

NANYA TECHNOLOGY CORPORATION

Unconsolidated Financial Statements

June 30, 2007 and 2008

(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, 2007 and 2008, 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\$364,117 thousand and NT\$1,393,227 thousand as of June 30, 2007 and 2008, respectively, and for which the equity in net earnings amounted to NT\$2,199 thousand and net loss amounted to NT\$22,457 thousand for the six-month periods ended June 30, 2007 and 2008, respectively.

The information related to the investee companies disclosed in Note 29 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, 2007 and 2008, 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.

The Company adopted Republic of China Statement of Financial Accounting Standards (SFAS) No. 37 “Intangible Assets” commencing from January 1, 2007. 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, 2007 and 2008, prepared by the Company. Based on our review, we expressed a qualified opinion on those financial statements.

Taipei, Taiwan (the Republic of China)
August 25, 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 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, 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	\$ 21,202,163	15	5,928,554	4	Notes and accounts payable	12,227,363	8	5,527,848	4
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousand	4,503,868	4	4,130,233	3	Accounts payable—related parties	4,681,889	3	4,644,546	4
Accounts receivable—related parties	4,311,301	3	3,537,891	3	Accrued expenses	3,211,207	2	4,953,529	4
Other receivables	3,509,868	2	1,109,704	1	Financial liabilities reported at fair value through profit or loss—current	118,000	-	585,000	-
Other receivables—related parties	16,759,293	11	28,424	-	Other payable	13,781,304	9	100,187	-
Inventories, net	5,041,232	3	7,011,544	5	Current portion of bonds payable	494,299	-	12,163,367	9
Prepayments	352,852	-	683,898	1	Current portion of long-term debt	5,714,595	4	-	-
Non-current assets held for sale	-	-	1,261,634	1	Other current liabilities	8,435	1	140,475	-
Deferred income tax assets, net—current	281,912	-	-	-	Deferred income tax liabilities, net—current	-	-	42,640	-
Financial assets reported at fair value through profit or loss—current	23,790	-	9,458	-	Total current liabilities	<u>40,237,092</u>	<u>27</u>	<u>28,157,592</u>	<u>21</u>
Hedging derivative assets—current	<u>24,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	Long-term liabilities				
Total current assets	<u>56,010,568</u>	<u>38</u>	<u>23,701,340</u>	<u>18</u>	Bonds payable	40,433,862	28	28,977,382	22
Funds and long-term investments					Long-term debt	2,250,000	1	22,000,000	17
Long-term investments carried on the equity method	26,934,221	18	24,342,667	18	Long-term accounts payable	992,935	1	4,583,766	3
Available-for-sale financial assets—non-current	<u>1,882,988</u>	<u>1</u>	<u>208,758</u>	<u>-</u>	Lease payable—long-term	<u>331,310</u>	<u>-</u>	<u>325,946</u>	<u>-</u>
Total funds and long-term investments	<u>28,817,209</u>	<u>19</u>	<u>24,551,425</u>	<u>18</u>	Total long-term liabilities	<u>44,008,107</u>	<u>30</u>	<u>55,887,094</u>	<u>42</u>
Property, plant and equipment:					Other liabilities:				
Land	1,002,404	1	1,013,924	1	Accrued pension liability	338,676	-	349,552	-
Buildings and building improvements	2,418,838	2	5,355,751	4	Guarantee deposits	233,029	-	196,311	-
Machinery and equipment	78,859,122	52	100,839,209	75	Miscellaneous liabilities	<u>98,053</u>	<u>-</u>	<u>73,932</u>	<u>-</u>
Transportation equipment	5,855	-	5,855	-	Total other liabilities	<u>669,758</u>	<u>-</u>	<u>619,795</u>	<u>-</u>
Leased assets	345,637	-	345,637	-	Total liabilities	<u>84,914,957</u>	<u>57</u>	<u>84,664,481</u>	<u>63</u>
Miscellaneous equipment	<u>2,068,429</u>	<u>1</u>	<u>1,492,730</u>	<u>-</u>	Stockholders' equity:				
	84,700,285	56	109,053,106	81	Capital stock	39,899,464	26	46,964,995	35
Less: accumulated depreciation	(57,130,387)	(38)	(43,296,843)	(32)	Advance receipts for capital stock	124,482	-	47,396	-
Construction in progress	28,724,081	19	8,142,896	6	Appropriated stock dividend	1,818,756	1	-	-
Prepayments for equipment	<u>1,698,269</u>	<u>1</u>	<u>971</u>	<u>-</u>	Capital surplus	17,912,445	12	25,174,452	19
Net property, plant and equipment	<u>57,992,248</u>	<u>38</u>	<u>73,900,130</u>	<u>55</u>	Legal reserve	2,814,499	2	2,814,499	2
Intangible assets:					Special reserve	2,655,892	2	2,655,892	2
Patents	1,795,050	1	1,440,571	1	Unappropriated earnings	533,261	-	(28,466,440)	(21)
Other intangible assets	<u>2,935,902</u>	<u>2</u>	<u>6,608,502</u>	<u>5</u>	Cumulative translation adjustments	25,618	-	5,949	-
Total intangible assets	<u>4,730,952</u>	<u>3</u>	<u>8,049,073</u>	<u>6</u>	Unrealized gain on financial instruments	485,453	-	323,592	-
Other assets:					Treasury stock	<u>(485,953)</u>	<u>-</u>	<u>(467,634)</u>	<u>-</u>
Refundable deposits	10,859	-	1,473	-	Total stockholders' equity	65,783,917	43	49,052,701	37
Deferred charges	72,483	-	124,976	-	Commitments and contingencies				
Lease receivable—long-term	125,590	-	121,801	-					
Deferred income tax assets, net—non-current	2,938,014	2	3,266,798	3					
Miscellaneous assets	<u>951</u>	<u>-</u>	<u>166</u>	<u>-</u>					
Total other assets	<u>3,147,897</u>	<u>2</u>	<u>3,515,214</u>	<u>3</u>					
Total assets	\$ <u>150,698,874</u>	<u>100</u>	<u>133,717,182</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>150,698,874</u>	<u>100</u>	<u>133,717,182</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, 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	\$ 29,118,300	100	18,673,740	100
Operating costs	<u>(25,845,341)</u>	<u>(89)</u>	<u>(26,537,211)</u>	<u>(142)</u>
Gross income (loss)	3,272,959	11	(7,863,471)	(42)
Unrealized profit from affiliated companies	12,725	-	41,545	-
Realized profit (loss) from affiliated companies	<u>432,502</u>	<u>1</u>	<u>(82,208)</u>	<u>-</u>
Gross income (loss), net	<u>3,718,186</u>	<u>12</u>	<u>(7,904,134)</u>	<u>(42)</u>
Selling expenses	(428,557)	(1)	(256,285)	(1)
Administrative expenses	(1,393,938)	(5)	(988,411)	(5)
Research and development expenses	<u>(3,032,213)</u>	<u>(10)</u>	<u>(3,241,506)</u>	<u>(17)</u>
Total operating expenses	<u>(4,854,708)</u>	<u>(16)</u>	<u>(4,486,202)</u>	<u>(23)</u>
Operating loss	<u>(1,136,522)</u>	<u>(4)</u>	<u>(12,390,336)</u>	<u>(65)</u>
Non-operating income:				
Interest income	584,490	2	143,954	1
Investment income recognized under equity method	1,576,809	5	-	-
Gain on disposal of property, plant and equipment	50,605	-	-	-
Foreign exchange gain, net	212,259	1	322,965	2
Gain on idle assets' value recoveries	278	-	-	-
Gain on valuation of financial assets	14,501	-	-	-
Gain on valuation of financial liabilities	35,000	-	-	-
Miscellaneous income	<u>106,509</u>	<u>-</u>	<u>93,735</u>	<u>1</u>
Total non-operating income	<u>2,580,451</u>	<u>8</u>	<u>560,654</u>	<u>4</u>
Non-operating expenses:				
Interest expenses (excluding capitalized interest of NT\$17,752 thousand and NT\$261,344 thousand for 2006 and 2007, respectively)	(634,147)	(2)	(483,510)	(3)
Investment loss recognized under equity method	-	-	(2,626,750)	(14)
Loss on disposal of property, plant and equipment	(391)	-	(92,618)	-
Loss on inventory valuation and obsolescence	(314,769)	(1)	(234,548)	(1)
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>(28,919)</u>	<u>-</u>	<u>(24,598)</u>	<u>-</u>
Total non-operating expenses	<u>(978,226)</u>	<u>(3)</u>	<u>(4,245,051)</u>	<u>(22)</u>
Income (loss) before income tax	465,703	1	(16,074,733)	(83)
Income tax income (expenses)	<u>1,223</u>	<u>-</u>	<u>(70)</u>	<u>-</u>
Net income (loss)	\$ <u><u>466,926</u></u>	<u><u>1</u></u>	<u><u>(16,074,803)</u></u>	<u><u>(83)</u></u>

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

	Before <u>Income tax</u>	After <u>Income tax</u>	Before <u>Income tax</u>	After <u>Income tax</u>
Basic earnings (loss) per share	<u>\$ 0.11</u>	<u>0.11</u>	<u>(3.44)</u>	<u>(3.44)</u>
Diluted earnings (loss) per share	<u>\$ 0.11</u>	<u>0.11</u>	<u>(3.44)</u>	<u>(3.44)</u>

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

	Before <u>Income tax</u>	After <u>Income tax</u>	Before <u>Income tax</u>	After <u>Income tax</u>
Net income (loss)	<u>\$465,703</u>	<u>466,926</u>	<u>16,074,733</u>	<u>16074803</u>
Basic earnings (loss) per share	<u>\$ 0.11</u>	<u>0.11</u>	<u>(3.44)</u>	<u>(3.44)</u>
Diluted earnings (loss) per share	<u>\$ 0.11</u>	<u>0.11</u>	<u>(3.44)</u>	<u>(3.44)</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, 2007 and 2008
(expressed in thousands of New Taiwan dollars)

	<u>Capital stock</u>	<u>Advance receipts for capital stock</u>	<u>Appropriated stock dividend</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>	<u>Cumulative translation adjustments</u>	<u>Unrealized gain (loss) on financial instrument</u>	<u>Treasury stock</u>	<u>Total</u>
Balance as of January 1, 2007	\$39,472,674	351,387	-	17,801,694	1,074,502	2,655,892	17,404,030	24,413	484,972	(2,100,801)	77,168,763
Appropriation and distribution:											
Legal reserve	-	-	-	-	1,739,997	-	(1,739,997)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	-	(11,700)	-	-	-	(11,700)
Employees' bonus—Cash	-	-	-	-	-	-	(623,908)	-	-	-	(623,908)
Employees' bonus—stock	-	-	623,908	-	-	-	(623,908)	-	-	-	-
Stock dividend	-	-	1,194,848	-	-	-	(1,194,848)	-	-	-	-
Cash dividend	-	-	-	-	-	-	(13,143,334)	-	-	-	(13,143,334)
Issuance of capital stock due to employee stock options exercised	426,790	(351,387)	-	346,344	-	-	-	-	-	-	421,747
Treasury stock sold to employees	-	-	-	27,314	-	-	-	-	-	1,614,848	1,642,162
Advance receipts for capital stock due to employee stock options exercised	-	124,482	-	-	-	-	-	-	-	-	124,482
Net income for the six-month period ended June 30, 2007	-	-	-	-	-	-	466,926	-	-	-	466,926
Effect of not subscribing to investee companies' newly issued shares	-	-	-	(261,274)	-	-	-	-	-	-	(261,274)
Decrease (increase) in net equity due to the change in percentage of capital surplus and unrealized gains or losses on financial instruments on long-term equity investments under equity method	-	-	-	(1,633)	-	-	-	-	(62,930)	-	(64,563)
Gain on foreign currency exchange of long-term investments	-	-	-	-	-	-	-	1,205	-	-	1,205
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	42,227	-	42,227
Unrealized loss on hedging derivative liabilities	-	-	-	-	-	-	-	-	21,184	-	21,184
Balance as of June 30, 2007	<u>\$ 39,899,464</u>	<u>124,482</u>	<u>1,818,756</u>	<u>17,912,445</u>	<u>2,814,499</u>	<u>2,655,892</u>	<u>533,261</u>	<u>25,618</u>	<u>485,453</u>	<u>(485,953)</u>	<u>65,783,917</u>
Balance as of January 1, 2008	\$ 46,935,385	27,376	-	25,160,496	2,814,499	2,655,892	(12,391,637)	28,739	519,166	(467,634)	65,282,282
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 income for the six-month period ended June 30, 2008	-	-	-	-	-	-	(16,074,803)	-	-	-	(16,074,803)
Decrease (increase) in net equity due to the change in percentage of unrealized gains or losses on financial instruments on long-term equity investments under equity method	-	-	-	-	-	-	-	-	(183,235)	-	(183,235)
Gain 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 gain on hedging derivative liabilities	-	-	-	-	-	-	-	-	(14,057)	-	(14,057)
Balance as of June 30, 2008	<u>\$ 46,964,995</u>	<u>47,396</u>	<u>-</u>	<u>25,174,452</u>	<u>2,814,499</u>	<u>2,655,892</u>	<u>(28,466,440)</u>	<u>5,949</u>	<u>323,592</u>	<u>(467,634)</u>	<u>49,052,701</u>

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NANYA TECHNOLOGY CORPORATION

Unconsolidated Statements of Cash Flows

Six-month periods ended June 30, 2007 and 2008
(expressed in thousands of New Taiwan dollars)

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net income (loss)	\$ 466,926	(16,074,803)
Adjustments:		
(Gain) loss on financial assets	(14,501)	2,216
(Gain) loss on valuation of financial liabilities	(35,000)	377,000
Depreciation	2,846,705	5,358,740
Amortization	1,643,964	1,554,557
Unrealized interest revenue amortization	(2,903)	(2,823)
Investment (income) loss recognized under equity method	(1,576,809)	2,626,750
Loss on inventory valuation and obsolescence	314,769	234,548
(Gain) loss on disposal of property, plant and equipment, net	(50,214)	92,618
(Recoveries) impairment loss	(278)	403,811
Amortization of charge fee on bonds payable	9,360	8,895
Amortization of discount on bonds payable	116,100	116,100
Unrealized profit from affiliated companies	(12,725)	(41,545)
Realized (profit) loss from affiliated companies	(432,502)	82,208
Unrealized foreign currency exchange loss (gain) , net	7,881	(178,152)
Decrease in notes and accounts receivable	6,697,120	82,517
Increase in inventory	(43,771)	(1,577,152)
Increase in other receivables	(174,038)	(58,225)
Decrease in prepayments and other current assets	454,407	140,160
Increase (decrease) in notes and accounts payable	2,780,589	(1,230,256)
(Decrease) increase in accrued expenses	(535,154)	1,064,496
(Decrease) increase in other current liabilities	(217,136)	119,253
Increase in accrued pension liability	4,459	6,377
Increase in miscellaneous liabilities	653	6,687
Net cash provided by (used in) operating activities	<u>12,247,902</u>	<u>(6,886,023)</u>
Cash flows from investing activities:		
Decrease in lease receivable	4,656	9,310
Proceeds from sales of property, plant and equipment	50,850	3,345,368
Purchases of property, plant and equipment	(22,453,761)	(10,552,351)
Increase in available-for-sale financial assets	(984,440)	-
Increase in deferred expense and intangible assets	(1,798,040)	(6,270,674)
(Increase) decrease in refundable deposits	(9,577)	7,123
(Increase) decrease in other receivables from related parties	(2,642,500)	5,719,945
(Increase) decrease in miscellaneous assets	(944)	68
Acquisition of equity-method investments	-	(1,200,000)
Net cash used in investing activities	<u>(27,833,756)</u>	<u>(8,941,211)</u>
Cash flows from financing activities:		
Decrease in lease payable	(2,420)	(2,566)
(Decrease) increase in long-Term borrowings	(44,758)	15,580,162
Increase in bonds payable	5,000,000	-
Increase in long-term accounts payable	802,995	3,685,220
Decrease in guarantee deposits	(21,139)	(9,090)
Decrease in treasury stock	1,642,162	-
Receipt for capital stock — employee stock options	546,230	63,586
Net cash provided by financing activities	<u>7,923,070</u>	<u>19,317,312</u>
Effect of foreign currency exchange translation	<u>(37,663)</u>	<u>(9,627)</u>
(Decrease) increase in cash and cash equivalents	<u>(7,700,447)</u>	<u>3,480,451</u>
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>\$ 21,202,163</u>	<u>5,928,554</u>
Supplemental cash flow information:		
Income tax paid	\$ <u>215,662</u>	<u>70</u>
Interest paid (excluding capitalized interest)	\$ <u>435,491</u>	<u>350,417</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term debt	\$ <u>5,714,595</u>	<u>-</u>
Current portion of bonds payable	\$ <u>494,299</u>	<u>12,163,367</u>
Appropriation of bonus for employees, remuneration for directors and supervisors, and cash dividends to stockholders	\$ <u>13,778,942</u>	<u>-</u>
Acquisition of properties, plant, and equipment	\$ (28,032,529)	(4,171,353)
Increase (decrease) in payables to equipment suppliers	<u>5,578,768</u>	<u>(6,380,998)</u>
Cash paid	\$ <u>(22,453,761)</u>	<u>(10,552,351)</u>

See accompanying notes to financial statements.

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