	2
Other intangible assets	1,334,077	1	4,430,522	4
Total intangible assets	<u>2,857,361</u>	<u>2</u>	<u>6,577,416</u>	<u>6</u>
Other assets:				
Refundable deposits	6,239	-	1,841	-
Deferred charges	160,079	-	146,194	-
Lease receivable—long-term	122,764	-	118,847	-
Deferred income tax assets, net—non-current	3,268,484	3	3,224,158	3
Miscellaneous assets	2,008	-	-	-
Total other assets	<u>3,559,,574</u>	<u>3</u>	<u>3,491,040</u>	<u>3</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>137,190,645</u>	<u>100</u>	<u>108,820,568</u>	<u>100</u>

<u>Liabilities and Stockholders' Equity</u>	<u>2008</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current liabilities:				
Short-term borrowings	-	-	921,400	1
Notes and accounts payable	8,706,329	7	4,170,882	4
Notes and accounts payable—related parties	4,037,063	3	4,544,916	5
Accrued expenses	3,002,709	2	7,009,305	6
Financial liabilities reported as fair value through profit or loss—current	154,000	-	327,724	-
Other payable—related parties	3,957,427	3	2,504,871	2
Other payable—other	101,490	-	11,335	-
Current portion of bonds payable	9,609,499	7	11,386,904	11
Current portion of long-term debt	1,890,000	1	-	-
Other current liabilities	1,795	-	378,259	-
Deferred income tax liability—current	44,326	-	-	-
Total current liabilities	<u>31,504,638</u>	<u>23</u>	<u>31,255,596</u>	<u>29</u>
Long-term liabilities				
Bonds payable	31,500,000	23	20,103,468	19
Long-term debt	16,130,000	12	38,000,000	35
Long-term accounts payable	768,525	1	826,721	1
Lease payable—long-term	327,317	-	321,712	-
Total long-term liabilities	<u>48,725,842</u>	<u>36</u>	<u>59,251,901</u>	<u>55</u>
Other liabilities:				
Accrued pension liability	346,250	-	358,202	-
Guarantee deposits	197,368	-	155,200	-
Miscellaneous liabilities	120,859	-	67,253	-
Total other liabilities	<u>664,477</u>	<u>-</u>	<u>580,655</u>	<u>-</u>
Total liabilities	<u>80,894,957</u>	<u>59</u>	<u>91,088,152</u>	<u>84</u>
Stockholders' equity:				
Capital stock	46,952,725	34	46,933,975	43
Advance receipts for capital stock	16,385	-	-	-
Capital surplus	25,170,532	18	25,150,219	23
Legal reserve	2,814,499	2	2,814,499	3
Special reserve	2,655,892	2	2,655,892	2
Accumulated deficit	(21,174,677)	(15)	(59,634,487)	(55)
Cumulative translation adjustments	22,367	-	16,652	-
Unrealized losses on financial instruments	305,599	-	143,199	-
Treasury stock	(467,634)	-	(347,533)	-
Total stockholders' equity	<u>56,295,688</u>	<u>41</u>	<u>17,732,416</u>	<u>16</u>
Commitments and contingencies				
Total liabilities and stockholders' equity	<u>137,190,645</u>	<u>100</u>	<u>108,820,568</u>	<u>100</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Income
Three-month Periods Ended March 31, 2008 and 2009
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2008		2009	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues, net	\$ 9,143,494	100	6,171,965	100
Operating costs	<u>(14,257,446)</u>	<u>(156)</u>	<u>(13,341,317)</u>	<u>(216)</u>
Gross loss	(5,113,952)	(56)	(7,169,352)	(116)
Unrealized loss from affiliated companies	-	-	218,966	4
Realized loss from affiliated companies	<u>(82,208)</u>	<u>(1)</u>	<u>(38,592)</u>	<u>(1)</u>
Gross loss, net	<u>(5,196,160)</u>	<u>(57)</u>	<u>(6,988,978)</u>	<u>(113)</u>
Operating expenses				
Selling expenses	(159,057)	(2)	(99,660)	(2)
Administrative expenses	(510,637)	(6)	(386,789)	(6)
Research and development expenses	<u>(1,403,826)</u>	<u>(15)</u>	<u>(871,421)</u>	<u>(14)</u>
Total operating expenses	<u>(2,073,520)</u>	<u>(23)</u>	<u>(1,357,870)</u>	<u>(22)</u>
Operating loss	<u>(7,269,680)</u>	<u>(80)</u>	<u>(8,346,848)</u>	<u>(135)</u>
Non-operating income and gains:				
Interest income	64,299	1	7,685	-
Gain on disposal of property, plant and equipment	5,308	-	941	-
Foreign exchange gain, net	235,545	3	-	-
Gain on idle assets' value recoveries	11,341	-	22,798	-
Gain on valuation of financial assets	8,240	-	-	-
financial liabilities	54,000	1	49,375	1
Miscellaneous income	<u>41,178</u>	<u>-</u>	<u>148,593</u>	<u>2</u>
Total non-operating income	<u>419,911</u>	<u>5</u>	<u>229,392</u>	<u>3</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$180,090 thousand and NT\$11,378 thousand for 2008 and 2009, respectively)	(156,656)	(2)	(343,244)	(6)
Investment loss recognized under equity method	(1,441,635)	(16)	(1,679,518)	(27)
Loss on disposal of property, plant and equipment	(11,643)	-	(27,173)	-
Foreign exchange loss, net	-	-	(205,055)	(3)
Impairment loss	(308,107)	(3)	-	-
Miscellaneous disbursements	<u>(15,230)</u>	<u>-</u>	<u>(140,360)</u>	<u>(2)</u>
Total non-operating expenses and losses	<u>(1,933,271)</u>	<u>(21)</u>	<u>(2,395,350)</u>	<u>(38)</u>
Loss before income tax	(8,783,040)	(96)	(10,512,806)	(170)
Income tax expenses	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>-</u>
Net loss	<u>(8,783,040)</u>	<u>(96)</u>	<u>(10,512,834)</u>	<u>(170)</u>

	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Net loss per common share (in dollars)				
Basic earnings per share	<u>\$ (1.88)</u>	<u>(1.88)</u>	<u>(2.25)</u>	<u>(2.25)</u>

Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:

	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Net loss	<u>(8,783,040)</u>	<u>(8,783,040)</u>	<u>(10,512,806)</u>	<u>(10,512,806)</u>
Basic earnings per share	<u>(1.87)</u>	<u>(1.87)</u>	<u>(2.24)</u>	<u>(2.24)</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

Three-month Periods Ended March 31, 2008 and 2009
(expressed in thousands of New Taiwan dollars)

	<u>2008</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss	\$ (8,783,040)	(10,512,834)
Adjustments:		
Gain on valuation of financial assets	(8,240)	(49,375)
Gain on valuation of financial liabilities	(54,000)	-
Depreciation	2,567,258	3,174,285
Amortization	509,452	746,364
Employee warrant compensation cost	-	4,972
Unrealized interest revenue amortization	(1,417)	(1,375)
Investment loss recognized under equity method	1,441,635	1,679,518
Loss (Gain) on disposal of property, plant and equipment, net	296,766	(22,798)
Loss (Gain) on inventory valuation and obsolescence	625,908	(218,053)
Loss on disposal of property, plant and equipment, net	6,335	26,232
Amortization of discount on bonds payable	58,050	1,740
Unrealized loss from affiliated companies	-	(218,966)
Realized loss from affiliated companies	82,208	38,592
Unrealized foreign currency exchange loss (gain), net	(181,132)	281,715
Decrease in notes and accounts receivable	1,459,377	328,307
Decrease (increase) in inventory	(502,968)	1,413,415
Decrease (increase) in other receivables	(94,127)	15,747
Decrease in prepayments	225,846	99,001
Increase (decrease) in notes and accounts payable	(1,237,562)	1,207,826
Increase (decrease) in accrued expenses	(865,406)	16,482
Increase (decrease) in other current liabilities and other payable	(906)	372,133
Increase in accrued pension liability	3,075	3,079
Increase in miscellaneous liabilities	11,865	763
Net cash used in operating activities	<u>(4,441,023)</u>	<u>(1,613,230)</u>
Cash flows from investing activities:		
Decrease in lease receivable	2,328	2,328
Proceeds from sales of property, plant and equipment	5,615	20,834
Increase in deferred expense and intangible assets	(44,000)	(500)
Purchases of property, plant and equipment	(7,543,817)	(874,194)
Decrease in refundable deposits	2,357	696
Increase in other receivables from related parties	(4,808,800)	(379,800)
Increase in miscellaneous assets	(1,774)	-
Increase in long-term investments	(1,000)	-
Net cash used in investing activities	<u>(12,389,091)</u>	<u>(1,230,636)</u>
Cash flows from financing activities:		
Decrease in lease payable	(1,274)	(1,351)
Increase in short-term borrowings	-	921,400
Increase in long-term borrowings	11,600,162	-
Decrease in long-term accounts payable	(110,513)	(1,114,516)
Decrease in guarantee deposits	(8,033)	(16,227)
Receipts for capital stock of employee stock options	16,385	-
Increase in accounts payable—related parties	3,942,500	2,498,200
Redemption of Bonds	-	(492,900)
Net cash provided by financing activities	<u>15,439,227</u>	<u>1,794,606</u>
Effect of foreign currency exchange translation	<u>(25,275)</u>	<u>(43,404)</u>
Decrease in cash and cash equivalents	<u>(1,416,162)</u>	<u>(1,092,664)</u>
Cash and cash equivalents at beginning of period	<u>2,448,103</u>	<u>2,506,146</u>
Cash and cash equivalents at end of period	<u>1,031,941</u>	<u>1,413,482</u>
Supplemental cash flow information:		
Income tax paid	<u>-</u>	<u>28</u>
Interest paid (excluding capitalized interest)	<u>153,937</u>	<u>182,462</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term debt	<u>\$ 1,890,000</u>	<u>\$ -</u>
Current portion of bonds payable	<u>\$ 9,609,499</u>	<u>\$ 11,386,904</u>
Cash paid for acquisition of properties		
Total acquisition	(3,878,991)	(249,251)
Decrease in accounts payable-machinery and equipment, net	(3,664,826)	(624,943)
Cash paid for acquisition of properties	<u>\$ (7,543,817)</u>	<u>\$ (874,194)</u>

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