

NANYA TECHNOLOGY CORPORATION
Financial Statements
March 31, 2007 and 2008
(With Independent Accountants' Review Report Thereon)

Independent Accountants' 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, 2007 and 2008, and the related unconsolidated 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 mentioned in the third paragraph, we conducted our reviews in accordance with 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.

As outlined in note 8 to the financial statements, 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\$427,448 thousand and NT\$278,560 thousand as of March 31, 2007 and 2008, respectively, and for which the equity in net earnings amounted to NT\$17,558 thousand and net loss amounted to NT\$18,371 thousand for the three months ended March 31, 2007 and 2008, 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 such adjustments referred to 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.

As stated in note 3 to the accompanying nonconsolidated financial statements, the Company adopted the Republic of China Statement of Financial Accounting Standard (SFAS) No. 37 “ Intangible Assets ” commencing from January 1, 2008.

Taipei, Taiwan (the Republic of China)
April 21, 2008

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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NANYA TECHNOLOGY CORPORATION

Nonconsolidated Balance Sheets

March 31, 2007 and 2008
(expressed in thousands of New Taiwan dollars)

<u>Assets</u>	<u>2007</u>		<u>2008</u>		<u>Liabilities and Stockholders' Equity</u>	<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 46,267,009	33	1,031,941	1	Short-term borrowings	198,948	-	-	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	7,361,697	6	3,262,617	2	Notes and accounts payable	5,763,929	4	8,706,329	7
Accounts receivable—related parties	6,272,813	4	2,880,534	2	Accounts payable—related parties	5,453,104	4	4,037,063	3
Other receivables	626,267	-	1,090,903	1	Accrued expenses	3,369,446	2	3,012,350	2
Other receivables—related parties	26,883	-	10,531,488	7	Financial liabilities reported as fair value through profit or loss—current	141,435	-	154,000	-
Inventories, net	5,379,409	4	5,426,984	4	Other payable—related parties	-	-	3,942,500	3
Prepayments	497,614	-	717,227	1	Other payable—other	211,773	-	101,490	-
Non-current assets held for sale	-	-	4,530,750	3	Current portion of bonds payable	499,644	-	9,609,499	7
Deferred income tax assets, net—current	1,753,444	1	-	-	Current portion of long-term debt	3,839,514	3	1,890,000	1
Financial assets reported as fair value through profit or loss—current	5,203	-	19,915	-	Other current liabilities	7,836	-	7,081	-
Hedging derivative assets—current	3,446	-	-	-	Deferred income tax liability—current	-	-	44,326	-
Total current assets	68,193,785	48	29,492,359	21	Total current liabilities	19,485,629	13	31,504,638	23
Funds and long-term investments					Long-term liabilities				
Long-term equity investments	30,010,834	21	24,409,029	18	Bonds payable	35,421,224	25	31,500,000	23
Prepayments for long-term investments in stocks	-	-	1,000	-	Long-term debt	4,147,460	3	16,130,000	12
Available-for-sale financial assets—non-current	1,877,751	1	207,902	-	Long-term accounts payable	480,238	-	768,525	1
Total Funds and long-term investments	31,888,585	22	24,617,931	18	Lease payable—long-term	332,603	-	327,317	-
Property, plant and equipment:					Total long-term liabilities	40,381,525	28	48,725,842	36
Land	1,002,404	1	1,013,924	1	Other liabilities:				
Buildings and building improvements	2,404,737	2	5,306,082	4	Accrued pension liability	336,565	-	346,250	-
Machinery and equipment	78,862,987	55	93,819,820	68	Guarantee deposits	242,262	-	197,368	-
Transportation equipment	5,855	-	5,855	-	Miscellaneous liabilities	110,589	-	120,859	-
Leased assets	345,637	-	345,637	-	Total other liabilities	689,416	-	664,477	-
Miscellaneous equipment	1,982,072	1	1,474,193	1	Total liabilities	60,556,570	41	80,894,957	59
	84,603,692	59	101,965,511	74	Stockholders' equity:				
Less: accumulated depreciation	(55,844,333)	(39)	(41,381,543)	(30)	Capital stock	39,674,333	28	46,952,725	34
Construction in progress	8,696,736	6	15,942,521	12	Advance receipts for capital stock	421,747	-	16,385	-
Prepayments for equipment	2,000	-	136,930	-	Capital surplus	17,978,736	14	25,170,532	18
Net property, plant and equipment	37,458,095	26	76,663,419	56	Legal reserve	1,074,502	1	2,814,499	2
Intangible assets:					Special reserve	2,655,892	2	2,655,892	2
Patents	635,013	-	1,523,284	1	Unappropriated earnings	20,697,062	14	(21,174,677)	(15)
Other intangible assets	3,662,131	3	1,334,077	1	Cumulative translation adjustments	26,127	-	22,367	-
Total intangible assets	4,297,144	3	2,857,361	2	Unrealized losses on financial instruments	512,102	-	305,599	-
Other assets:					Treasury stock	(485,953)	-	(467,634)	-
Refundable deposits	1,778	-	6,239	-	Total stockholders' equity	82,554,548	59	56,295,688	41
Deferred charges	96,058	-	160,079	-	Commitments and contingencies				
Lease receivable—long-term	126,511	-	122,764	-					
Deferred income tax assets, net—non-current	1,048,734	1	3,218,484	3					
Miscellaneous assets	428	-	2,008	-					
Total other assets	1,273,509	1	3,559,574	3					
Total assets	\$ 143,111,118	100	137,190,645	100	Total liabilities and stockholders' equity	\$ 143,111,118	100	137,190,645	100

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Nonconsolidated Statements of Income
Three-month Periods Ended March 31, 2007 and 2008
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2007		2008	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues, net	\$ 17,114,953	100	9,143,494	100
Operating costs	<u>(13,248,147)</u>	<u>(77)</u>	<u>(13,512,522)</u>	<u>(148)</u>
Gross income (loss)	3,866,806	23	(4,369,028)	(48)
Realized profit (loss) from affiliated companies	<u>432,502</u>	<u>3</u>	<u>(82,208)</u>	<u>(1)</u>
Gross income (loss), net	<u>4,299,308</u>	<u>26</u>	<u>(4,451,236)</u>	<u>(49)</u>
Operating expenses				
Selling expenses	(218,042)	(1)	(159,057)	(2)
Administrative expenses	(495,224)	(3)	(510,637)	(6)
Research and development expenses	<u>(1,529,460)</u>	<u>(9)</u>	<u>(1,403,826)</u>	<u>(15)</u>
Total operating expenses	<u>(2,242,726)</u>	<u>(13)</u>	<u>(2,073,520)</u>	<u>(23)</u>
Operating income (loss)	<u>2,056,582</u>	<u>13</u>	<u>(6,524,756)</u>	<u>(72)</u>
Non-operating income and gains:				
Interest income	289,592	2	64,299	1
Investment income recognized under equity method	1,559,787	9	-	-
Gain on disposal of property, plant and equipment	203	-	5,308	-
Foreign exchange gain, net	165,929	1	235,545	3
Gains on inventory value recoveries	922	-	-	-
Gain on idle assets' value recoveries	278	-	11,341	-
Gain on valuation of financial assets	1,990	-	8,240	-
Gain on valuation of financial liabilities	5,489	-	54,000	1
Miscellaneous income	<u>54,298</u>	<u>-</u>	<u>41,178</u>	<u>-</u>
Total non-operating income and gains	<u>2,078,488</u>	<u>12</u>	<u>419,911</u>	<u>5</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$32,029 thousand and NT\$180,090 thousand for 2007 and 2008, respectively)	(318,942)	(2)	(156,656)	(2)
Investment loss recognized under equity method	-	-	(1,441,635)	(16)
Loss on disposal of property, plant and equipment	(278)	-	(11,643)	-
Loss on inventory valuation and obsolescence	-	-	(744,924)	(8)
Impairment loss	-	-	(308,107)	(3)
Miscellaneous disbursements	<u>(12,753)</u>	<u>-</u>	<u>(15,230)</u>	<u>-</u>
Total non-operating expenses and losses	<u>(331,973)</u>	<u>(2)</u>	<u>(2,678,195)</u>	<u>(29)</u>
Income (loss) before income tax	3,803,097	23	(8,783,040)	(96)
Income tax expenses	<u>(510,065)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Net income (loss)	\$ <u>3,293,032</u>	<u>20</u>	<u>(8,783,040)</u>	<u>(96)</u>

Net income (loss) per common share (in dollars)

	Before	After	Before	After
	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>	<u>Income tax</u>
Basic earnings (loss) per share	<u>\$ 0.93</u>	<u>0.80</u>	<u>(1.88)</u>	<u>(1.88)</u>
Diluted earnings (loss) per share	<u>\$ 0.89</u>	<u>0.77</u>	<u>(1.88)</u>	<u>(1.88)</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 income (loss)	<u>\$3,803,097</u>	<u>3,293,032</u>	<u>(8,783,040)</u>	<u>(8,783,040)</u>
Basic earnings (loss) per share	<u>\$ 0.92</u>	<u>0.80</u>	<u>(1.87)</u>	<u>(1.87)</u>
Diluted earnings (loss) per share	<u>\$ 0.89</u>	<u>0.76</u>	<u>(1.87)</u>	<u>(1.87)</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Nonconsolidated Statements of Cash Flows

**Three-month Periods Ended March 31, 2007 and 2008
(expressed in thousands of New Taiwan dollars)**

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net income (loss)	\$ 3,293,032	(8,783,040)
Adjustments:		
Gain on valuation of financial assets	(1,990)	(8,240)
Gain on valuation of financial liabilities	(5,489)	(54,000)
Depreciation	1,431,990	2,567,258
Amortization	778,355	509,452
Unrealized interest revenue amortization	(1,456)	(1,417)
Investment (income) loss recognized under equity method	(1,559,787)	1,441,635
(Gain) loss on inventory valuation and obsolescence	(922)	744,924
(Gain) loss on disposal of property, plant and equipment, net	(203)	6,335
Impairment loss	-	296,766
Amortization of discount on bonds payable	58,050	58,050
Realized (profit) loss from affiliated companies	(432,502)	82,208
Unrealized foreign currency exchange lose, net	(101,293)	(181,132)
Decrease in notes and accounts receivable	2,132,441	1,459,377
Increase in inventory	(66,257)	(502,968)
Increase in other receivables	(62,956)	(94,127)
Decrease in prepayments and other current assets	309,645	106,830
Increase (decrease) in notes and accounts payable	254,858	(1,237,562)
Decrease in accrued expenses	(363,571)	(865,406)
Decrease in other current liabilities and other payable	(8,252)	(906)
Increase in accrued pension liability	2,348	3,075
Increase in miscellaneous liabilities	259	11,865
Decrease in deferred income tax assets	<u>422,960</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>6,079,260</u>	<u>(4,441,023)</u>
Cash flows from investing activities:		
Decrease in lease receivable	2,328	2,328
Proceeds from sales of property, plant and equipment	-	5,615
Increase in unamortized expense	(480,770)	(44,000)
Purchases of property, plant and equipment	(3,837,755)	(7,543,817)
Increase in available-for-sale financial assets	(984,440)	-
(Increase) decrease in refundable deposits	(496)	2,357
Decrease (increase) in other receivables from related parties	14,078,000	(4,808,800)
Increase in miscellaneous assets	(421)	(1,774)
Long-term investments	<u>-</u>	<u>(1,000)</u>
Net cash provided by (used in) investing activities	<u>8,776,446</u>	<u>(12,389,091)</u>
Cash flows from financing activities:		
Decrease in lease payable	(1,201)	(1,274)
Increase in short-term borrowings	198,621	-
(Decrease) increase in long-term borrowings	(22,379)	11,600,162
Increase (decrease) in long-term accounts payable	278,634	(110,513)
Decrease in guarantee deposits	(11,941)	(8,033)
Treasury stock sold to employee	1,642,163	-
Advance receipts for capital stock due to employee stock options exercised	421,747	16,385
Increase in accounts payable—related parties	<u>-</u>	<u>3,942,500</u>
Net cash provided by financing activities	<u>2,505,644</u>	<u>15,439,227</u>
Effect of foreign currency exchange translation	<u>3,049</u>	<u>(25,275)</u>
Increase (decrease) in cash and cash equivalents	17,364,399	(1,416,162)
Cash and cash equivalents at beginning of period	<u>28,902,610</u>	<u>2,448,103</u>
Cash and cash equivalents at end of period	\$ <u>46,267,009</u>	<u>1,031,941</u>
Supplemental cash flow information:		
Income tax paid	\$ <u>19,020</u>	<u>-</u>
Interest paid (excluding capitalized interest)	\$ <u>170,404</u>	<u>153,937</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term debt	\$ <u>3,839,514</u>	<u>1,890,000</u>
Current portion of bonds payable	\$ <u>499,644</u>	<u>9,609,499</u>
Acquisition of properties, plant, and equipment	\$ (6,082,896)	(3,878,991)
Increase (decrease) in payables to to equipment suppliers	<u>2,245,141</u>	<u>(3,664,826)</u>
Cash paid	\$ <u>(3,837,755)</u>	<u>(7,543,817)</u>

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