

**NANYA TECHNOLOGY CORPORATION**  
**Unconsolidated Financial Statements**  
**September 30, 2008 and 2009**  
**(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 September 30, 2008 and 2009, and the related unconsolidated statements of income and cash flows for the nine-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\$2,673,986 thousand and NT\$1,648,432 thousand as of September 30, 2008 and 2009, respectively, and for which the equity in net loss amounted to NT\$41,608 thousand and net loss amounted to NT\$76,372 thousand for the nine-month periods ended September 30, 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 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.

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 \$20,952,491 thousand for the nine-months periods ended September 30, 2009. Also, the Company has liquidity risks as its current liabilities exceed its current assets by \$21,077,715 thousand as of September 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.

Taipei, Taiwan (the Republic of China)  
October 20, 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 review such financial statements are those generally accepted and applied in the Republic of China.

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**Reviewed only, not audited in accordance with generally accepted auditing standards**

**NANYA TECHNOLOGY CORPORATION**

**Unconsolidated Balance Sheets**

**September 30, 2008 and 2009**

(expressed in thousands of New Taiwan dollars)

<b>Assets</b>	<b>2008</b>		<b>2009</b>		<b>Liabilities and Stockholders' Equity</b>	<b>2008</b>		<b>2009</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	\$ 799,429	1	1,694,464	1	Short-term debt	\$ -	-	4,114,501	4
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	5,767,719	5	5,047,824	5	Notes and accounts payable	4,834,970	4	4,091,707	4
Accounts receivable—related parties	4,445,917	3	3,951,272	3	Notes and accounts payable—related parties	5,204,808	4	5,854,322	5
Other receivables	1,050,469	1	1,418,837	1	Accrued expenses	7,272,738	6	4,862,418	4
Other receivables—related parties	5,061,997	3	736,695	1	Financial liabilities reported as fair value through profit or loss—current	538,992	-	314,217	-
Inventories, net	6,200,840	5	7,871,980	7	Other payable—related parties	2,933,978	2	6,374,365	6
Prepayments	958,953	1	532,134	-	Current portion of bonds payable	14,948,308	11	13,037,518	11
<b>Total current assets</b>	<b>24,285,324</b>	<b>19</b>	<b>21,253,206</b>	<b>18</b>	Current portion of long-term debt	-	-	3,666,667	3
<b>Funds and long-term investments</b>					Other current liabilities	22,125	-	15,206	-
Long-term investments carried on the equity method	24,286,022	19	16,145,897	14	Deferred income tax liability—current	10,928	-	-	-
Available-for-sale financial assets—non-current	209,632	-	-	-	<b>Total current liabilities</b>	<b>35,766,847</b>	<b>27</b>	<b>42,330,921</b>	<b>37</b>
<b>Total Funds and long-term investments</b>	<b>24,495,654</b>	<b>19</b>	<b>16,145,897</b>	<b>14</b>	<b>Long-term liabilities</b>				
<b>Property, plant and equipment:</b>					Bonds payable	26,279,887	20	13,256,334	12
Land	1,013,924	1	1,013,924	1	Long-term debt	25,000,000	19	38,333,333	33
Buildings and building improvements	5,603,146	4	5,024,512	4	Long-term accounts payable	3,005,810	3	322,591	-
Machinery and equipment	105,329,023	81	102,699,355	89	Lease payable—long-term	324,556	-	318,784	-
Transportation equipment	5,855	-	5,855	-	<b>Total long-term liabilities</b>	<b>54,610,253</b>	<b>42</b>	<b>52,231,042</b>	<b>45</b>
Leased assets	345,637	-	345,637	-	<b>Other liabilities:</b>				
Miscellaneous equipment	1,549,670	1	1,546,618	1	Accrued pension liability	352,650	-	357,822	-
	113,847,255	87	110,635,901	95	Guarantee deposits	183,175	-	163,352	-
Less: accumulated depreciation	(45,839,447)	(35)	(54,099,193)	(46)	Miscellaneous liabilities	191,583	-	129,968	-
Construction in progress	2,778,840	2	9,921,603	9	<b>Total other liabilities</b>	<b>727,408</b>	<b>-</b>	<b>651,142</b>	<b>-</b>
Prepayments for equipment	34,468	-	239,778	-	<b>Total liabilities</b>	<b>91,104,508</b>	<b>69</b>	<b>95,213,105</b>	<b>82</b>
<b>Net property, plant and equipment</b>	<b>70,821,116</b>	<b>54</b>	<b>66,698,089</b>	<b>58</b>	<b>Stockholders' equity:</b>				
<b>Intangible assets:</b>					Capital stock	46,995,735	36	25,755,735	23
Patents	2,434,453	2	1,868,177	2	Advance receipts for capital stock	-	-	213,076	-
Other intangible assets	5,689,079	4	3,655,454	3	Capital surplus	25,191,526	19	5,096,233	4
<b>Total intangible assets</b>	<b>8,123,532</b>	<b>6</b>	<b>5,523,631</b>	<b>5</b>	Legal reserve	2,814,499	2	-	-
<b>Other assets:</b>					Special reserve	2,655,892	2	-	-
Refundable deposits	3,064	-	3,128	-	Unappropriated earnings	(37,235,071)	(28)	(10,441,771)	(9)
Deferred charges	166,950	-	125,268	-	Cumulative translation adjustments	11,217	-	11,739	-
Lease receivable—long-term	120,827	-	2,741,134	2	Unrealized gain on financial instruments	181,305	-	213,935	-
Deferred income tax assets, net—non-current	3,235,086	2	3,224,158	3	Treasury stock	(467,634)	-	(347,533)	-
Miscellaneous assets	424	-	8	-	<b>Total stockholders' equity</b>	<b>40,147,469</b>	<b>31</b>	<b>20,501,414</b>	<b>18</b>
<b>Total other assets</b>	<b>3,526,351</b>	<b>2</b>	<b>6,093,696</b>	<b>5</b>	<b>Commitments and contingencies</b>				
<b>Total assets</b>	<b>\$ 31,251,977</b>	<b>100</b>	<b>115,714,519</b>	<b>100</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 131,251,977</b>	<b>100</b>	<b>115,714,519</b>	<b>100</b>

See accompanying notes to financial statements.

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**NANYA TECHNOLOGY CORPORATION**

**Unconsolidated Statements of Income**

**Nine-month periods ended September 30, 2008 and 2009**

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

	2008		2009	
	Amount	%	Amount	%
<b>Operating revenues, net</b>	\$ 30,178,047	100	25,766,613	100
<b>Operating costs</b>	<u>(42,522,612)</u>	<u>(141)</u>	<u>(37,926,612)</u>	<u>(147)</u>
<b>Gross loss</b>	(12,344,565)	(41)	(12,159,999)	(47)
<b>Unrealized loss from affiliated companies</b>	414	-	46,674	-
<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>(12,426,359)</u>	<u>(41)</u>	<u>(12,151,917)</u>	<u>(47)</u>
<b>Operating expenses</b>				
<b>Selling expenses</b>	(364,038)	(1)	(325,985)	(1)
<b>Administrative expenses</b>	(1,463,566)	(5)	(1,275,756)	(5)
<b>Research and development expenses</b>	<u>(5,041,149)</u>	<u>(17)</u>	<u>(2,508,905)</u>	<u>(10)</u>
<b>Total operating expenses</b>	<u>(6,868,753)</u>	<u>(23)</u>	<u>(4,110,646)</u>	<u>(16)</u>
<b>Operating loss</b>	<u>(19,295,112)</u>	<u>(64)</u>	<u>(16,262,563)</u>	<u>(63)</u>
<b>Non-operating income and gains:</b>				
Interest income	195,024	1	226,508	1
Gain on disposal of property, plant and equipment	71,868	-	5,422	-
Foreign exchange gain, net	183	-	178,157	1
Gain on idle assets' value recoveries	-	-	16,758	-
Gain on valuation of financial liabilities	-	-	62,882	-
Miscellaneous income	<u>251,280</u>	<u>1</u>	<u>603,164</u>	<u>2</u>
<b>Total non-operating income and gains</b>	<u>518,355</u>	<u>2</u>	<u>1,092,891</u>	<u>4</u>
<b>Non-operating expenses and losses:</b>				
Interest expenses (excluding capitalized interest of NT\$296,639 thousand and NT\$43,591 thousand for 2008 and 2009, respectively)	(865,646)	(3)	(1,007,669)	(4)
Investment loss recognized under equity method	(3,983,306)	(13)	(4,649,197)	(18)
Loss on disposal of property, plant and equipment	(404,566)	(1)	(29,062)	-
Impairment loss	(427,308)	(1)	-	-
Loss on valuation of financial assets	(11,674)	-	-	-
Loss on valuation of financial liabilities	(330,992)	(1)	-	-
Miscellaneous disbursements	<u>(43,114)</u>	<u>-</u>	<u>(96,863)</u>	<u>-</u>
<b>Total non-operating expenses and losses</b>	<u>(6,066,606)</u>	<u>(19)</u>	<u>(5,782,791)</u>	<u>(22)</u>
<b>Loss before income tax</b>	(24,843,363)	(81)	(20,952,463)	(81)
<b>Income tax expenses</b>	<u>(70)</u>	<u>-</u>	<u>(28)</u>	<u>-</u>
<b>Net loss</b>	\$ <u><u>(24,843,433)</u></u>	<u><u>(81)</u></u>	\$ <u><u>(20,952,491)</u></u>	<u><u>(81)</u></u>
<b>Net loss per common share (in dollars)</b>				
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b><u>Income tax</u></b>	<b><u>Income tax</u></b>	<b><u>Income tax</u></b>	<b><u>Income tax</u></b>
<b>Basic loss per share</b>	\$ <u><u>(9.51)</u></u>	<u><u>(9.51)</u></u>	<u><u>(9.23)</u></u>	<u><u>(9.23)</u></u>
<b>Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:</b>				
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b><u>Income tax</u></b>	<b><u>Income tax</u></b>	<b><u>Income tax</u></b>	<b><u>Income tax</u></b>
<b>Net loss</b>	\$ <u><u>(24,843,363)</u></u>	<u><u>(24,843,433)</u></u>	<u><u>(20,952,463)</u></u>	<u><u>(20,952,491)</u></u>
<b>Basic loss per share</b>	\$ <u><u>(9.46)</u></u>	<u><u>(9.46)</u></u>	<u><u>(9.20)</u></u>	<u><u>(9.20)</u></u>

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**NANYA TECHNOLOGY CORPORATION**

**Unconsolidated Statements of Cash Flows**

**Nine-month periods ended September 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	\$ (24,843,433)	(20,952,491)
Adjustments:		
Loss on financial assets	11,674	-
Loss (gain) on valuation of financial liabilities	330,992	(62,882)
Depreciation	8,495,671	9,296,820
Amortization	2,622,443	1,831,387
Employee warrant compensation cost	-	14,917
Unrealized interest revenue amortization	(4,219)	(215,992)
Investment loss recognized under equity method	3,983,306	4,649,197
Loss(gain) on inventory valuation and obsolescence	1,218,069	(2,743,248)
Impairment (recoveries) loss	427,308	(16,758)
Loss on disposal of property, plant and equipment, net	332,698	23,640
Amortization of discount on bonds payable	185,801	5,221
Unrealized loss from affiliated companies	(414)	(46,674)
Realized loss from affiliated companies	82,208	38,592
Cash dividend received from equity-method investees	84,998	-
Unrealized foreign currency exchange loss, net	109,972	107,466
Increase in notes and accounts receivable	(2,041,144)	(4,020,970)
Decrease (increase) Increase in inventory	(1,749,969)	740,854
Increase in other receivables	(50,866)	(663,203)
(Increase) decrease in prepayments	(134,895)	214,212
Increase (decrease) in notes and accounts payable	(1,007,315)	3,103,225
(Decrease) increase in accrued expenses	3,353,556	(2,140,717)
Increase(decrease) in other current liabilities	(99,054)	2,673
Increase in accrued pension liability	9,475	2,699
Increase in miscellaneous liabilities	14,127	1,221
<b>Net cash used in operating activities</b>	<u>(8,669,011)</u>	<u>(10,830,811)</u>
<b>Cash flows from investing activities:</b>		
Decrease(increase) in lease receivable	6,983	(248,461)
Proceeds from sales of property, plant and equipment	4,718,082	87,064
Increase in Deferred Expense and Intangible Assets	(7,423,847)	(500)
Purchases of property, plant and equipment	(11,650,789)	(10,290,803)
(Increase) decrease in refundable deposits	5,532	(591)
Decrease in other receivables from related parties	657,948	-
Increase in miscellaneous assets	(190)	(8)
Increase in long-term investments	(2,572,500)	-
Return of capital from subsidiary due to subsidiary's capital reduction	-	874,650
<b>Net cash used in investing activities</b>	<u>(16,258,781)</u>	<u>(9,587,649)</u>
<b>Cash flows from financing activities:</b>		
Decrease in lease payable	(3,877)	(4,112)
Increase in Short-Term Borrowings	-	4,114,501
Increase in Long-Term Borrowings	18,580,162	4,000,000
Increase(decrease) in long-term Accounts payable	1,703,511	(1,607,791)
Decrease in guarantee deposits	(22,226)	(8,075)
Issuance of common share	-	12,220,000
Receipt for capital stock of employee stock options	64,004	213,076
Increase in other payable from related parties	2,933,978	6,362,600
Redemption of Bonds	-	(5,692,901)
<b>Net cash provided by financing activities</b>	<u>23,255,552</u>	<u>19,597,298</u>
<b>Effect of foreign currency exchange translation</b>	<u>23,566</u>	<u>480</u>
<b>Decrease in cash and cash equivalents</b>	<u>(1,648,674)</u>	<u>(811,682)</u>
<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>\$ <b>799,429</b></u>	<u>\$ <b>1,694,464</b></u>
<b>Supplemental cash flow information:</b>		
Income tax paid	\$ <u>70</u>	\$ <u>28</u>
Interest paid (excluding capitalized interest)	\$ <u>673,380</u>	\$ <u>900,963</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Current portion of bonds payable	\$ <u>14,948,308</u>	\$ <u>13,037,518</u>
Current portion of long-term debt	\$ <u>-</u>	\$ <u>3,666,667</u>
<b>Cash paid for acquisition of properties</b>		
Total acquisition	\$ (4,604,131)	(9,174,434)
Increase (decrease) in accounts payable-machinery and equipment, net	<u>(7,046,658)</u>	<u>(1,116,369)</u>
Cash paid for acquisition of properties	\$ <u><b>(11,650,789)</b></u>	\$ <u><b>(10,290,803)</b></u>

(Continued)