

**NANYA TECHNOLOGY CORPORATION**

**Unconsolidated Financial Statements**

**June 30, 2008 and 2009**

**(With Independent Auditors' Report Thereon)**

## **Independent Auditors' Report**

The Board of Directors  
Nanya Technology Corporation:

We have audited the accompanying unconsolidated balance sheets of Nanya Technology Corporation (the Company) as of June 30, 2008 and 2009, and the related unconsolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods then ended. All information included in these financial statements is the representation of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as mentioned in the third paragraph and fourth paragraph, 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 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.

As outlined in note 9 to the financial statements, we did not audit the financial statements of certain long-term investments carried on the equity method, which amounted to NT\$1,393,227 thousand and NT\$2,452,760 thousand as of June 30, 2008 and 2009, respectively, and for which the equity in net loss amounted to NT\$22,457 thousand and NT\$158,731 thousand for the six-month periods ended June 30, 2008 and 2009, respectively.

The information related to the investee companies disclosed in was recognized and disclosed based on the basis of these investee's unaudited financial statements for the same periods.

In our opinion, based on our audits, except for the effects of the information as discussed in the third paragraph and fourth paragraph, the unconsolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation as of June 30, 2008 and 2009, and the results of its operations and cash flows for the six-month periods then ended, 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.

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 \$17,053,469 thousand for the six-month periods ended June 30, 2009. Also, the Company has liquidity risks as its current liabilities exceed its current assets by \$16,406,430 thousand as of June 30, 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.

The Company adopted the new issued 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.

We have reviewed the Company's consolidated financial statements as of and for six-month periods ended June 30, 2008 and 2009, prepared by the Company. Based on our review, we expressed a qualified opinion on those financial statements.

Taipei, Taiwan (the Republic of China)  
August 14, 2009

The accompany unconsolidated 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.

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# NANYA TECHNOLOGY CORPORATION

## Unconsolidated Balance Sheets

June 30, 2008 and 2009  
(expressed in thousands of New Taiwan dollars)

<u>Assets</u>	<u>2008</u>		<u>2009</u>		<u>Liabilities and Stockholders' Equity</u>	<u>2008</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 5,928,554	4	1,796,697	2	Short-term borrowings	-	-	2,765,365	2
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousand	4,130,233	3	3,437,090	3	Notes and accounts payable	5,527,848	4	5,654,582	5
Accounts receivable—related parties	3,537,891	3	2,429,672	2	Accounts payable—related parties	4,644,546	4	5,992,814	5
Other receivables	1,093,784	1	1,409,904	1	Accrued expenses	4,946,183	4	5,749,720	5
Other receivables—related parties	44,344	-	391,716	-	Financial liabilities reported at fair value through profit or loss—current	585,000	-	-	-
Inventories, net	6,578,819	5	6,752,778	6	Other payable—related parties	12,710	-	12,168	-
Prepayments	1,116,513	1	598,839	1	Other payable	100,187	-	9,834	-
Non-current assets held for sale	1,261,634	1	-	-	Current portion of bonds payable	12,163,367	9	13,037,211	12
Financial assets reported at fair value through profit or loss—current	9,458	-	-	-	Other current liabilities	135,111	-	1,432	-
<b>Total current assets</b>	<u>23,701,230</u>	<u>18</u>	<u>16,816,696</u>	<u>15</u>	Deferred income tax liabilities, net—current	42,640	-	-	-
<b>Funds and long-term investments</b>					<b>Total current liabilities</b>	<u>28,157,592</u>	<u>21</u>	<u>33,223,126</u>	<u>29</u>
Long-term investments carried on the equity method	24,342,667	18	17,443,278	16	<b>Long-term liabilities</b>				
Available-for-sale financial assets—non-current	208,758	-	-	-	Financial liabilities reported at fair value through profit or loss—non-current	-	-	310,671	-
<b>Total funds and long-term investments</b>	<u>24,551,425</u>	<u>18</u>	<u>17,443,278</u>	<u>16</u>	Bonds payable	28,977,382	22	15,954,901	14
<b>Property, plant and equipment:</b>					Long-term debt	22,000,000	17	38,000,000	34
Land	1,013,924	1	1,013,924	1	Long-term accounts payable	4,583,766	3	602,627	1
Buildings and building improvements	5,355,751	4	4,711,956	4	Lease payable—long-term	325,946	-	320,259	-
Machinery and equipment	100,839,209	75	102,446,355	91	<b>Total long-term liabilities</b>	<u>55,887,094</u>	<u>42</u>	<u>55,188,458</u>	<u>49</u>
Transportation equipment	5,855	-	5,855	-	<b>Other liabilities:</b>				
Leased assets	345,637	-	345,637	-	Accrued pension liability	349,552	-	360,996	-
Miscellaneous equipment	1,492,730	1	1,575,416	1	Guarantee deposits	196,311	-	143,454	-
	109,053,106	81	110,099,143	97	Miscellaneous liabilities	73,932	-	67,694	-
Less: accumulated depreciation	(43,296,843)	(32)	(51,162,396)	(45)	<b>Total other liabilities</b>	<u>619,795</u>	<u>-</u>	<u>572,144</u>	<u>-</u>
Construction in progress	8,143,006	6	7,020,757	6	<b>Total liabilities</b>	<u>84,664,481</u>	<u>63</u>	<u>88,983,728</u>	<u>78</u>
Prepayments for equipment	971	-	-	-	<b>Stockholders' equity:</b>				
<b>Net property, plant and equipment</b>	<u>73,900,240</u>	<u>55</u>	<u>65,957,504</u>	<u>58</u>	Capital stock	46,964,995	35	25,755,735	24
<b>Intangible assets:</b>					Advance receipts for capital stock	47,396	-	-	-
Patents	1,440,571	1	2,008,565	2	Capital surplus	25,174,452	19	4,398,783	4
Other intangible assets	6,608,502	5	4,042,988	4	Legal reserve	2,814,499	2	-	-
<b>Total intangible assets</b>	<u>8,049,073</u>	<u>6</u>	<u>6,051,553</u>	<u>6</u>	Special reserve	2,655,892	2	-	-
<b>Other assets:</b>					Unappropriated earnings	(28,466,440)	(21)	(6,542,749)	(6)
Refundable deposits	1,473	-	3,140	-	Cumulative translation adjustments	5,949	-	11,842	-
Deferred charges	124,976	-	135,698	-	Unrealized gain on financial instruments	323,592	-	147,417	-
Lease receivable—long-term	121,801	-	2,775,196	2	Treasury stock	(467,634)	-	(347,533)	-
Deferred income tax assets, net—non-current	3,266,798	3	3,224,158	3	<b>Total stockholders' equity</b>	<u>49,052,701</u>	<u>37</u>	<u>23,423,495</u>	<u>22</u>
Miscellaneous assets	166	-	-	-	<b>Commitments and contingencies</b>				
<b>Total other assets</b>	<u>3,515,214</u>	<u>3</u>	<u>6,138,192</u>	<u>5</u>					
<b>Total assets</b>	<u>\$ 133,717,182</u>	<u>100</u>	<u>112,407,223</u>	<u>100</u>	<b>Total liabilities and stockholders' equity</b>	<u>133,717,182</u>	<u>100</u>	<u>112,407,223</u>	<u>100</u>

See accompanying notes to financial statements.

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# NANYA TECHNOLOGY CORPORATION

## Unconsolidated Statements of Income Six-month periods ended June 30, 2008 and 2009 (expressed in thousands of New Taiwan dollars, except earnings per share)

	<b>2008</b>		<b>2009</b>	
	<u><b>Amount</b></u>	<u><b>%</b></u>	<u><b>Amount</b></u>	<u><b>%</b></u>
<b>Operating revenues, net</b>	\$ 18,673,740	100	14,257,202	100
<b>Operating costs</b>	<u>(26,771,759)</u>	<u>(143)</u>	<u>(25,194,802)</u>	<u>(177)</u>
<b>Gross loss</b>	(8,098,019)	(43)	(10,937,600)	(77)
<b>Unrealized profit from affiliated companies</b>	41,545	-	190,424	1
<b>Realized loss from affiliated companies</b>	<u>(82,208)</u>	<u>-</u>	<u>(38,592)</u>	<u>-</u>
<b>Gross loss, net</b>	<u>(8,138,682)</u>	<u>(43)</u>	<u>(10,785,768)</u>	<u>(76)</u>
<b>Selling expenses</b>	(256,285)	(1)	(203,638)	(1)
<b>Administrative expenses</b>	(988,411)	(5)	(886,838)	(6)
<b>Research and development expenses</b>	<u>(3,241,506)</u>	<u>(17)</u>	<u>(1,702,106)</u>	<u>(12)</u>
<b>Total operating expenses</b>	<u>(4,486,202)</u>	<u>(23)</u>	<u>(2,792,582)</u>	<u>(19)</u>
<b>Operating loss</b>	<u>(12,624,884)</u>	<u>(66)</u>	<u>(13,578,350)</u>	<u>(95)</u>
<b>Non-operating income:</b>				
Interest income	143,954	1	149,327	1
Foreign exchange gain, net	322,965	2	40,929	-
Gain on idle assets' value recoveries	-	-	23,449	-
Gain on valuation of financial liabilities	-	-	66,428	-
Miscellaneous income	<u>93,735</u>	<u>1</u>	<u>556,863</u>	<u>4</u>
<b>Total non-operating income</b>	<u>560,654</u>	<u>4</u>	<u>836,996</u>	<u>5</u>
<b>Non-operating expenses:</b>				
Interest expenses (excluding capitalized interest of NT\$261,344 thousand and NT\$24,958 thousand for 2008 and 2009, respectively)	(483,510)	(3)	(648,184)	(5)
Investment loss recognized under equity method	(2,626,750)	(14)	(3,551,375)	(25)
Loss on disposal of property, plant and equipment	(92,618)	-	(24,274)	-
Impairment loss	(403,811)	(2)	-	-
Loss on valuation of financial assets	(2,216)	-	-	-
Loss on valuation of financial liabilities	(377,000)	(2)	-	-
Miscellaneous disbursements	<u>(24,598)</u>	<u>-</u>	<u>(88,254)</u>	<u>(1)</u>
<b>Total non-operating expenses</b>	<u>(4,010,503)</u>	<u>(21)</u>	<u>(4,312,087)</u>	<u>(31)</u>
<b>Loss before income tax</b>	(16,074,733)	(83)	(17,053,441)	(121)
<b>Income tax expenses</b>	<u>(70)</u>	<u>-</u>	<u>(28)</u>	<u>-</u>
<b>Net loss</b>	<u><b>\$(16,074,803)</b></u>	<u><b>(83)</b></u>	<u><b>(17,053,469)</b></u>	<u><b>(121)</b></u>
<b>Net loss per common share (in dollars)</b>	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
<b>Basic loss per share</b>	<u><b>\$ (6.15)</b></u>	<u><b>(6.15)</b></u>	<u><b>(8.06)</b></u>	<u><b>(8.06)</b></u>
<b>Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:</b>				
	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
<b>Net loss</b>	<u><b>\$(16,074,733)</b></u>	<u><b>(16,074,803)</b></u>	<u><b>(17,053,441)</b></u>	<u><b>(17,053,469)</b></u>
<b>Basic loss per share</b>	<u><b>\$ (6.12)</b></u>	<u><b>(6.12)</b></u>	<u><b>(8.02)</b></u>	<u><b>(8.02)</b></u>

See accompanying notes to financial statements.

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**NANYA TECHNOLOGY CORPORATION**  
**Statements of Changes in Stockholders' Equity**  
**Six-month periods ended June 30, 2008 and 2009**  
**(expressed in thousands of New Taiwan dollars)**

	<u>Capital stock</u>	<u>Advance receipts for capital stock</u>	<u>Capital Surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Accumulated deficit</u>	<u>Cumulative translation adjustments</u>	<u>Unrealized Loss on Financial Instrument</u>	<u>Treasury stock</u>	<u>Total</u>
<b>Balance as of January 1, 2008</b>	\$ 469,935,385	27,376	25,160,496	2,814,499	2,655,892	(12,391,637)	28,739	519,166	(467,634)	65,282,282
Appropriation and distribution:										
Issuance of capital stock due to employee stock options exercised	29,610	(27,376)	13,956	-	-	-	-	-	-	16,190
Advance receipts for capital stock due to employee stock options exercised	-	47,396	-	-	-	-	-	-	-	47,396
Net loss for the six-month period ended June 30, 2008	-	-	-	-	-	(16,074,803)	-	-	-	(16,074,803)
Corresponding adjustment to comply with investee companies	-	-	-	-	-	-	-	(183,235)	-	(183,235)
Loss on foreign currency exchange of long-term investments	-	-	-	-	-	-	(22,790)	-	-	(22,790)
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	1,718	-	1,718
Unrealized loss on hedging derivative assets	-	-	-	-	-	-	-	(14,057)	-	(14,057)
<b>Balance as of June 30, 2008</b>	<b><u>\$ 46,964,995</u></b>	<b><u>47,396</u></b>	<b><u>25,174,452</u></b>	<b><u>2,814,499</u></b>	<b><u>2,655,892</u></b>	<b><u>(28,466,440)</u></b>	<b><u>5,949</u></b>	<b><u>323,592</u></b>	<b><u>(467,634)</u></b>	<b><u>49,052,701</u></b>
<b>Balance as of January 1, 2009</b>	\$ 46,933,975	-	25,133,947	2,814,499	2,655,892	(49,121,653)	11,715	96,006	(347,533)	28,176,848
Special reserve to make up losses	-	-	-	-	(2,655,892)	2,655,892	-	-	-	-
Statutory surplus reserve to make up losses	-	-	-	(2,814,499)	-	2,814,499	-	-	-	-
Capital surplus to make up losses	-	-	(22,983,742)	-	-	22,983,742	-	-	-	-
Capital reduction to make up losses	(31,178,240)	-	-	-	-	31,178,240	-	-	-	-
Issuance of common share	10,000,000	-	2,220,000	-	-	-	-	-	-	12,220,000
Net loss for the six-month period ended June 30, 2009	-	-	-	-	-	(17,053,469)	-	-	-	(17,053,469)
Issuance of capital stock due to employee stock options exercised	-	-	9,945	-	-	-	-	-	-	9,945
Recognized long-term investments number of capital surplus	-	-	18,633	-	-	-	-	-	-	18,633
Corresponding adjustment to comply with investee companies	-	-	-	-	-	-	-	51,411	-	51,411
Gains on foreign currency exchange of long-term investments	-	-	-	-	-	-	127	-	-	127
<b>Balance as of June 30, 2009</b>	<b><u>\$ 25,755,735</u></b>	<b><u>-</u></b>	<b><u>4,398,783</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(6,542,749)</u></b>	<b><u>11,842</u></b>	<b><u>147,417</u></b>	<b><u>(347,533)</u></b>	<b><u>23,423,495</u></b>

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# NANYA TECHNOLOGY CORPORATION

## Unconsolidated Statements of Cash Flows

Six-month periods ended June 30, 2008 and 2009  
(expressed in thousands of New Taiwan dollars)

	<u>2008</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (16,074,803)	(17,053,469)
Adjustments:		
Loss on financial assets	2,216	-
(Gain) loss on valuation of financial liabilities	377,000	(66,428)
Depreciation	5,358,740	6,300,048
Amortization	1,554,557	1,288,909
Employee warrant compensation cost	-	9,945
Unrealized interest revenue amortization	(2,823)	(142,110)
Investment loss recognized under equity method	2,626,750	3,551,375
Impairment (recoveries) loss	403,811	(23,449)
Loss (gain) on inventory valuation and obsolescence	111,697	(1,299,577)
Loss on disposal of property, plant and equipment, net	92,618	24,274
Amortization of discount on bonds payable	124,995	3,480
Unrealized profit from affiliated companies	(41,545)	(190,424)
Realized loss from affiliated companies	82,208	38,592
Unrealized foreign currency exchange (gain)loss, net	(178,152)	335,954
Decrease (increase) in notes and accounts receivable	82,517	(863,984)
Decrease (increase) in inventory	(1,577,152)	526,346
Increase in other receivables	(58,225)	(417,234)
Decrease in prepayments	263,011	37,545
Increase (decrease) in notes and accounts payable	(1,230,256)	2,802,697
Increase (decrease) in accrued expenses	1,064,496	(1,249,288)
Increase (decrease) in other current liabilities	119,253	(781)
Increase in accrued pension liability	6,377	5,873
Increase (decrease) in miscellaneous liabilities	<u>6,687</u>	<u>(1,308)</u>
<b>Net cash used in operating activities</b>	<u>(6,886,023)</u>	<u>(6,383,015)</u>
<b>Cash flows from investing activities:</b>		
Decrease (increase) in lease receivable	9,310	(248,461)
Proceeds from sales of property, plant and equipment	3,345,368	48,322
Increase in deferred expense and intangible assets	(6,270,674)	(500)
Purchases of property, plant and equipment	(10,552,351)	(4,648,052)
Decrease (increase) in refundable deposits	7,123	(603)
Decrease in other receivables from related parties	5,719,945	-
Decrease in miscellaneous assets	68	-
Increase in long-term investments	<u>(1,200,000)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(8,941,211)</u>	<u>(4,849,294)</u>
<b>Cash flows from financing activities:</b>		
Decrease in lease payable	(2,566)	(2,721)
Increase in short-term borrowings	-	2,765,365
Increase in long-Term borrowings	15,580,162	-
Increase (decrease) in long-term accounts payable	3,685,220	(1,467,554)
Decrease in guarantee deposits	(9,090)	(27,973)
Receipt for capital stock of employee stock options	63,586	-
Issuance of common share	-	12,220,000
Redemption of Bonds	<u>-</u>	<u>(2,992,900)</u>
<b>Net cash provided by financing activities</b>	<u>19,317,312</u>	<u>10,909,493</u>
<b>Effect of foreign currency exchange translation</b>	<u>(9,627)</u>	<u>28,643</u>
<b>Decrease (increase) in cash and cash equivalents</b>	3,480,451	(709,449)
<b>Cash and cash equivalents at beginning of period</b>	<u>2,448,103</u>	<u>2,506,146</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 5,928,554</u>	<u>1,796,697</u>
<b>Supplemental cash flow information:</b>		
Income tax paid	\$ <u>70</u>	<u>28</u>
Interest paid (excluding capitalized interest)	\$ <u>350,417</u>	<u>557,870</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Current portion of bonds payable	\$ <u>12,163,367</u>	<u>13,037,211</u>
<b>Cash paid for acquisition of properties</b>		
Total acquisition	\$ (4,171,353)	(5,392,075)
Increase (decrease) in accounts payable-machinery and equipment, net	<u>(6,380,998)</u>	<u>744,023</u>
Cash paid for acquisition of properties	\$ <u>(10,552,351)</u>	<u>(4,648,052)</u>

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