

NANYA TECHNOLOGY CORPORATION
Unconsolidated Financial Statements
September 30, 2007 and 2008
(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, 2007 and 2008, 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\$463,434 thousand and NT\$2,673,986 thousand as of September 30, 2007 and 2008, respectively, and for which the equity in net earnings amounted to NT\$16,481 thousand and net loss amounted to NT\$41,608 thousand for the nine-month periods ended September 30, 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 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.

As stated in note 3 to the accompanying unconsolidated financial statements, the Company adopted the Republic of China Statement of Financial Accounting Standard (SFAS) No. 37 “ Intangible Assets ” commencing from January 1, 2007.

Taipei, Taiwan (the Republic of China)
October 20, 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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Reviewed only, not audited in accordance with generally accepted auditing standards

NANYA TECHNOLOGY CORPORATION

Unconsolidated Balance Sheets

September 30, 2007 and 2008
(expressed in thousands of New Taiwan dollars)

<u>Assets</u>	<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:				
Cash and cash equivalents	18,893,465	13	799,429	1
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	5,026,902	3	5,767,719	5
Accounts receivable—related parties	5,428,205	4	4,445,917	3
Other receivables	919,986	-	1,050,469	1
Other receivables—related parties	52,716	-	5,061,997	4
Inventories, net	5,832,888	4	6,723,074	5
Prepayments	875,549	1	436,719	-
Deferred income tax assets, net—current	426,397	-	-	-
Financial assets reported as fair value through profit or loss—current	15,167	-	-	-
Hedging derivative assets—current	21,171	-	-	-
Total current assets	<u>37,492,446</u>	<u>25</u>	<u>24,285,324</u>	<u>19</u>
Funds and long-term investments				
Long-term investments carried on the equity method	27,157,168	18	24,286,022	19
Available-for-sale financial assets—non-current	286,154	-	209,632	-
Total Funds and long-term investments	<u>27,443,322</u>	<u>18</u>	<u>24,495,654</u>	<u>19</u>
Property, plant and equipment:				
Land	1,013,924	1	1,013,924	1
Buildings and building improvements	2,427,558	2	5,603,146	4
Machinery and equipment	78,648,339	53	105,329,023	81
Transportation equipment	5,855	-	5,855	-
Leased assets	345,637	-	345,637	-
Miscellaneous equipment	2,154,939	1	1,549,670	1
	84,596,252	57	113,847,255	87
Less: accumulated depreciation	(58,147,345)	(39)	(45,839,447)	(35)
Construction in progress	50,466,998	34	2,778,840	2
Prepayments for equipment	400,808	-	34,468	-
Net property, plant and equipment	<u>77,316,713</u>	<u>52</u>	<u>70,821,116</u>	<u>54</u>
Intangible assets:				
Patents	1,705,303	1	2,434,453	2
Other intangible assets	2,455,398	2	5,689,079	4
Total intangible assets	<u>4,160,701</u>	<u>3</u>	<u>8,123,532</u>	<u>6</u>
Other assets:				
Refundable deposits	11,523	-	3,064	-
Deferred charges	115,439	-	166,950	-
Lease receivable—long-term	124,659	-	120,827	-
Deferred income tax assets, net—non-current	2,793,338	2	3,235,086	2
Miscellaneous assets	1,375	-	424	-
Total other assets	<u>3,046,334</u>	<u>2</u>	<u>3,526,351</u>	<u>2</u>
Total assets	<u>\$ 149,459,516</u>	<u>100</u>	<u>131,251,977</u>	<u>100</u>

<u>Liabilities and Stockholders' Equity</u>	<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current liabilities:				
Notes and accounts payable	13,879,085	9	4,834,970	4
Notes and accounts payable—related parties	6,193,385	4	5,204,808	4
Accrued expenses	3,199,635	2	7,272,738	6
Financial liabilities reported as fair value through profit or loss—current	121,000	-	538,992	-
Other payable—related parties	-	-	2,933,978	2
Current portion of bonds payable	488,700	-	14,948,308	11
Current portion of long-term debt	4,192,217	3	-	-
Other current liabilities	116,476	1	22,125	-
Deferred income tax liability—current	-	-	10,928	-
Total current liabilities	<u>28,190,498</u>	<u>19</u>	<u>35,766,847</u>	<u>27</u>
Long-term liabilities				
Bonds payable	40,537,324	27	26,279,887	20
Long-term debt	2,250,000	2	25,000,000	19
Long-term accounts payable	1,038,620	1	3,005,810	3
Lease payable—long-term	329,999	-	324,556	-
Total long-term liabilities	<u>44,155,943</u>	<u>30</u>	<u>54,610,253</u>	<u>42</u>
Other liabilities:				
Accrued pension liability	340,949	-	352,650	-
Guarantee deposits	215,281	-	183,175	-
Miscellaneous liabilities	111,068	-	191,583	-
Total other liabilities	<u>667,298</u>	<u>-</u>	<u>727,408</u>	<u>-</u>
Total liabilities	<u>73,013,739</u>	<u>49</u>	<u>91,104,508</u>	<u>69</u>
Stockholders' equity:				
Capital stock	46,782,560	31	46,995,735	36
Advance receipts for capital stock	257,293	-	-	-
Capital surplus	25,043,334	17	25,191,526	19
Legal reserve	2,814,499	2	2,814,499	2
Special reserve	2,655,892	2	2,655,892	2
Unappropriated earnings	(1,126,981)	(1)	(37,235,071)	(28)
Cumulative translation adjustments	26,703	-	11,217	-
Unrealized gain on financial instruments	460,111	-	181,305	-
Treasury stock	(467,634)	-	(467,634)	-
Total stockholders' equity	<u>76,445,777</u>	<u>51</u>	<u>40,147,469</u>	<u>31</u>
Commitments and contingencies				
Total liabilities and stockholders' equity	<u>\$ 149,459,516</u>	<u>100</u>	<u>131,251,977</u>	<u>100</u>

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Unconsolidated Statements of Income

Nine-month periods ended September 30, 2007 and 2008

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

	2007		2008	
	Amount	%	Amount	%
Operating revenues, net	\$ 42,520,845	100	30,178,047	100
Operating costs	(38,995,951)	(92)	(41,304,543)	(137)
Gross income (loss)	3,524,894	8	(11,126,496)	(37)
Unrealized loss from affiliated companies	-	-	414	-
Realized profit (loss) from affiliated companies	432,502	1	(82,208)	-
Gross income (loss), net	3,957,396	9	(11,208,290)	(37)
Operating expenses				
Selling expenses	(535,239)	(1)	(364,038)	(1)
Administrative expenses	(2,049,306)	(5)	(1,463,566)	(5)
Research and development expenses	(4,673,843)	(11)	(5,041,149)	(17)
Total operating expenses	(7,258,388)	(17)	(6,868,753)	(23)
Operating loss	(3,300,992)	(8)	(18,077,043)	(60)
Non-operating income and gains:				
Interest income	708,759	2	195,024	1
Investment income recognized under equity method	1,709,995	4	-	-
Gain on disposal of property, plant and equipment	88,703	-	71,868	-
Gain on disposal of investment	40,920	-	-	-
Foreign exchange gain, net	512,989	1	183	-
Impairment Gain	3,250	-	-	-
Gain on valuation of financial liabilities	32,000	-	-	-
Miscellaneous income	151,539	-	251,280	1
Total non-operating income and gains	3,248,155	7	518,355	2
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$175,361 thousand and NT\$296,639 thousand for 2007 and 2008, respectively)	(786,966)	(2)	(865,646)	(3)
Investment loss recognized under equity method	-	-	(3,983,306)	(13)
Loss on disposal of property, plant and equipment	(418)	-	(404,566)	(1)
Loss on inventory valuation and obsolescence	(306,814)	(1)	(1,218,069)	(4)
Impairment loss	-	-	(427,308)	(1)
Loss on valuation of financial assets	(1,482)	-	(11,674)	-
Loss on valuation of financial liabilities	-	-	(330,992)	-
Miscellaneous disbursements	(45,794)	-	(43,114)	-
Total non-operating expenses and losses	(1,141,474)	(3)	(7,284,675)	(23)
Loss before income tax	(1,194,311)	(4)	(24,843,363)	(81)
Income tax income (expenses)	995	-	(70)	-
Net loss	(1,193,316)	(4)	(24,843,433)	(81)

Net loss per common share (in dollars)	B ef or e <u>In</u> <u>c</u> <u>o</u> <u>m</u> <u>e</u> <u>ta</u> <u>x</u>	A ft er <u>In</u> <u>c</u> <u>o</u> <u>m</u> <u>e</u> <u>ta</u> <u>x</u>	B ef or e <u>In</u> <u>c</u> <u>o</u> <u>m</u> <u>e</u> <u>ta</u> <u>x</u>	A ft er <u>In</u> <u>c</u> <u>o</u> <u>m</u> <u>e</u> <u>ta</u> <u>x</u>
Basic	\$	=	=	=
Loss	((((
0	0	0	5	5
s	2	2	3	3
s	2	2	2	2
p	9	9	2	2
e	2	2	2	2
r				
s				
h				
a				
r				
e				

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

	Before Income tax	After Income tax	Before Income tax	After Income tax
Net loss	(1,128,849)	(1,127,854)	(24,843,363)	(24,843,433)
Basic loss per share	(0.27)	(0.27)	(5.30)	(5.30)

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Unconsolidated Statements of Cash Flows

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

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss	\$ (1,193,316)	(24,843,433)
Adjustments:		
Loss on financial assets	1,482	11,674
(Gain) loss on valuation of financial liabilities	(32,000)	330,992
Depreciation	4,243,196	8,495,671
Amortization	2,532,113	2,622,443
Unrealized interest revenue amortization	(4,340)	(4,219)
Investment (income) loss recognized under equity method	(1,709,995)	3,983,306
Loss on inventory valuation and obsolescence	306,814	1,218,069
(Gain) loss on disposal of property, plant and equipment, net	(88,285)	332,698
(Gain) loss on Impairment Recovery	(3,250)	427,308
Amortization of discount on bonds payable	174,150	185,801
Unrealized loss from affiliated companies	-	(414)
Realized (profit) loss from affiliated companies	(432,502)	82,208
Cash dividend received from equity-method investees	2,784,389	84,998
Gain on sales of investment	(48,850)	-
Unrealized foreign currency exchange loss, net	61,954	109,972
Decrease (increase) in notes and accounts receivable	5,096,952	(2,041,144)
Increase in inventory	(827,472)	(2,272,203)
Increase in other receivables	(382,427)	(50,866)
(Increase) decrease in prepayments and other current assets	(68,289)	387,339
Increase (decrease) in notes and accounts payable	1,054,159	(1,007,315)
(Decrease) increase in accrued expenses	(549,661)	3,353,866
Decrease in other current liabilities	(116,932)	(99,364)
Increase in accrued pension liability	6,732	9,475
Increase in miscellaneous liabilities	276	14,127
Net cash provided by (used in) operating activities	<u>10,804,898</u>	<u>(8,669,011)</u>
Cash flows from investing activities:		
Decrease in lease receivable	6,983	6,983
Proceeds from sales of property, plant and equipment	96,296	4,718,082
Increase in Deferred Expense and Intangible Assets	(2,101,187)	(7,423,847)
Purchases of property, plant and equipment	(38,384,551)	(11,650,789)
Increase in available-for-sale financial assets	(1,064,440)	-
Proceeds from sales of available-for-sale financial assets	1,688,170	-
(Increase) decrease in refundable deposits	(10,241)	5,532
Decrease in other receivables from related parties	14,078,000	657,948
Increase in miscellaneous assets	(1,368)	(190)
Increase in long-term investments	-	(2,572,500)
Net cash used in investing activities	<u>(25,692,338)</u>	<u>(16,258,781)</u>
Cash flows from financing activities:		
Decrease in lease payable	(3,657)	(3,877)
(Decrease) increase in Long-Term Borrowings	(1,567,136)	18,850,162
Increase in bonds payable	5,000,000	-
Increase in long-term Accounts payable	859,769	1,703,511
Decrease in guarantee deposits	(39,013)	(22,226)
Proceeds from sales of treasury stock	1,661,040	-
Receipt for capital stock—employee stock options	12,800,189	64,004
Increase in other payable from related parties	-	2,933,978
Cash dividends	(13,143,334)	-
Bonus for employees	(623,908)	-
Directors' and supervisors' remuneration	(6,300)	-
Net cash provided by financing activities	<u>4,937,650</u>	<u>23,255,552</u>
Effect of foreign currency exchange translation	<u>(59,355)</u>	<u>23,566</u>
Decrease in cash and cash equivalents	<u>(10,009,145)</u>	<u>(1,648,674)</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>\$ 18,893,465</u>	<u>799,429</u>
Supplemental cash flow information:		
Income tax paid	<u>\$ 215,890</u>	<u>70</u>
Interest paid (excluding capitalized interest)	<u>\$ 526,444</u>	<u>673,380</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term debt	<u>\$ 4,192,217</u>	<u>-</u>
Current portion of bonds payable	<u>\$ 488,700</u>	<u>14,948,308</u>
Appropriation of bonus for employees, remuneration for directors and supervisors, and cash dividends to stockholders	<u>\$ 5,400</u>	<u>-</u>

(Continued)