



Nanya Technology Corp.

ANNUAL REPORT 2008

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language report shall prevail.

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I. Letter to Shareholders

1. Operating Report of Year 2008

Due to the effect of global financial tsunami, there was a dramatic drop in the needs of PC thus the demand of DRAM decrease as well. Furthermore, the supply of DRAM expanded too fast in the past few years. The DRAM average selling price decreased from US 8 dollars in Q1 of 2007 to US 0.8 dollars in Q1 of 2009. It was over 90% of decrease.

The sales volume reached 510 million chips (IGb equivalent). It increased 56% in sales volume compared to 2007. However, due to the price reducing dramatically, the revenue was 36.31 billion which was decreased 31% compared to 2007. The loss after tax was 36.73 billion. The whole management team apologized sincerely to our shareholders for the great loss in 2008.

In order to improve our competitiveness, we signed a joint develop contract with Micron, which is one of the leading companies in global memory industry. Incorporation with micron, we can fasten the schedule of advanced technology development and widen the spectrum of our product. In high-end product, we have accomplished the development of high-end server such as 4GB RDIMM/FBDIMM and 8GB FBDIMM and sold in the market in mass volume. In 8-inch Fab, we use it to produce foundry and specialty product. Though the average price is decreasing, we still can minimize our loss by transferring the 8-inch Fab into foundry and specialty Fab.

Our self-owned 12-inch Fab reached the phase 1 goal of 34,000 WSPM in Nov 2008. We accomplished the process transformation and product certification in the shortest time. In new product, we are the first company to publish next generation DDR3 among Taiwan's DRAM manufacturers. Our DDR3 product has been proved by main PC manufacturers and sold in mass volume.

2. Operating Plan of Year 2009

It is still unclear about the economic condition in 2009. We will continuously improve our competitiveness. Our first goal is to improve the process capability of our 12-inch Fab and Inotera's fabs as well. We will upgrade our process from 70nm trench technology to 68nm/50nm stack technology. The cost of each die can be lowered dramatically. Furthermore, with copper process, we can increase the speed and value of the product. We are the first one to present 2Gb high density product in 50nm technology among Taiwan's DRAM manufacturers. Other than that, we are going to publish a series of special type product including consumer/communication

product with low voltage. During the down time of the market, there is no way to profit but raise the value of our product.

In research and development, NTC and Micron are devoted to research for the next generation technology including 40nm advance technology and DDR4 product. NTC is the only manufacturer who dedicate to R&D and branding among Taiwan's manufacturers. We truly believed that the only way to last long in DRAM industry is to be self sufficient in technology and branding.

Our management team is burdened with the short term great loss. We also believe that the global capacity is going to be re-arranged. In the mean time, we will put in our every effort to improve our competitiveness. We expect to increase profit to enlarge the return of our shareholders by lowering die cost and providing varieties of new product.

. Brief Introduction

1. Company Profile

1.1 Date of Incorporation: March 4, 1995.

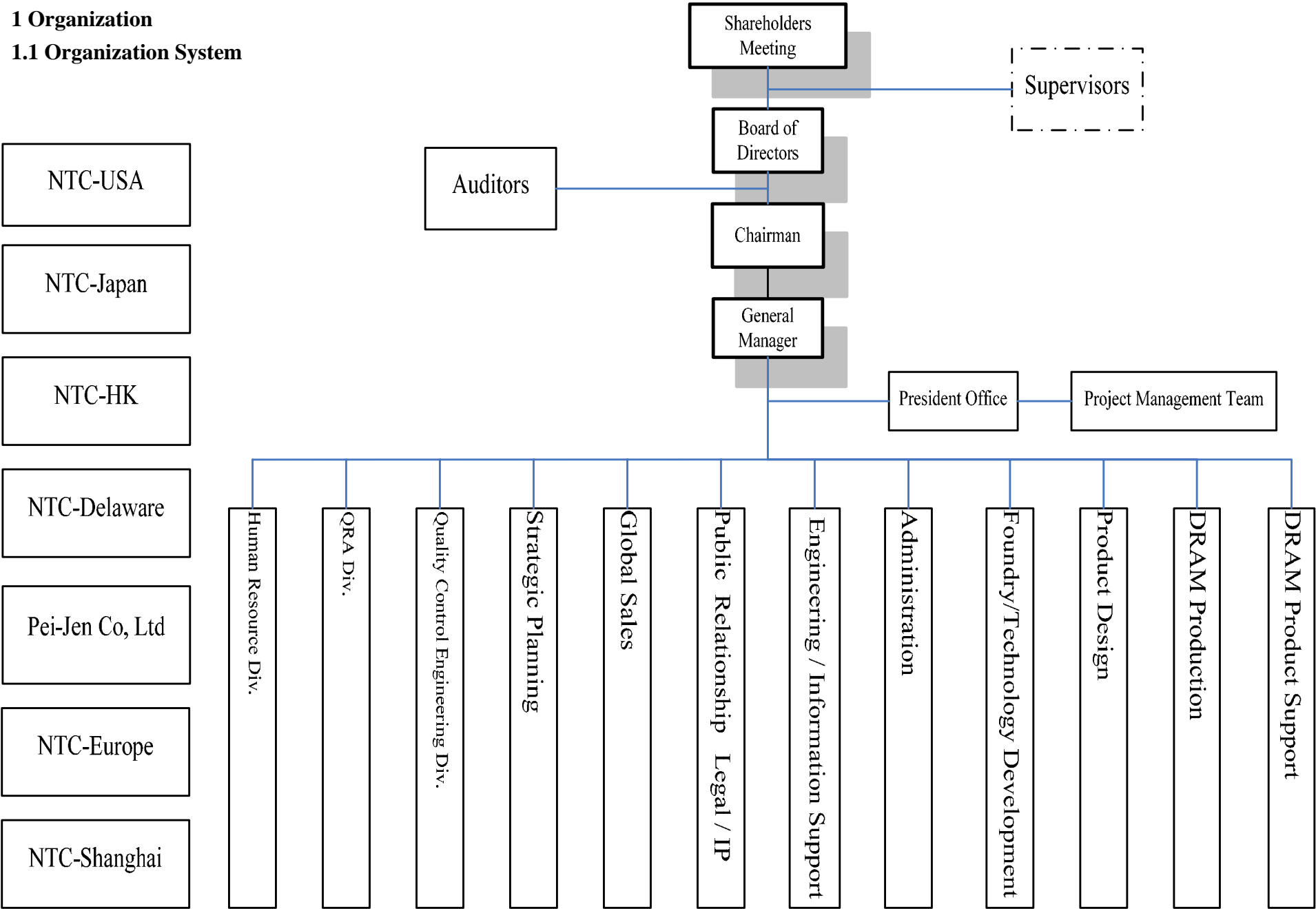
1.2 Milestones

- 03/1995 Approval to set up NTC granted by the Ministry of Economic Affairs
- 04/1995 Signed MOU with OKI and Nan Ya Plastics Corp., taking over all rights and obligations of 16M DRAM technology from Nan Ya Plastics Corp.
- 11/1996 Signed 0.36 μ m and 0.32 μ m process technology licensing agreement with OKI
- 07/1997 Set up NTC-USA in charge of sales and marketing in America
- 04/1998 Awarded ISO-9001 certification by Lloyd's Register Quality Assurance
- 11/1998 Signed the technology licensing agreement with IBM
- 12/1998 Awarded ISO-14001 certification by Lloyd's Register Quality Assurance
- 12/1998 Set up a product design center in Houston
- 10/1999 0.20 μ m 64M SDRAM mass production started
- 08/2000 Listed on Taiwan Stock Exchange (TSE)
- 10/2000 Signed 'DRAM Co-development and technology licensing agreement' with IBM
- 12/2000 FAB II awarded ISO-9001 certification by Lloyd's Register Quality Assurance
- 01/2001 Mass volume sales of 128M/256M SDRAM/DDR DRAM
- 06/2001 Mass volume production of 0.175 μ m 128M/256M DRAM
- 10/2001 Taking the lead in large shipments of DDR products
- 04/2002 Set up Nanya Technology (HK) Corporation Limited
- 06/2002 Signed a contract with Dell computer to form a strategic alliance. Nanya become the main supplier to Dell
- 09/2002 Set up Nanya Technology Japan
- 11/2002 Infineon and Nanya Technology Corporation signed a contract agreeing to co-develop 0.09 μ m and 0.07 μ m manufacturing process technology.
- 12/2002 Fab-I and Fab-II awarded ISO-18001 certification of environment management system by Lloyd's Register Quality Assurance
Fab-II awarded ISO-14001 certification by Det Norske Veritas Sweden
- 01/2003 Joint-ventured with Infineon to form Inotera Memories, Inc.
- 03/2003 The 2002 market share of Nanya reached the top 5 all over the world, according to Gartner iSupply research
- 07/2003 Nanya GDRs listed in Luxembourg Stock Exchange
- 12/2003 Inotera's equipment started to move in
- 04/2004 Inotera's first 0.11 μ m 300mm wafer output
- 05/2004 DDR2 product verified by worldwide advanced semiconductor companies
- 12/2004 0.09 μ m manufacturing process piloted run
- 04/2005 512 Mb DDR SDRAM (667MHz) qualified by Intel
- 06/2005 90 nm technology basic function verification

09/2005 Signed a 60nm joint-development contract with Infineon
03/2006 Fab-3 (12-inch) ground-breaking
10/2006 Set up Nanya Technology (Shang-Hai)
03/2007 Inotera's Fab-II started to manufacture
05/2007 FAB-3A equipment move-in
11/2007 Pilot run successful in FAB-3A, 70nm wafer starts in 3Q
04/2008 Signed Joint Venture Agreement and Joint Development Agreement with Micron
11/2008 Fab-3A 70nm wafer production reached phase-1 full capacity

1 Organization
1.1 Organization System

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2.1.2 Organization Function Description

Department	Description
Wafer manufacturing	Cooperating resource among Fabs, Planning and Operations regarding productions, equipments, processes and facility to meet the demand of product quality and delivery date. .
DRAM Business	Operating DRAM production, new product development and design, product engineering, back-end testing & assembly service.
Product design	New product research and development, support for technology of mass production, estimation for IC package and testing and improvement plan.
Foundry/Technology Development	Advanced foundry process technology and module technology research & development, foundry market sales promoting; cooperation with others to co-develop new technology.
Administration	Financing and accounting operation, purchasing, material management, Safety & Hygiene and general affairs related supporting.
Engineer / Information Support	Fab expansion, new Fab construction, facility engineering, capacity planning and managing. IT management; placement of IT technology, networking build-up and management, and fire wall precaution and protection.
Global Sales	Global sales promoting and developing, sales strategy, new products promoting, foundry business, marketing planning and executing.
Strategic Planning & IBO	Industrial trend and market analysis, business plan, investment plan evaluation, product and operation strategy, worldwide market development, and proceeding international strategic alliance.
QRA Div.	Quality and reliability management, quality training and verifying, managerial concept improvement.
Human Resources	Human resources management; personnel systems build up and execution, administrative affairs, and policy.
IPR & Legal Dep.	Responsible for public information affairs, Corporate legal affairs, contracts, patent affairs, and intellectual property management.
Audit	Assess the Internal audit and process compliance, evaluate the execution outcome .on each department, and provide improvement suggestion timely to make the operation efficient.

2.2 Directors, Supervisors, and Managers

2.2.1 Disclosure of Directors and Supervisors

As of April 3, 2009

Title	Name	Date (elected)	Date (First elected)	Term (Year)	Shareholding when elected		Current shareholding		Spouse & Minor current shareholding		Related shareholding		Experience	Current positions with other company	Managers are spouse or within 2 degrees of consanguinity to each other		
					Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Chairman	Nan Ya Plastics Co. representative : Chia-Chau Wu (note 1)	2007.05.25	1995.02.17	3	1,713,743,016	43.12	1,773,327,361	37.78	—	—	—	—	President, Nan Ya Plastics Co. B.A., from National Cheng Chi University	President, Nan Ya Plastics Corp. Director, Inotera Memories, Inc.	—	—	—
Director	Nan Ya Plastics Co. representative : Ming-Jen Tzou (note 2)	2007.05.25	1995.02.17	3	Same as above	Same as above	Same as above	Same as above	—	—	—	—	AVP, Nan Ya Plastics Co. B.A. form National Taipei University of Technology	AVP, Nan Ya Plastics Co. Director, Nan Ya Plastics Co.	—	—	—
Director	Wen-Yuan Wong	2007.05.25	2007.05.25	3	115,600	0.00	119,062	0.00	3,799,274	0.08	-	-	Chairman, Formosa Chemicals & Fibre Co. Master, University of Houston	President, Formosa Plastics Group	Director	Otto Chang	Relative in law
Director	Reuy Wang	2007.05.25	2007.05.25	3	9,106	0.00	9,378	0.00	—	—	—	—	Supervisor, Nan Ya Plastics Co. EMBA, National Taiwan University	VP, Formosa Plastics Group Administration Center	—	—	—
Director	Jih Lien	2007.05.25	1998.05.29	3	3,196,050	0.08	3,878,698	0.08	1,109,642	0.02	-	-	Director, Advanced Micro Devices Inc. Ph. D., E. E., University of Missouri	Chairman, Inotera Memories, Inc.	—	—	—
Director	Moor H.M. Chen	2007.05.25	1998.05.29	3	1,972,339	0.05	1,636,123	0.03	10,217	0.00	-	-	VP, Nan Ya Plastics Co. B.A., Chemical Engineering, National Taiwan University	—	—	—	—
Director	Joseph Hsieh	2007.05.25	2001.03.30	3	3,906,441	0.10	3,993,317	0.09	—	—	—	—	P.T. Group A.V.P., ASMI Ph. D., Physics, Purdue University	Supervisor, Inotera Memories, Inc.	—	—	—
Director	Otto Chang	2007.05.25	2004.05.12	3	5,962,424	0.15	6,434,008	0.14	303,278	0.01	-	-	President, Nanya Printed Circuit Board Co. B.A from Feng Chia University	President, Nanya Printed Circuit Board Co. Director, Inotera Memories, Inc.	Director	Wen-Yuan Wong	Relative in law
Director	Pei-Ing Lee	2007.05.25	2004.05.12	3	3,949,102	0.10	3,551,427	0.08	37,543	0.00	-	-	Senior Engineer, IBM Ph.D. Chemical Engineering Syracuse University	Supervisor, Inotera Memories, Inc.	—	—	—
Supervisor	Pei. Jen Co. representative : Mao-Ling Tsai	2007.05.25	2007.05.25	3	19,869,056	0.50	20,464,166	0.44	-	-	-	-	Rector, Nan Ya Plastics Co.	Supervisor, Nanya Printed Circuit Board Co.	—	—	—

Title	Name	Date (elected)	Date (First elected)	Term (Year)	Shareholding when elected		Current shareholding		Spouse & Minor current shareholding		Related shareholding		Experience	Current positions with other company	Managers are spouse or within 2 degrees of consanguinity to each other		
					Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Supervisor	Formosa Taffeta Co. Representative : Shih-Ming Hsieh	2007.05.25	2001.03.30	3	283,927,161	7.12	292,431,233	6.23	-	-	-	-	President, Formosa Taffeta Co.	President, Formosa Advanced Technologies Co.	—	—	—
Supervisor	Ming-Long Huang	2007.05.25	2001.03.30	3	4,196	0.00	4,321	0.00	81	0.00	-	-	Executive Administration Center of Chang Gung Hospital B.A., Accounting, Feng Chia University	Supervisor, Formosa Chemicals & Fibre Co.	—	—	—

note 1 : Mr. Chia-Chau Wu served as president on 2007/03/31.

note 2 : Juridical Person Director Nan Ya Plastics Co. designated Mr. Ming-Jen Tzou as the new representative to substitute Mr. Chin-Jen Wu on 2007/03/31. Mr. Chin-Jen Wu also resigned from the position of president.

Main Shareholders of the Juridical Person Shareholder

As of April 3, 2009

Name of Juridical Person Shareholders	Main Shareholders of Juridical Person Shareholders
Nan Ya Plastics Corporation	Formosa Plastics Corporation(9.87%), Chang Gung Memorial Hospital(8.38%), Y.C. Wang(5.46%), Formosa Chemicals & Fibre Corporation(5.21%), Y.T. Wang(5.13%), Chang Gung University(3.99%), Wan Shun International Investment Corporation(2.39%), Formosa Petrochemical Corporation(2.26%), Qin Shi International Investment Corporation(1.86%), Investment Account of Merrill Lynch Trusteed by HSBC(1.20%)
Formosa Taffeta Corporation	Formosa Chemicals & Fibre Corporation(37.40%), Min-Zhi Lai(3.59%), Chang Gung Memorial Hospital(3.16%), Yu Yuang Textile Co., Ltd. (2.66%), Min-Xiong Lai(2.58%), Chang Gung University(1.97%), Asia Pacific Investment Corporation(1.43%), Ming Chi University of Technology(1.25%), Chang Gung Institute of Technology(1.11%), Yuan-Da System Corporation Trusteed by Citi Bank(0.93%)
Pei. Jen Corporation	Subsidiary of Nanya

Main Shareholders of the Juridical Person Shareholder of the Juridical Person Shareholder above

As of April 3, 2009

Name of Juridical Person Shareholders	Main Shareholders of Juridical Person Shareholders
Formosa Plastics Corporation	Formosa Chemicals & Fibre Corporation(7.65%), Chang Gung Memorial Hospital(7.07%),Investment Account of Merrill Lynch Trusteed by HSBC(6.26%), Nan Ya Plastics Corporation(4.63%), Qin Shi International Investment Corporation(4.16%), Y.T. Wang(3.99%), Wan Shun International Investment Corporation(3.05%), Y.C. Wang(2.91%), Formosa Petrochemical Corporation(2.07%), National Finance Stability Fund Management Committee (1.38%)
Formosa Chemicals & Fibre Corporation	Chang Gung Memorial Hospital(18.58%), Y.C. Wang(6.75%), Qin Shi International Investment Corporation(6.35%), Y.T. Wang(6.30%), Wan Shun International Investment Corporation(3.80%), Formosa Plastics Corporation(3.39%), Nan Ya Plastics Corporation(2.40%), Union Power Development Corporation(1.63%), National Finance Stability Fund Management Committee (1.25%),Account of Genesis Capital Group Corporation Trusteed by Standard Chartered (1.18%)
Formosa Petrochemical Corporation	Formosa Plastics Corporation(29.31%), Formosa Chemicals & Fibre Corporation(24.90%), Nan Ya Plastics Corporation(23.84%), Chang Gung Memorial Hospital(4.60%), Formosa Taffeta Corporation(3.83%), Account of Millennium Venture Capital Corporation Trusteed by Standard Chartered(0.69%), Account of Genesis Capital Group Corporation Trusteed by Standard Chartered (0.57%),Account of Bauer Energy Corporation Trusteed by HSBC(0.51%), National Finance Stability Fund Management Committee (0.50%), Account of Asia Pacific Photonics Corporation Trusteed by HSBC(0.48%)
Chang Gung Memorial Hospital	A Juridical Person approved to be set by Department of Health, Executive Yuan, R.O.C. (Taiwan). No share is issued.
Chang Gung University	A Juridical Person approved to be set by Ministry of Education, R.O.C.. No share is issued.
Wan Shun International Investment Corporation, Qin Shi International Investment Corporation, Yu Yuang Textile Co., Ltd.	These corporations didn't go public. The information of major shareholders of these corporations is not available.
Ming Chi University of Technology	A Juridical Person approved to be set by Ministry of Education, R.O.C.. No share is issued.
Chang Gung Institute of Technology	A Juridical Person approved to be set by Ministry of Education, R.O.C.. No share is issued.

Information Regarding Directors and Supervisors

Note Name	5 Years or above work experience and Professions list below			Independence										Note14
	Note1	Note2	Note3	Note4	Note5	Note6	Note7	Note8	Note9	Note10	Note11	Note12	Note13	
Nanya Plastics Corp.	—	—	—	—	—	—	—	V	V	V	—	—	—	—
Wen-Yuan Wong	—	—	V	—	—	V	V	V	V	V		V	V	None
Reuy Wang	—	—	V	—	—	V	V	V	V	V	V	V	V	None
Jih Lien	—	—	V	—	—	V	V	V	V	V	V	V	V	None
Moor, H.M., Chen	—	—	V	—	V	V	V	V	V	V	V	V	V	None
Joseph Hsieh	—	—	V	—	V	V	V	V	V	V	V	V	V	None
Otto Chang	—	—	V	—	—	V	V	V	V	V		V	V	None
Pei-Ying Lee	—	—	—	V	—	V	V	V	V	V	V	V	V	None
Pei. Jen Co.	—	—	—	—	—	—	—	V	V	V	—	—	—	—
Formosa Taffeta Corp.	—	—	—	—	—	—	—	V	V	V	—	—	—	—
Ming-Long Huang	—	—	—	V	V	V	V	V	V	V	V	V	V	None

Note1: An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University.

Note2: A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company

Note3: Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company.

Note4: Not an employee of the Company or any of its affiliates.

Note5: Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

Note6: Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

Note7: Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs specified in column 4~6.

Note8: Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings

Note9: Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company

Note10: Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof

Note11: Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

Note12: Not been a person of any conditions defined in Article 30 of the Company Law.

Note13: Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

Note14: Being an independent director of other public listed companies.

2.2.2 Executive Officers

As of April 27, 2008

Title	Name	Effective Date	Shareholding		Spouse & Minor Current Shareholding		Related Shareholding		Education & Experience	Current positions with other companies	Managers are spouse or within 2 degrees of consanguinity to each other		
			Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
President	Jih Lien	2000.12.05	3,878,698	0.08	1,109,642	0.02	—	—	Director, Advanced Micro Devices Inc. Ph. D., E. E., University of Missouri	Chairman, Inotera Memories, Inc.	—	—	—
Executive Vice President	Otto Chang	1997.02.04	6,434,008	0.14	303,278	0.01	—	—	President, Nanya Printed Circuit Board Corp. B.A from Feng Chia University	President, Nanya Printed Circuit Board Corp. Director, Inotera Memories, Inc.	—	—	—
Senior Vice President	Moor H.M. Chen	1995. 06.11	1,636,123	0.03	10,217	0.00	—	—	Assistant Manager Nan Ya Plastics Corp. B.A., Chemical Engineering, National Taiwan University	—	—	—	—
Senior Vice President	Joseph Hsieh	1999.08.16	3,993,317	0.08	—	—	—	—	P.T. Group A.V.P., ASMI Ph. D., Physics, Purdue University	Supervisor, Inotera Memories, Inc.	—	—	—
Senior Vice President	Pei-Ing Lee	2003.03.01	3,551,427	0.08	37,543	0.00	—	—	Senior Engineer, IBM Ph.D. Chemical Engineering Syracuse University	Supervisor, Inotera Memories, Inc.	—	—	—
Senior Vice President	Joe Ting	2008.10.13	—	—	—	—	—	—	Chairman & President, Piecemakers Technology Inc. Master, E.E., Case Western Reserve University	—	—	—	—
Vice President	Pei-Lin Pai	2003.05.06	164,605	0.00	—	—	—	—	President, Ascend Semiconductor Corp. Ph. D., Electrical and Computer Science, University of California at Berkeley	—	—	—	—
Assistant Vice President	Lin-Chin Su	2007.04.16	999,995	0.02	—	—	—	—	AVP, Nanya Technology Corp. Ph. D., Materials Science and Engineering, University of Utah	—	—	—	—

Assistant Vice President	Yau-Ming Chen	2007.04.16	674,000	0.01	—	—	—	—	AVP, Nanya Technology Corp. B.A., Electrical Engineering, National Taiwan University	—	—	—	—
Accounting Supervisor	Ching-Yin Lee	200.11.24	122,800	0.00	—	—	—	—	Director, Accounting Division, Nanya Technology Corp. B.A., Department of Accountancy, Tunghai University	—	—	—	—

Note: VP Paul Chiang left the position on Jul.16, 2008, Senior VP Joe Ting attended on Oct.13, 2008 and AVP Ron Chu transferred to Inotera Memories Inc. on Dec.1, 2008.

2.2.3-1 Directors' Compensation

Unit: KNTD As of Dec.31, 2008

Title	Name	Directors' Compensation								The ratio of the sum of A, B, C and D to Net Profit (%)		Employees' Compensation										The ratio of sum of A to G to Net Profit (%)		Compensation from non-affiliate Companies
		Compensation(A)		Pension(B)		Reward from profit(C)		Profession Remuneration (D)				Wages and Bonus (E)		Pension(F)		Employee Bonus from Profit (G)				No. of Shares of Stock Option(H)				
		NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC		NTC Affiliate		NTC	NTC Affiliate	NTC	NTC Affiliate	
																Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
Chairman	NanYa Plastics Corp. Representative: Chia-Chau Wu	0	0	0	0	0	0	80	80	-0.00	-0.00	0	0	0	0	0	0	0	0	0	0	-0.00	-0.00	-
Director	NanYa Plastics Corp. Representative: Ming-Jen Tzou	0	0	0	0	0	0	60	60	-0.00	-0.00	0	0	0	0	0	0	0	0	0	0	-0.00	-0.00	-
Director	Wen-Yuan Wong	0	0	0	0	0	0	60	60	-0.00	-0.00	0	0	0	0	0	0	0	0	0	0	-0.00	-0.00	-
Director	Reuy Wang	0	0	0	0	0	0	70	70	-0.00	-0.00	0	0	0	0	0	0	0	0	0	0	-0.00	-0.00	-
Director	Jih Lien	0	0	0	0	0	0	70	70	-0.00	-0.00	7,171	7,171	112	112	0	0	0	0	0	0	-0.02	-0.02	-
Director	Moor, H.M. Chen	0	0	0	0	0	0	80	80	-0.00	-0.00	3,862	3,862	0	0	0	0	0	0	50	50	-0.01	-0.01	-
Director	Joseph Hsieh	0	0	0	0	0	0	80	80	-0.00	-0.00	4,874	4,874	72	72	0	0	0	0	50	50	-0.01	-0.01	-
Director	Otto Chang	0	0	0	0	0	0	80	80	-0.00	-0.00	0	0	0	0	0	0	0	0	50	50	-0.00	-0.00	-
Director	Pei-Ying Lee	0	0	0	0	0	0	80	80	-0.00	-0.00	4,667	4,667	69	69	0	0	0	0	50	50	-0.01	-0.01	-
Former Chairman	Nan Ya Plastics Corp. Representative: Chin-Jen Wu	0	0	0	0	0	0	20	20	-0.00	-0.00	0	0	0	0	0	0	0	0	0	0	-0.00	-0.00	-

Note 1: The net income of Nanya in 2008 is net loss.

Note2 : Nanya didn't distribute profit from last year in 2008.

Note3 : Chia-Chau Wu attended as Chairman on Mar.31 2008.

Note4 : Nanya Plastics sent Ming-Jen Tzou as new representative to replace Chin-Jen Wu. Chin-Jen Wu resigned as Chairman as well.

2.2.3-2 Supervisors' Compensation

Unit: KNTD As of Dec.31, 2008

Title	Name	Supervisors ' Compensation								The ratio of the sum of A, B,C and D to Net Profit (%)		Compensation from non-affiliate Companies
		Compensation(A)		Pension(B)		Reward from Profit (C)		Profession Remuneration (D)				
		NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	
Supervisor	Pei. Jen Co. representative : Mao-Ling Tsai	0	0	0	0	0	0	80	80	-0.00	-0.00	-
Supervisor	Formosa Taffeta Corp. Representative : Shih-Ming Hsieh	0	0	0	0	0	0	50	50	-0.00	-0.00	-
Supervisor	Ming-Long Huang	0	0	0	0	0	0	70	70	-0.00	-0.00	-

Note 1: The net income of Nanya in 2008 is net loss.

Note 2: Nanya didn't distribute profit from last year in 2008.

2.2.3-3 President's and Vice Presidents' Compensation

Unit: KNTD As of Dec.31, 2008

Unit: RNTD AS OF DEC-31, 200

Title	Name	Wages(A)		Pension(B)		Bonus and Allowance (C)		Employees' Bonus from Profit(D)				The ratio of the sum of A, B, C and D to Net Profit (%)		No. of Shares of Stock Option		Compensation from non-affiliate Companies
		NTC	NTC Affiliate	NTC	NTC Affiliate	NTC	NTC Affiliate	NTC		NTC Affiliate		NTC	NTC Affiliate	NTC	NTC Affiliate	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
President	Jih Lien	58,479	58,479	371	371	0	0	0	0	0	0	-0.16	-0.16	850	850	-
Executive Vice President	Otto Chang															
Senior Vice President	Moor H.M. Chen															
Senior Vice President	Joseph Hsieh															
Senior Vice President	Pei-Ing Lee															
Vice President	Pei-Lin Pai															
Vice President	Joe Ting															
Vice President	Paul Chiang															

Note 1: The net income of Nanya in 2008 is net loss.

Note 2: Paul Chiang left the position on Jul.16 2008. Joe Ting attended on Oct. 13 2008.

The Range of Executive Officers Compensation	Name	
	NTC	NTC Affiliates
NTD2,000,000 Below	Otto Chang、 Joe Ting	Otto Chang、 Joe Ting
NTD2,000,000 ~ 5,000,000	Paul Chiang、 Moor H.M. Chen、 Pei-Ling Pai、 Pei-Ing Lee、 Joseph Hsieh	Paul Chiang、 Moor H.M. Chen、 Pei-Ling Pai、 Pei-Ing Lee、 Joseph Hsieh
NTD5,000,000 ~ 10,000,000	Jih Lien	Jih Lien
NTD10,000,000 ~ 15,000,000		
NTD15,000,000 ~ 30,000,000		
NTD30,000,000 ~ 50,000,000		
NTD50,000,000 ~ 100,000,000		
NTD100,000,000 or Above		
Total	8	8

Note : Nanya didn't distribute profit from last year in 2008

2.2.3-4 Executive Officers' Bonuses for Profit Sharing

Unit: KNTD, Dec 31, 2008

	Title	Name	Stock Bonus(Note)	Cash Bonus	Total	The Ratio of Total Amount to Net Profit (%)
			Amount	Amount		
Executive Officers	President	Jih Lien	0	0	0	0
	Executive Vice President	Otto Chang				
	Senior Vice President	Moor H.M. Chen				
	Senior Vice President	Joseph Hsieh				
	Senior Vice President	Pei-Ing Lee				
	Vice President	Pei-Lin Pai				
	Vice President	Joe Ting				
	Assistant Vice President	Lin-Chin Su				
	Assistant Vice President	Yau-Ming Chen				
	Accounting Supervisor	Chin-Ying Lee				

Note : There is no profit sharing in 2007.

2.2.4 Separately compare and describe total remuneration as a percentage of net income as paid by this NTC, and by each other company included in the consolidated financial statements, during the past two fiscal years to its directors, supervisors, the general manager, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for setting remuneration, and linkage to performance.

The remuneration paid by NTC and its affiliates to directors, supervisors and executive officers have no difference. There is also no certain percentage as the total amount of remuneration to net profit. The remuneration distributed or not depends on there is profit earned or not from last year.

2.3 Corporate Governance

2.3.1 The state of operations of the board of directors

(A) There are 9 meetings from January 1st, 2007 to April 3rd, 2009. The attendance rate of each director is as below:

Title	Name	No. of Attendance	No. of Authorized Attendance	Actual Attendance Rate (%)	Remarks
Chairman	Nanya Plastics Corp. Representative: Chin-Jen Wu	2	-	100	Chin-Jen Wu resigned on March 31st, 2008
Chairman	Nanya Plastics Corp. Representative: Chia-Chau Wu	9	-	100	Chia-Chau Wu was elected as chairman on March 31st, 2008
Director	Nanya Plastics Corp. Representative: Ming-Jen Tzou	7	-	100	Ming-Jen Tzou served as director on March 31st, 2008
Director	Wen-Yuan Wong	7	-	78	
Director	Reuy Wang	8	1	89	
Director	Jih Lien	8	1	89	
Director	Moor H.M. Chen	9	-	100	
Director	Joseph Hsieh	9	-	100	
Director	Otto Chang	9	-	100	
Director	Pei-Ing Lee	9	-	100	
Supervisor	Pei. Jen Corp. Representative: Mao-Ling Tsai	9	-	100	
Supervisor	Formosa Taffeta Corp. Representative : Shih-Ming Hsieh	6	-	67	
Supervisor	Ming-Long Huang	8	-	89	

Other matters require reporting:

1. Matters listed on Securities and Exchange Act article 14-3 or matters being approved in the board of directors which were objected by independent directors with record in written form should declare the date, term, content of motions of the meeting and opinions from all independent directors and how companies handle opinions from independent directors: None.
2. Directors to avoid voting on interest-favorable motion:
 - 2.1 Name of Director: Chin-Jen Wu, Chia-Chau Wu, Jih Lien, Otto Chang
Motion: Board of Directors discussed to sign MOU with Micron, joint development of technology, and joint venture on March 3rd, 2008.
Reasons and voting situation: These four directors are directors of Nanya and directors and supervisors of Inotera which is a joint venture by Nanya and Qimonda. They all avoided discussion and vote of this motion.
 - 2.2 Name of Director: Chia-Chau Wu, Jih Lien, Otto Chang
Motion: Board of Directors discussed to sign the contracts of joint development and joint venture with Micron on March 31th, 2008.
Reasons and voting situation: These three directors are directors and supervisors of Inotera which is a joint venture by Nanya and Qimonda. They all avoided discussion and vote of this motion.
 - 2.3 Name of Director: Pei-Ing Lee, Joseph Hsieh, Moor H.M. Chen
Motion: Board of Directors discussed to lease FAB 2 factory building of Nanya to MeiYa on March 31th, 2008.
Reasons and voting situation: These three directors are directors of MeiYa. They all avoided discussion and vote of this motion.
 - 2.4 Name of Director: Jih Lien, Otto Chang
Motion: Board of Directors discussed to sign waiver letter, transition contract and disclaimer with Micron and Qimonda on October 9th, 2008.
Reasons and voting situation: These two directors are directors and supervisors of Inotera which is a joint venture by Nanya and Qimonda. They all avoided discussion and vote of this motion.
 - 2.5 Name of Director: Jih Lien, Otto Chang
Motion: Board of Directors discussed to sign cooperation contract with Micron USA, Micron Holland, Inotera Memories and MeiYa Technology on November 25th, 2008.
Reasons and voting situation: These two directors are directors and supervisors of Inotera which is a joint venture by Nanya and Qimonda. They all avoided discussion and vote of this motion.
3. The evaluation of the execution target of enhancing the job capability of board of directors (e.g. teaming up audit committee and increasing the clarity of information etc.): Nanya has already set up the Regulations of the Board Meeting to lift the efficiency of the board meeting according to the regulations of the authority. Nanya expects to elect independent directors to enhance corporate governance while the capital of the Company meets the requirement of the government regulation.

2.3.2 The Execution of Audit Committee and participation of supervisors to Board of Directors.

2.3.2.1 NTC doesn't hire any of independent directors.

2.3.2.2 The participation of supervisors to BOD: There are 9 meetings from January 1st, 2008 to April 3rd, 2009. The attendance rate of each supervisor is as below:

Title	Name	No. of Attendance	No. of Authorized Attendance	Actual Attendance Rate (%)	Remarks
Supervisor	Pei Jen Co. representative : Mao-Ling Tsai	9	-	100	
Supervisor	Formosa Taffeta Corp. Representative : Shih-Ming Hsieh	6	-	67	
Supervisor	Ming-Long Huang	8	-	89	

Other material information:

1. The formation and job responsibility of supervisors: According to Company Act, the job responsibility of supervisors is to supervise the company daily operation and audit financial reports. They will execute their job responsibility with honor. Our supervisors are all professionals and supervise the company operation with higher standard by their financial and juridical profession.
 - 1.1 How supervisors communicate with employees and shareholders: Our supervisors communicate with employees and shareholders by company spokesman. The communication manner works out pretty well.
 - 1.2 How supervisors communicate with chief of internal auditor and auditor: Our chief of internal auditor reports the condition of internal auditing to supervisors periodically. The communication channel with auditor is pretty smooth.
 - 1.3 Please specify the date, term, content of motion, results and how company dealt with supervisors' opinion of BOD if supervisors expressed opinions in attendance of the meeting: None

2.3.3 The Execution of corporate Governance and the difference between "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies.

Item	Execution Status	The difference of practicing corporate governance from the guideline of "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies"
1. Shareholders structure and equity 1.1 Manner that company uses to handle shareholders' recommendations and disputes	1.1 There is a spokesman to accept shareholders suggestions or to explain doubts. There are also functional organizations in the President's office to support. After shareholders' suggestions and doubts are thoroughly understood and reviewed, oral or written statements will be proposed.	Comply with Article 13 of Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
1.2 Company effectively controlled over the list of major shareholders and controllers behind them of the controlling company	1.2 NTC always notices the shareholding change of shareholders with 5% or more shareholding percentage and Directors and Supervisors at any time. NTC also key in the shareholdings of Directors, Supervisors, and shareholders with more than 10 % shareholding into the	Comply with Article 19 of Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies

investors conference in the company website)		
5. The status of executing audit committee and its functions	None	We don't have functional committee but do have President's Office with many functional groups. All people are from the affiliates. The duty is comply with the duty of the functional committee in the Article 27 and 28 of Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies. The function is doing well for more than 20years and is helpful for the operations, managements, and continuous development of all affiliates.
6. Please identify the difference of practicing corporate governance from the guideline of "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" if company sets up corporate governance according to this Corporate Governance Best-Practice Principles : There is no "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" for Nanya.		
7. Other material information which would help in understanding the status of corporate governance (such as rights and care to employees, investors relation, suppliers relation, rights of interest conflict people, the status of directors and supervisors pursuing further education, the execution on risk management policy and risk measurement, the execution of consumers and customers policy, and the status of insuring directors and supervisors on responsibility insurance): All Directors and Supervisors of Nanya attended a lecture course held by Chang Gung University and TCGA which is conform to the regulations of "Directors and Supervisors of TSEC/GTSM Listed Companies pursue further education" in 2008/06/26, 2008/11/11, and 2008/12/24. We got high attendant rate on board of meetings. We start buying responsibility insurance for directors, supervisors and material staffs in 2006.		
8. The company should specify the result of self reviewing, main flaw or suggestion and improvement: We didn't publish any evaluation report by self-review or any professional institute.		

2.3.4 Please specify the condition of performing social responsibility.

FPG Group followed the operating concept of the balance the industry development and environmental protection. We advocate aggressively reducing the global-warming gas, air-pollution, water-pollution and production waste. The outcome is satisfied. We will be responsible of being part of the global village. On the other hand, while FPG Group running its own business, we keep putting our effort in medicine, education and each public benefit business. We are responsible to social responsibility as an enterprise.

2.3.5 Please reveal the access to the policy of corporate governance and related regulations if there is any.

NTC conclude 「The moral behavior guideline for directors, supervisors and executive officers」. Please refer to 2005 Meeting Agenda.

2.3.6 Other material information which could enhance the understanding of the execution status on corporate governance: None.

2.3.7 Internal Control System and Execution Status

2.3.7.1 Statement of Internal Control

Nanya Technology Corporation Statement of Internal Control

March, 11st, 2009

Based on the result of the self-assessment of internal control system for the period of January 1st, 2008 to December 31st, 2008 conducted by Nanya, Nanya has the following statement:

1. NTC acknowledges that the establishment, execution and maintenance of an internal control system are the responsibilities of the Board of Directors and management personnel. NTC has already established the internal control system. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's aims: (i) effectiveness and efficiency of business operation (including profitability, efficiency and the safeguard of assets), (ii) reliability of financial reports and (iii) compliance with the relevant laws and regulations.
2. The internal control system has an inborn constraint. No matter how impeccable the system is, it can only provide the reasonable assurance of achieving the three aims abovementioned. Besides, the efficiency of the internal control system can probably vary accompanying with any change of the environment and circumstances. Despite that, the internal control system of NTC has a function of self-monitoring, enabling the company to remedy once the shortcoming is identified.
3. NTC evaluates the effectiveness in the design and execution of its internal control system according to the items of evaluating effectiveness of an internal control system indicated in the Guidelines for Establishment on Internal Control Systems by Public Companies (the "Guidelines") promulgated by the Securities and Futures Commission of the Ministry of Finance. In order to comply with the management control process, the items for assessing internal control systems indicated in the Guidelines divide internal system into five components: 1. Control Environment; 2. Risk Evaluation; 3. Control Operation; 4. Information and Communication; 5. Supervision. Each component comprises certain factors. For the foresaid factors, please refer to the Guidelines.
4. NTC has evaluated the effectiveness of the design and execution of its internal control system using the aforesaid factors.
5. Based on the results of the evaluation abovementioned, NTC is of the opinion that the design and execution on its internal control system, including the effectiveness and efficiency of business operations, the reliability of financial reports and the compliance with relevant laws and regulations, for the period of January 1st, 2007 to December 31st, 2007 is effective and can provide a reasonable assurance of achieving the abovementioned aims.
6. The statement will be a major part of NTC's annual report and will be released to the public. If the statement herein involves forgery, concealment or any other illegitimacy, NTC shall bear the legal responsibilities in Articles 20, 32, 171 and 174 of the Securities Transaction Law.
7. The statement of internal control system has been approved by NTC's board of directors at the meeting of March 11st, 2009. All of the 9 directors present at the meeting agreed to the statement.

Nanya Technology Corporation

Chairman Chia-Chau Wu

President Jih Lien

2.3.7.2 Please reveal the audit report if the internal control system was audited by auditors: None.

2.3.8 The status of penalty, main flaw and improvement suggestions on the violation of internal control system: None.

2.3.9 From the most recent years to the date of document printing, major resolutions made by shareholders' and board meeting:

Major resolutions made by board meeting:

1. Board meeting's approval to issue employees stock option
2. Board meeting's approval to sign contracts with Micron USA, Qimonda, and Inotera Memories Inc.
3. Board meeting's approval to sign contracts with Micron USA, Micron Holland, Qimonda, Inotera Memories Inc. and MeiYa Technology.
4. Board meeting's approval to convene 2009 shareholders meeting and offset of loss

Major resolutions made by 2008 shareholders' meeting:

1. To Ratify the 2007 Business Report and Financial Statements and offset of loss
2. To Approve the Revisions to the Articles of Incorporation
3. To Approve the cash capital increase of 500,000,000 shares in 2007 suitable for income tax exemption.
4. To approve the capital increase by issuing new common stock or GDR
5. To release the Directors of the Board of the Company from non-competition restrictions

2.3.10 Directors and supervisors had different opinion on significant resolution which had been approved by the board of directors. Please specify the content of the resolution.

All of our directors and supervisors agreed to all of the motions approved by the board of directors.

2.3.11 The resign or expel status of employees related to financial reporting (including chairman, president, accounting manager and internal audit manager etc.).

Title	Name	Date elected	Date to resign	Reasons
Chairman	Chin-Jen Wu	August 28 th , 2006	March 31 th , 2008	Mr. Chin Jen Wu, chairman of Nanya, serves as chairman of many corporations in the same time. He is too busy to serve as chairman of so many corporations. So he decided to resign.

2.4 Accountant's Information

2.4.1 Please specify the amount and content of audit and non-audit fee if the proportion of non-audit fee to audit fee is over 25%: None

2.4.2 Please specify the the reason, proportion and decrease amount of audit fee if the audit fee is less than previous year : None

2.4.3 Please specify the reason, proportion and decrease amount of audit fee if the audit fee is less than previous year over 15%: None

2.5 Information about the change of Accountants: Due to the internal job rotation of CPA firm, our auditors are changed to Hui-Jih Ko and Chiu-Hwa Wu.

2.6 Please specify employees' name, title and the working period in audit CPA firms or its affiliate if those employees acted as chairman, president, and managers in responsible of finance or accounting in recent year: None

2.7 Directors, Supervisors, Managers, and Shareholders, with whom holding proportions of common stock is greater than 10%; or information about incurring pledge, increasing or decreasing of shareholdings:

2.7.1 Disclosure of changes of shareholding of Directors, Supervisors, Managers, and Shareholders:

Unit: shares

Title	Name	2007		From Jan 1st, 2008 to April 27, 2008	
		Increase or decrease in shareholdings	Increase or decrease in pledged shareholdings	Increase or decrease in shareholdings	Increase or decrease in pledged shareholdings
Director	Nan Ya Plastics Corp.	-	-	-	-
Director	Wen-Yuan Wong	-	-	-	-
Director	Reuy Wang	-	-	-	-
Director	Jih Lien	-	-	-	-
Director	Moor H.M. Chen	(550,000)	-	(430,000)	-
Director	Joseph Hsieh	(176,000)	-	(54,000)	-
Director	Otto Chang	-	-	-	-
Director	Pei-Ing Lee	-	-	-	-
Supervisor	Pei. Jen Corp.	-	-	-	-
Supervisor	Formosa Taffeta Corp.	-	-	-	-
Supervisor	Ming-Long Huang	-	-	-	-
VP	Pei-Lin Pai	(18,000)	-	(9,000)	-
VP	Joe Ting	-	-	-	-
AVP	Lin-Chin Su	(290,000)	-	-	-
AVP	Yau-Ming Chen	-	-	-	-
Accounting Supervisor	Chin-Ying Lee	-	-	-	-

Note: VP Paul Chiang left the position on Jul.16 2008, Senior VP Joe Ting attended on Oct.13 2008 and AVP Ron Chu transferred to Inotera Memories Inc. on Dec.1 2008.

2.7.2 Information about Information about hypothecating stocks to related parties: None.

2.8 Information about top 10 shareholders being related entities to each other in accordance of Financial Accounting Guidelines No.6

NAME (NOTE)	SHAREHOLDING		SPOUSE, MINOR SHAREHOLDING		RELATED SHAREHOLDING		TOP 10 SHAREHOLDERS ' NAME AND RELATIONSHIP WITH EACH OTHER		REMARKS
	# of shares	Proportion	# of shares	Proportion	# of shares	Proportion	Name	Relationship	
Nanya Plastics Corp.	1,773,327,361	37.78%	-	-	-	-	-	-	
Nanya Plastics Corp. Representative: Chia-Chau Wu	18,161	0.00%	-	-	-	-	-	-	
Nanya Plastics Corp. Representative: Ming-Jen Tzou	-	-	-	-	-	-	-	-	
Formosa Taffeta Corp.	292,431,233	6.23%	-	-	-	-	V. J. Wang	Chairman Wen-Yuan Wong is his elder brother	
							Formosa Advanced Technologies Corp.	Formosa Taffeta Corp. is the parent corp.	
Formosa Taffeta Corp. Representative : Shih-Ming Hsieh	-	-	-	-	-	-	Formosa Advanced Technologies Corp.	He is the president.	
Chang Gung Memorial Hospital	140,599,032	3.00%	-	-	-	-	-	-	
V. J. Wang	59,929,988	1.28%	-	-	-	-	Wen-Yuan Wong who is the chairman of Formosa Taffeta Corp. and Formosa Advanced Technologies Corp.	Wen-Yuan Wong is the elder brother	
Formosa Advanced Technologies Corp.	25,459,687	0.54%	-	-	-	-	Formosa Taffeta Corp.	Formosa Taffeta Corp. is the parent corp..	
							Formosa Taffeta Corp. Representative: Shih-Ming Hsieh	Shih-Ming Hsieh is the president.	
							V. J. Wang	Wen-Yuan Wong who is the chairman is the elder brother.	
Account of Singapore Government Fund Trustee by Citibank	24,031,000	0.51%	-	-	-	-	-	-	
Investment account of ABP Pension Fund trustee by Morgan Chase	22,632,344	0.48%	-	-	-	-	-	-	
Account of Polaris Taiwan Extraordinary 50 Fund	22,584,979	0.48%	-	-	-	-	-	-	
Chang-Gung University	21,861,826	0.47%	-	-	-	-	-	-	
Pei-Jen Corp.	20,464,166	0.44%	-	-	-	-	-	-	

2.9 Shareholdings of Re-Investment Enterprise

As of Dec 31 2008

Re-Investment Enterprise	Common Stock Owned by Nanya		Investments directly or indirectly controlled by Directors, Supervisors, or Managers		Total Investment	
	Share (Thousand)	%	Share (Thousand)	%	Share (Thousand)	%
Inotera Memories Inc.	1,180,581	35.37	8,309	0.25	1,188,890	35.62%

. Capital and Shares, Corporate Bonds, Preferred Dividends, Global Depository receipts (GDR), and Employees' Stock Options

4.1 Source of Capital

Unit: Share/NTD

Date	Issuance price	Authorized Capital		Issued Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Non-Monetary Capital Expansion	Others
03/1995	10	1,000,000,000	10,000,000,000	250,000,000	2,500,000,000	Cash Founding	-	Note1
12/1995	10	1,000,000,000	10,000,000,000	500,000,000	5,000,000,000	Cash Offering	-	Note2
06/1996	10	1,000,000,000	10,000,000,000	1,000,000,000	10,000,000,000	Cash Offering	-	Note3
07/1997	20	2,500,000,000	25,000,000,000	1,500,000,000	15,000,000,000	Cash Offering	-	Note4
12/1998	20	2,500,000,000	25,000,000,000	1,750,000,000	17,500,000,000	Cash Offering	-	Note5
10/1999	25	2,500,000,000	25,000,000,000	2,250,000,000	22,500,000,000	Cash Offering	-	Note6
07/2001	15	3,900,000,000	39,000,000,000	2,750,000,000	27,500,000,000	Cash Offering	-	Note7
10/2002	22	3,900,000,000	39,000,000,000	3,100,000,000	31,000,000,000	Cash Offering	-	Note8
07/2003	10	3,951,175,824	39,511,758,240	3,201,175,824	32,011,758,240	Capital Increase	-	Note9
07/2003	23.76	4,500,000,000	45,000,000,000	3,521,175,824	35,211,758,240	Cash Offering	-	Note10
2004/01~2004/04	10	4,500,000,000	45,000,000,000	3,564,686,824	35,646,868,240	Stock Option	-	Note11
2004/09~2005/08	10~19.9	5,000,000,000	50,000,000,000	3,587,160,824	36,241,878,240	Stock Option	-	Note12
2005/08	10	5,000,000,000	50,000,000,000	3,816,413,339	38,164,133,390	Capital	-	Note13
2005/10~2006/01	10~18.4	5,000,000,000	50,000,000,000	3,830,820,339	38,308,203,390	Stock Option	-	Note12
2006/04~2006/08	10~18.4	6,000,000,000	60,000,000,000	3,853,904,339	38,539,043,390	Stock Option	-	Note12
2006/08	10	6,000,000,000	60,000,000,000	3,941,705,345	39,417,053,450	Capital	-	Note14
2006/10~2007/06	10~18.4	6,000,000,000	60,000,000,000	4,178,255,987	41,782,559,870	Stock Option	-	Note15
2007/08	24	6,000,000,000	60,000,000,000	4,678,255,987	46,782,559,870	Capital	-	Note16
2007/09~2008/07	10~28.6	7,000,000,000	70,000,000,000	4,699,573,525	46,995,735,250	Stock Option Euro Convertible Bond	-	Note15 Note17
2009/01	-	7,000,000,000	70,000,000,000	4,693,397,525	46,933,975,250	Void buyback common stock	-	Note18

Note 1: Initial capital established in Mar. 1995

Note 2: Approval Document No. of Cash Offering.:12/01/1995 SFC (84) Tai. Chai. Jen (1) No.61512

Note 3: Approval Document No. of Cash Offering.:06/25/1996 SFC (85) Tai. Chai. Jen (1) No.39776

Note 4: Approval Document No. of Cash Offering.:07/14/1997 SFC (86) Tai. Chai. Jen (1) No.53272

Note 5: Approval Document No. of Cash Offering.:12/19/1998 SFC (87) Tai. Chai. Jen (1) No.104430

Note 6: Approval Document No. of Cash Offering.:10/01/1999 SFC (88) Tai. Chai. Jen (1) No.86574

Note 7: Approval Document No. of Cash Offering.:07/27/2001 SFC (90) Tai. Chai. Jen (1) No.149778

Note 8: Approval Document No. of Cash Offering.:10/22/2002 SFC (91) Tai. Chai. Jen (1) No.0910154958

Note 9: Approval Document No. of Capital Increase:17/06/2002 SFC Tai. Chai. Jen (1) No.0920126751

Note 10: Approval Document No. of Cash Offering(GDR):01/24/2003 SFC Tai. Chai. Jen (1) No.0910168325

Note 11: Approval Document No. of Cash Offering:13/09/2001 SFC Tai. Chai. Jen (1) No. 157918

Note 12: Approval Document No. of Cash Offering:13/09/2001 SFC Tai. Chai. Jen (1) No. 157918 and 11/05/2002

SFC Tai. Chai. Jen (1) No. 0910158515

Note13: Approval Document No. of Capital Increase: 30/05/2005 SFC Jin Guan Jen (1) No 0940121549

Note14: Approval Document No. of Capital Increase: 01/06/2006 FSC Jin Guan Jen (1) No 0950122250

Note15: Approval Document No. of Cash Offering: 13/09/2001 SFC Tai. Chai. Jen (1) No. 157918 and 11/05/2002 SFC Tai. Chai. Jen (1) No. 0910158515 and 20/06/2005 FSC Jin Guan Jen (1) No 0940124580

Note16: Approval Document No. of Cash Offering.: FSC Jin Guan Jen (1) No 0960040011

Note17: Approval Document No. of Euro Convertible Bond: FSC Jin Guan Jen (1) and Tai. Chai. Jen (1) No. 0920156452

Note18: Approval document No. of void buyback common shares: Tai cheng shan09800007801

As of April 3 2009 unit : share

Types of Capital	Authorized Capital			Note
	Current Outstanding	Un-issued Shares	Total	
Common Stock	4,693,397,525	2,306,602,475	7,000,000,000	Listed on TSE

4.2 Shareholders Structure

As of April 3 2009

Shareholders Quantity	Government Affiliates	Financial Institutions	Other Legal Entities	Foreign Institutions and Foreign Investors	Individuals	Total
Number of people	7	75	327	272	199,984	200,597
Shareholdings (share)	4,686	45,869,476	2,421,747,641	319,799,326	1,905,976,396	4,693,397,525
Shareholdings (%)	0.00	0.98	51.60	6.81	40.61	100.00

4.3 Share Distributions

As of April 3 2009 NT\$: 10/par share

Classification	Number of shareholders	Shareholdings (Share)	Percentage (%)
1 999	58,705	11,250,262	0.24
1,000 5,000	79,966	185,365,404	3.95
5,001 10,000	26,603	193,741,061	4.13
10,001 15,000	12,484	145,016,552	3.09
15,001 20,000	5,791	104,706,551	2.23
20,001 30,000	6,557	158,089,851	3.37
30,001 50,000	4,773	185,932,389	3.96
50,001 100,000	3,319	233,350,609	4.97
100,001 200,000	1,401	193,340,678	4.12
200,001 400,000	554	152,699,297	3.25
400,001 600,000	165	81,587,855	1.74
600,001 800,000	70	48,183,827	1.03
800,001 1,000,000	44	40,681,064	0.87
Above 1,000,001	165	2,959,452,125	63.05
Total	200,597	4,693,397,525	100.00

4.4 Major Shareholder List

Information of shareholding proportion over 5% or top 10 shareholders

As of April 3 2009

Name	Share	Shareholdings (share)	Proportion (%)
Nan Ya Plastics Corp.		1,773,327,361	37.78
Formosa Taffeta Corp		292,431,233	6.23
Chang Gung Memorial Hospital		140,599,032	3.00
V. J. Wang		59,929,988	1.28
Formosa Advanced Technologies Corp.		25,459,687	0.54
Account of Singapore Government Fund Trustee by Citibank		24,031,000	0.51
Investment Account of ABP pension fund trustee by JPMorgan Chase		22,632,344	0.48
Account of Polaris Taiwan extraordinary 50 Fund		22,584,979	0.48
Chang-Gung University		21,861,826	0.47
Pei-Jen Corp.		20,464,166	0.44

4.5 Relevant Information to Market Price, Net Worth, Earning, and Dividends

Item		Year			As of March 31 2009
		2007	2008		
Market Price Per Share	High	34.00	20.65	8.35	
	Low	16.45	3.46	5.23	
	Average	24.94	12.80	6.55	
Net Worth Per Share	Before Distribution		13.91	6.00	- **
	After Distribution		13.91	6.00	- **
Earnings Per Share	Weighted Average Share (Thousand)		4,306,554	4,670,759	4,672,933
	Earning Per Share (NTD)		(2.89)	(7.86)	- **
Dividend Per Share	Cash Dividend		-	-	-
	Stock Dividend	Retained Earning	-	-	-
		Capital Surplus	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return On Investment	Price/Earning Ratio		-	-	- **
	Price/Dividend ratio		-	-	-
	Cash Dividend Yield Rate		-	-	-

** : Relevant information has not been revealed.

4.6 Dividend Policy and Execution Status

(A) Dividend policy

Whenever there are profits of the Company, it shall be used to recover any past losses, pay all outstanding taxes and set aside 10% thereof in a legal reserve, or set aside a special reserve, if necessary. Any residual balance shall be distributed as follows:

- (i) 1% the most distributed as remunerations for directors and supervisor
- (ii) 1% to 8% distributed as employees bonus. The subsidiary employees qualified for some conditions are included in the objects of distribution of stock bonus.

The conditions are established by the Board of Directors.

- (iii) The remaining portion shall be distributed as dividends and bonus of shareholders.

The Company essentially belongs to a high-tech and capital- intensive industry and its operations are still experiencing significant growth. To accommodate the projection in terms of sound long-term financial management, the Company adopts the policy in which dividends shall be distributed appropriately in accordance with the Company's budget of capital expenditures. In principle, the stock dividends distributed by the Company shall not exceed 50% of the total distributable dividends of that year.

In case the earnings of the Company includes any investment income recognized under the equity method and any unused tax credit, such amount shall be classified as special reserve before the distribution of dividends and shall be classified as accumulated earning after realization thereof.

- (B) Earning distribution of 2008, resolved by members of Board of Directors: There is no earning distribution for Nanya.

4.7 Impact of stock dividend on 2008 business performance and EPS:

There is no dividend for Nanya.

4.8 Employees Bonus and Remuneration to Directors and Supervisors

- (A) Any matters related to bonus and remuneration to employees, Directors, and Supervisors as Article of Incorporation stated: Please refer to 4.6(A), Dividend Policy.
- (B) Boards of Directors' resolution as to earnings and amount of bonus and remuneration for employees, Directors, and Supervisors: There is no bonus and remuneration for employees, Directors, and Supervisors.
- (C) Information of previous earnings distributed as employees' bonus; Directors, and Supervisors remuneration: There is no employees' bonus and directors and supervisors remuneration in 2008 due to the net loss in operation.

4.9 Share Buy-Back: None

4.10 Corporate Bond:

4.10.1 Convertible Bond

The Type of Corporate Bond		First Domestic Unsecured Corporate Bond
Issue Date		2006.11.24
Par Value		NT\$ 100,000
Issue & Listing Location		OTC
Issue Price		At Par
Total Amount		NT\$10,000 Million
Coupon Rate		0%
Term & Maturity Date		5 Years/ Due Date : 2011.11.24
Guarantee Institution		None
Trustee		Da-Chong Bank Trust Dep.
Underwriter		Taipei Fu-Bon Securities
Attorney at Law		Zong-Heng
CPA		KPMG
Method of payment		On the Maturity Date, the Company will redeem the Bonds at 100% principal amount, unless the Bonds has been redeemed, purchased or exercised the conversion right before Maturity Date.
Unpaid Principle		NT\$10.2Million
Clauses of redemption and early repayment		<p>1.The Issuer Redeem Method: The Issuer may redeem this convertible bond on par in cash if the stock price of common shares of the issue company exceeds 50% of the transfer price for 30 consecutive business days during the period of a month after the issuing date and 40 days before the due date.</p> <p>2.Bondholders sell back : The Bondholders have the right to require the Issuer to redeem the bond at par after 2years of the issuing date.</p>
Restriction &Covenant		None
Credit Rating		Taiwan Ratings : twA- Sep.29.2006
Other Rights	The amount of bonds that has been converted into common stock, GDR and other securities	N/A
	Issuance and conversion method	The bondholders can require the issuer to convert bonds into newly issued common stocks during the period from Dec 25, 2006 to Nov 15, 2011 according to the relevant law unless the bonds have been put, redeemed and cancelled
Dilution percentage		0.01%
Custodian of securities for exchange		N/A

4.10.2 Corporate Bond

The Type of Corporate Bond	2005 First Domestic Corporate Bond		2005 Second Domestic Corporate Bond	2005 Third Domestic Corporate Bond	2006 First Domestic Corporate Bond	2006 Second Domestic Corporate Bond	2007 First Domestic Corporate Bond
Issue Date	2005.4.25~2005.4.29		2005.7.12~2005.7.18	2005.12.19	2006.10.26	2006.11.28	2007.05.31
Par Value	NT\$5 Million		NT\$ 1 Million	NT\$ 1 Million	NT\$ 1 Million	NT\$ 1 Million	NT\$ 1 Million
Issue & Listing Location	—		—	—	—	—	—
Issue Price	At Par		At Par	At Par	At Par	At Par	At Par
Total Amount	NT\$5,000 Million		NT\$5,400 Million	NT\$5,100 Million	NT\$5,000 Million	NT\$6,000 Million	NT\$5,000 Million
Coupon Rate	Vol.A~E:2.10%, One Year Simple Interest Vol. F~J 2.0891%, Half Year Compound Interest		Vol. 甲 A~甲 E:2.08%, One Year Simple Interest Vol. 乙 A~乙 E:2.0693%, Half Year Compound Interest	2.25%	2.26%	2.30%	2.29%
Term & Maturity Date	5 Years Due Date: 2010.4.25~2010.4.29		5 Years Due Date: 2010.7.12~2010.7.18	5 Years Due Date: 2010.12.19	5 Years Due Date: 2011.10.26	5 Years Due Date: 2011.11.28	5 Years Due Date: 2012.5.31
Guarantee Institution	N/A		N/A	N/A	N/A	N/A	N/A
Trustee	Da-Chong Bank Trust Dep.		Da-Chong Bank Trust Dep.	Da-Chong Bank Trust Dep.	Da-Chong Bank Trust Dep.	Da-Chong Bank Trust Dep.	Taiwan bank Trust Dep.
Underwriter	N/A		N/A	N/A	N/A	N/A	N/A
Attorney at Law	Da-Bon		Da-Bon	Da-Bon	Da-Bon	Da-Bon	Da-Bon
CPA	Wu, Tong-Her and Lee, Tzu-Hui		Wu, Tong-Her and Lee, Tzu-Hui	Wu, Tong-Her and Lee, Tzu-Hui	Lee, Tzu-Hui and Kou, Hui-Chih	Lee, Tzu-Hui and Kou, Hui-Chih	Lee, Tzu-Hui and Kou, Hui-Chih
Method of payment	The company will redeem 50% of the principle on the 4 th & 5 th year of the issue date.		The company will redeem 50% of the principle on the 4 th & 5 th year of the issue date.	The company will redeem 50% of the principle on the 4 th & 5 th year of the issue date.	The company will redeem 33%、33% and 34% of the principle on the 3rd 4 th & 5 th year of the issue date.	The company will redeem 33%、33% and 34% of the principle on the 3rd 4 th & 5 th year of the issue date.	The company will redeem 33%、33% and 34% of the principle on the 3rd 4 th & 5 th year of the issue date.
Unpaid Principle	NT\$5,000 Million		NT\$5,400 Million	NT\$5,100 Million	NT\$5,000 Million	NT\$6,000 Million	NT\$5,000 Million
Clauses of redemption and early repayment	None		None	None	None	None	None
Restriction & Covenant	None		None	None	None	None	None
Credit Rating	N/A		Taiwan Ratings twA- Jun.06.2005	Taiwan Ratings twA- Nov.01.2005	Taiwan Ratings twA- Sep.18.2006	Taiwan Ratings twA- Nov.06.2006	Taiwan Ratings twA- May.02.2007
Other Rights	The amount of bonds that has been converted into common stock, GDR and other securities	N/A	N/A	N/A	N/A	N/A	N/A
	Issuance and conversion method	N/A	N/A	N/A	N/A	N/A	N/A
Dilution percentage	N/A		N/A	N/A	N/A	N/A	N/A
Custodian of securities for exchange	N/A		N/A	N/A	N/A	N/A	N/A

Information of Conversion Bond:

Bond		2006 First Domestic Unsecured Convertible Bond		
Year		2007	2008	From Jan 1, 2008 to March 31, 2008
Item				
Market Value of the Bond	High	108.6000	99.8000	99.8000
	Low	97.0500	97.0500	97.0500
	Average	102.2067	98.8885	98.8885
Conversion Price		NT\$ 27.18	NT\$ 27.18	NT\$ 27.18
Issuance Date		2006.11.24	2006.11.24	2006.11.24
Conversion price when issued		NT\$ 32.38	NT\$ 32.38	NT\$ 32.38
Method of fulfilling obligation of conversion		Issuing new Shares	Issuing new shares	Issuing new shares

4.11 Issuance of Preferred Stock: None

4.12 Participation of Issuance of Global Depository Receipts:

Approval Date		Jul. 11, 2003	
Item			
Issuing Date		Jul. 11 2003	
Issuing and Listing Location		Luxembourg Stock Exchange	
Total Amount		US\$ 232,176,000	
Offering Price Per GDR (US\$)		US\$ 6.91	
Units of Issuance		33,600,000	
Underlying Securities		Common shares newly issued by Nanya	
Common Shares represented		10 common shares of Nanya per GDR	
Rights and Obligation of GDR Holders		Reference to the related R.O.C. regulations/laws, the Deposit Agreement and the Custody Agreement	
Trustee		N/A	
Depository Bank		Citibank, N.A. - New York	
Custodian Bank		Citibank, N.A. – Taipei Branch	
GDRs Outstanding		17,932 Units	
Apportionment of the expenses for the issuance and the maintenance		The expenses related to the issuance of GDRs are to be borne by Nanya and the Selling Shareholder proportionately, while the maintenance expenses such as listing fees, information disclosure expenses and other expenses will be borne by Nanya.	
Terms and Conditions in the Depository Agreement and the Custody Agreement		Reference to the Deposit Agreement and the Custody Agreement for details.	
Closing Price per GDR	2008	High	6.72
		Low	1.11
		Average	4.13
	01/01/2009~03/31/2009	High	2.15
		Low	1.63
		Average	1.81

4.13 Employees Stock Options

4.13.1 Issuance of Employees Stock Option

As of Apr.03.2009

Types of Issuance	First	Second	Third	Fourth
Approval Date	Sep. 13. 2001	Nov. 5. 2002	Jan. 9. 2004	Jun. 20. 2005
Issuance date	Oct. 29. 2001	Dec. 19. 2002	Mar. 1. 2004	Jun. 21. 2005
Issuance units	147,000 units	99,500 units	98,000 units	93,221 units
New issued callable shares to current outstanding shares ratio	3.13%	2.12%	2.09%	1.99%
Time to maturity	8 Years	8 Years	8 Years	8 Years
Initiative backed underlying asset	New Common Stock Issuance	New Common Stock Issuance	New Common Stock Issuance	New Common Stock Issuance
Restriction Period and Exercisable Ratio (%)	2- Year Maturity , Exercisable Ratio : 50%(Accumulated) 3- Year Maturity , Exercisable Ratio : 75%(Accumulated) 4- Year Maturity , Exercisable Ratio : 100%(Accumulated)			
Number of shares exercised	127,703,000	56,539,000	21,999,000	9,761,000
Exercised amount	1,277,030,000	565,390,000	219,990,000	97,610,000
Current outstanding units	19,297 Units	42,961 Units	76,001 Units	83,083 Units
Exercise price of current outstanding units	NT\$ 10	NT\$ 13.9	NT\$ 18.4	NT\$ 17.2
Non-exercised granted shares to total current outstanding shares ratio	0.41%	0.92%	1.62%	1.77%
Dilution percentage	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 3.13%。	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 2.12%。	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 2.09%。	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 1.99%

As of Apr.03.2009

Types of Issuance	Fifth-1	Fifth-2	Sixth
Approval Date	Jun. 20. 2006	Jun. 20. 2006	Jul. 31. 2008
Issuance date	Jul. 10. 2006	Apr. 9. 2007	Dec. 18. 2008
Issuance units	4,949 units	6,082 units	50,000 units
New issued callable shares to current outstanding shares ratio	0.11%	0.13%	1.07%
Time to maturity	8 Years	8 Years	8 Years
Initiative backed underlying asset	New Common Stock Issuance	New Common Stock Issuance	New Common Stock Issuance
Restriction Period and Exercisable Ratio (%)	2- Year Maturity , Exercisable Ratio : 50%(Accumulated) 3- Year Maturity , Exercisable Ratio : 75%(Accumulated) 4- Year Maturity , Exercisable Ratio : 100%(Accumulated)		
Number of shares exercised	0	0	0
Exercised amount	0	0	0
Current outstanding units	4,949 Units	6,082 Units	50,000Units
Exercise price of current outstanding units	NT\$ 15.7	NT\$ 23.8	NT\$ 10
Non-exercised granted shares to total current outstanding shares ratio	0.11%	0.13%	1.07%
Dilution percentage	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 0.11%	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 0.13%	To pursue the best interest of shareholders, stock options are used to encourage and maintain the employees needed of the company. Dilution Percentage: 1.07%。

4.13.2 Information of Managers and top 10 Ranking Employees regarding to Acquirement and Exercise of Stock Option

As of April 03, 2009

Term	Title	Name	Shares Granted (Thousand Shares)	Shares Granted to current outstanding shares ratio	Exercised				Unexercised			
					Exercised Shares (Thousand Shares)	Exercised Price	Exercised Amount (Thousand Dollars)	Exercised shares to current outstanding shares ratio	Unexercised Shares (Thousand Shares)	Exercise price	Un-exercised amount (Thousand Dollars)	Un-exercised shares to current outstanding shares ratio
First	President Executive Vice President Senior Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	15,510	0.33%	9,732	NT\$10/Share	NT\$97,320	0.21%	5,778	NT\$10/Share	NT\$57,780	0.12%
Second	President Executive Vice President Senior Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	7,492	0.16%	550	NT\$18.4 /Share NT\$17.8 /Share	NT\$10,000	0.01%	6,942	NT\$13.9/Share	NT\$96,494	0.15%
Third	President Executive Vice President Senior Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	9,365	0.20%	—	—	—	—	9,365	NT\$18.4/Share	NT\$172,316	0.20%

Fourth	President Executive Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	J Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	8,558	0.18%	—	—	—	—	8,558	NT\$17.2/Share	NT\$147,198	0.18%
Fifth-1	President Executive Vice President Senior Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	—	—	—	—	—	—	—	NT\$15.7/Share	—	—
Fifth-2	President Executive Vice President Senior Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	—	—	—	—	—	—	—	NT\$23.8/Share	—	—
Sixth	President Executive Vice President Senior Vice President Senior Vice President Senior Vice President Vice President Vice President Assistant Vice President Assistant Vice President Assistant Vice President Accounting Supervisor	Jih Lien Otto Chang Joseph Hsieh Moor H.M. Chen Pei-Ing Lee Pei-Lin Pai Paul Chiang Lin-Chin Su Ron Chu Yau-Ming Chen Ching-Yin Lee	965	0.02%	—	—	—	—	965	NT\$10/Share	NT\$9,650	0.02%

4.13 Merger, Acquisition Participation in New Issuance of other Companies: None

4.14 The Capital Application Plan and Execution Status

4.14.1 Plan Subject

A. Plan Subject: capital increase by issuing new shares for 2004 profit, first domestic convertible bond, 2006 1st & 2nd domestic unsecured corporate bond, 2007 1st domestic unsecured corporate bond, and 2007 domestic capital increase by issuing new shares

The plan subject is to build our Fab-3, which is a 12-inch Fab, and the capital application item was to build the factory building and acquire machinery and equipment. Our Fab-3 was ground-breaking on Mar 2006. The Fab construction is complete and its fully capacity will be 54,000 wafers per month in forecast. In 2007, the machinery and equipment will gradually move in and start in production. We use 70 nm technology in the 3rd Quarter of 2007 and reached the phase-1 mass production in the 4th Quarter of 2008. We signed a joint development contract Micron in 2008, and transferred our technology from trench to stack. Meanwhile, due to the impact of the global economic downturn, the ASP is still low. Our expansion plan is delayed. We will accelerate our path to complete the plan. Until the 1st Quarter of 2009, the total amount we have been spent in Fab-3 construction and equipment is NT 59,389,236 thousand dollars.

B. The Source of the Capital and Application

1. The total amount of capital in the plan: NT 109,392,037 thousand dollars
2. The source of the capital:
 - (1) The capital increase by issuing new shares for 2004 profit is NT 1,922,255 thousand dollars. The profit into capital will cover part of the amount in this plan. We have declared profit NT 1,922,255 thousand dollars into capital by issuing new common stock and had been approved by FSC on May 30, 2005 Jin Guan Jen (1) 0940121549.
 - (2) The total amount of the 2006 first domestic unsecured corporate bond is NT\$ 5,000 million, the interest rate is 2.26% and is durable for 5 years. It has been approved by FSC on Oct 13, 2006 Jin Guan Jen (1) 0950147053 and issued in Oct 26, 2006.
 - (3) The total amount of 2006 first domestic unsecured convertible bond is NT\$ 10,000 million, the coupon rate is 0% and is durable for 5 years. It has been approved by FSC on Oct 18, 2006 Jin Guan Jen (1) 0950147867 and issued on Nov 24, 2006.
 - (4) The total amount of the 2006 second domestic unsecured corporate bond is NT\$ 6,000 million, the interest rate is 2.30 % and is durable for 5 years. It has been approved by

FSC on Nov 17, 2006 Jin Guan Jen (1) 0950153815 and issued in Nov 28, 2006.

(5) The total amount of 2007 first domestic unsecured corporate bond is NT\$ 5,000 million, the interest rate is 2.29 % and is durable for 5 years. It has been approved by FSC on May 22, 2007 Jin Guan Jen (1) 0960026207 and issued on May 31, 2007.

(6) The total shares of the capital increase by issuing new shares in 2007 are 500 million shares. The total amount is NT\$ 12 billion. It had been approved by FSC on July 30, 2007 Jin Guan Jen (1) 0960040011 and issued in Aug 28, 2007.

(7) Others: The remain amount of money NT 69,469,782 thousand dollars will be covered by issuing new debt or common stock or capital generated by operation.

3. Capital application schedule:

Unit: NT Thousand Dollars

Plan Subject	The Expect Completion Date	Total Amount Needed	The Expect Capital Application Shedule							
Construction of Fab-3	4 th Q, 2010	109,392,037	2006				2007			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			2,428	67,635	650,669	1,564,043	2,637,643	18,129,513	17,537,478	6,472,035
			2008				2009			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			6,986,655	2,365,591	1,138,803	906,596	930,147	4,289,965	5,262,369	3,352,750
			2010							
			Q1	Q2	Q3	Q4				
			14,839,087	11,129,315	7,419,543	3,709,772				

4.7.2 Execution Status

A. Expect Effect and Benefit

Unit: NT Thousand Dollars

Year	Item	Production (Thousand Dies)	Sales (Thousand Dies)	Sales Value	Gross Profit
2007	12 Inch-Wafer	15,176	15,176	232,488	-290,077
2008	12 Inch-Wafer	370,620	370,620	30,674,189	7,575,401
2009	12 Inch-Wafer	622,080	622,080	45,619,252	15,628,805
2010	12 Inch-Wafer	622,080	622,080	43,006,197	14,791,681
2011	12 Inch-Wafer	622,080	622,080	40,203,055	12,496,696
2012	12 Inch-Wafer	622,080	622,080	39,561,573	11,521,639

B. Execution Status

Until March 31,2009; KNTD

Plan Subject	Execution Status			The reason that the execution status fall behind or ahead of the plan and improvement plan
In Construction of Fab-3	Payment Amount	Forecast	59,389,236	The capital raised from domestic unsecured corporate bonds, the first domestic unsecured convertible bond, and the capital increase by issuing new shares described above is completely used.
		Actual	59,389,236	
	Execution Status	Forecast	54.29%	
		Actual	54.29%	
Total	Payment Amount	Forecast	59,389,236	
		Actual	59,389,236	
	Execution Status	Forecast	54.29%	
		Actual	54.29%	

Our Fab-3 expansion plan is still undertaking and has already in production. However, the industry environment is tough, the plan is delayed. We will accelerate our construction path when the economic situation went back to track.

. Operation Highlights

1 Business Contents

1.1 Business Scope

NTC dedicates itself as a global leading company of memory manufacturing and memory foundry service. It devoted to provide higher quality and more advanced products and services through its excellent product development, spectacular productive capability and low manufacturing costs. Sales of memory products accounted for 99.7% of our total sales revenue in 2008 ; and our major products and main service are as followed:

1.1.1 DRAM Chips

1. DDR DRAM
 - 128Mb、 256Mb、 512Mb
 - DDR 333、 400
2. DDRII DRAM
 - 512 Mb、 1Gb
 - DDR2 400、 533、 667、 800
3. DDRIII
 - 1Gb
 - DDR3 800、 1066、 1333、 1600

1.1.2. DRAM Module

1. 200 pin DDR SODIMM
2. 184 pin Unbuffered DDR SDRAM DIMM
3. 184 pin Registered DDR SDRAM DIMM
4. 200 pin DDR2 SODIMM
5. 240 pin Unbuffered DDR2 SDRAM DIMM
6. 240 pin Registered DDR2 SDRAM DIMM
7. 240 pin DDR2 FBDIMM
8. 204 pin DDR3 SODIMM
9. 240 pin Unbuffered DDRIII SDRAM DIMM
10. 240 pin Registered DDR3 SDRAM DIMM

1.1.3 Foundry Service

To meet future market demand, NTC is shifting its concentration on the development of high volume, high density, high speed and low power-consumed products. R & D department is teaming up to propose a brand new memory generation, and simultaneously provides foundry service of high value-added products.

1.2 Industry Status

1.2.1 Industry Status and Development

a. Industry status

DRAM is mainly applied in PC industry. With the coming of post- PC age, it

slows down the growth of DRAM, but with the demand for PDA, digital camera, STB, DVD player, DVD-ROM, TV game player and the increasing efficiency of chips and CPU, this new wave of PC industry would increase the new demand for DRAM.

b. Industry development

DRAM industry is a very important part of IC industry. According to Gartner's survey, the demand for DRAM in 2008 is 8.655 billion dies (1Gb equivalent) and the demand for DRAM in 2009 is 9.878 billion dies (1Gb equivalent), which is 14.13% more than that in 2008.

DRAM is mainly applied in personal computer and notebook. With the continuing development of information technology, the demand for DRAM is constantly rising year by year. However, with the laggard phenomenon of capital investing in DRAM industry, the high entry-barrier of capital intensity and the speedy technology migration, the DRAM industry displays volatile in supply side and cycle. Any tiny unbalance in supply and demand can make huge fluctuation in price and production value.

1.2.2 The Framework of IC Industry

The process of manufacturing IC starts from the circuit design by IC engineer using CAD system on a mask, and the mask project designed circuit on a chip. Then chips will be sent to IC test house to test and pack. The IC industry is both capital and labor intense. Thus, the division of labor in IC Industry was gradually shape up. A slight move in any part of the industry may cause effect to the related up-stream or down-stream companies. NTC is in mid-stream in the industry. We are deeply dependent on each other. Let us illustrate the whole IC industry below:

a. IC design

IC design, compared with IC manufacturing, is of smaller scale. IC design industry requires less capital and enjoys higher return. Due to the high level of education in Taiwan, there are sufficient and proficient personnel of IC design. Besides, the framework of the semiconductor industry in Taiwan lays foundation for IC design, thus lowering the entry barrier. Every IC design company targets at specific markets and needs, and focuses on products design and marketing.

b. IC manufacturing

The business of IC manufacturer is to produce wafer by sophisticated facilities and strict manufacturing process. IC manufacturing is capital and technology intensive. Capital expenditure accounts for 70% of production value. Entry barrier in this industry is very high. To ensure the efficient operation, IC

manufacturers need to continuously invest on R&D and maintenance. IC manufacturing can also be categorized as Foundry, DRAM and IDM. The main points of operation are on investment, development of process technology and manufacturing efficiency.

c. IC assembling and testing

IC assembling and testing is the ending phase of IC industry. IC assembling and testing, same as IC manufacturing is capital and technology intensive. Its profits earn from fixed process margin. The percentage of facilities utilization would determine the profitability. So it is necessary for IC assembling and testing companies to be in close contact with IC manufacturers. Also, to enhance the facilities utilization and increase competitiveness, IC assembling and testing companies have developed strategic alliance by vertical integration or horizontal integration.

Facing the severe competition in this industry, every company develops alliance and integration to reduce the reliance on other companies to enhance competitiveness and profitability.

1.2.3 The Trend of Product Development

DRAM development could be categorized into following trends:

1.2.3.1 Major DRAM application:

DRAM products are mainly applied in computer and information products, from the past mainframe computer, working station to the present personal computer and X computer. Meanwhile, the demand also rises gradually due to the use for PDA, digital camera, STB, DVD player, DVD-ROM, car navigator, TV game player.

1.2.3.2 The demand for efficiency:

- a. High density: In 2009, DDRII 1Gb DRAM would be the main product in the market.
- b. High speed: To match the running of new computer software, the speed of DRAM products has moved from 667Mhz, 800Mhz, to 1066Mhz, 1333Mhz, 1600Mhz, or more.
- c. Low consumption of electricity : To meet the requirement of environmental protection as a result of greenhouse effect and to ease high level of heat radiation due to high running speed of DRAM products, the DRAM products of 1.8 voltage have gradually been the mainstream products for personal computers. Voltage will be lowered to 1.5V or less.
- d. The need for function:
 - (1) High data rate: in order to match the increasing speed of CPU running, it is necessary for research and development to enhance DRAM running speed.

For the time being, the main products have been from DDR to DDRII.

- (2) Broadband: The development of PC has been from 8 bits of 286 computer, 16 bits of 386 computer, 32bits of 486 computer to the latest and popular 64 bits of Pentium series, also leading to the broadband development of DRAM product.
- (3) Multi-function: In order to increase the added value of DRAM products, the main suppliers are now devoted into the research of DRAM products with different function.
- (4) Minimize die size: To lower the cost of manufacturing DRAM, reducing the die size of DRAM chip is the most effective way. Also, increasing yield would contribute to the increase of production of chips. These all lead to enhance company's profitability and competitiveness.

1.2.4 Competition

The major DRAM suppliers including Micron in U.S. and Nanya in Taiwan, Samsung in South Korea, Hynix in South Korea, Elpida in Japan, and Promos in Taiwan. Because the DRAM market has become a monopoly market, DRAM capacity can be transferred to produce Flash, and supply side could be effectively controlled, the product price will tend to be stable.

1.3 The Status of Development and Technology

NTC aims at worldwide markets and sets its goal at satisfying the needs of customers. Thus, NTC enhances its process technologies and developments constantly and rapidly. In 2002, NTC cooperated with Qimonda to establish Inotera Memory Inc and to develop technology. In April 2008, NTC signed a contract of joint development and joint venture with Micron. NTC will continue to recruit top personnel in the field of semiconductor to strengthen the research team and to make expenditure on module development facilities and latest software.

Developed products and technologies:

Since NTC was founded, it has successfully introduced 16M, 64M, 128M, 256M, 512M and 1Gb worldwide and has migrated its process technology from Stack Capacitor to Trench Capacitor. In addition, it also successfully introduced two new products based on using 0.175 μ m process technology and developed 0.14 μ m/0.11 μ m and its related products. In 2004, NTC is the first domestic company to have mass production of DDR2 400 and 533 products.

The outcome of the development is as follows:

- a. Within two years after NTC was founded, it successfully introduced the design, process and component analysis of 0.45 μ m, 0.36 μ m and 0.32 μ m 16M DRAM from OKI, reached high yield rate of wafer and finished products and adopted automatic computerized operation management

- b. NTC successfully developed the design, process and component analysis of 0.32 μ m 5V 16M EDO DRAM and conducted it in operating line, reaching expected yield rate.
- c. NTC invested in Genesis Semiconductor Inc in California USA and successfully designed 0.32 μ m 16M SDRAM、0.28 μ m 16M(2M \times 8)、64M SDRAM and 0.28 μ m 16M SDRAM(1M \times 16) products. Among these products, 0.32 μ m SDRAM and 0.28 μ m 16M SDRAM(1M \times 16) were successfully produced and were once the main products.
- d. NTC successfully transferred 0.2 μ m and 0.175 μ m 64M and 256M DRAM from IBM and based on this technology, it independently developed 128M DRAM, conducted it in operating line and reached the expected yield rate.
- e. NTC successfully transferred process technology from Stack Capacitor to Trench Capacitor in Fab1 and from 0.2 μ m to 0.175 μ m process in Fab2 within 8 months after production, reached high level of yield rate.
- f. NTC successfully shrank its 64M and 128M DRAM to 0.175 μ m process technology. To take example of 64M DRAM, the gross die per 8inch wafer is more than 1, 100 and thus, the cost is competitive.
- g. NTC used 0.175 μ m manufacturing process to make production of 128M and 256M SDR/DDR.
- h. NTC cooperated with IBM to develop 0.14 μ m manufacturing process and products and soon made mass production.
- i. NTC used 0.175 μ m manufacturing process to successfully develop PC333 DDR products and used 0.14 μ m manufacturing process to make mass production of DDR 400 to ensure the leadership in the field of DDR products.
- j. NTC uses 0.14 μ m manufacturing process to develop and make mass production of special memory of DDRI 28Mb.
- k. NTC uses 0.11 μ m manufacturing process to develop and make mass production of DDR1 256Mb、512Mb.
- l. NTC uses 0.11 μ m manufacturing process to develop DDR2 400、533、667、800 and makes mass production of them. That will ensure us a leading position in DRAM industry.
- m. NTC uses 0.09 μ m manufacturing process to develop DDR1 512Mb/DDR2 400、533、667、800 to ensure and strengthen the competitiveness in DDR2 product.
- n. NTC uses 0.07 μ m manufacturing process to complete the sample of DDR2 512Mb, DDRII 1Gb, DDRIII 1Gb to ensure the leadership in the field of the advanced manufacturing process in the world.
- o. We plan to present DDR2 1Gb、DDR3 1Gb DRAM in 68&50 production in 2009.

1.4 Short Term and Long Term Plan for Business Development

NTC set its short term operation goal at product with high capacity, high unit price and high added value by its advantage of technology and its current capacity.

The products include 4GB/2GB/1GB/512MB RDIMM for server, 2GB/1GB/512MB SODIMM for notebook and so on. Moreover, it will further its development of DDRIII products. In the future, NTC would continue to expand its capacity and specialize in DRAM industry.

2 Market And Sales

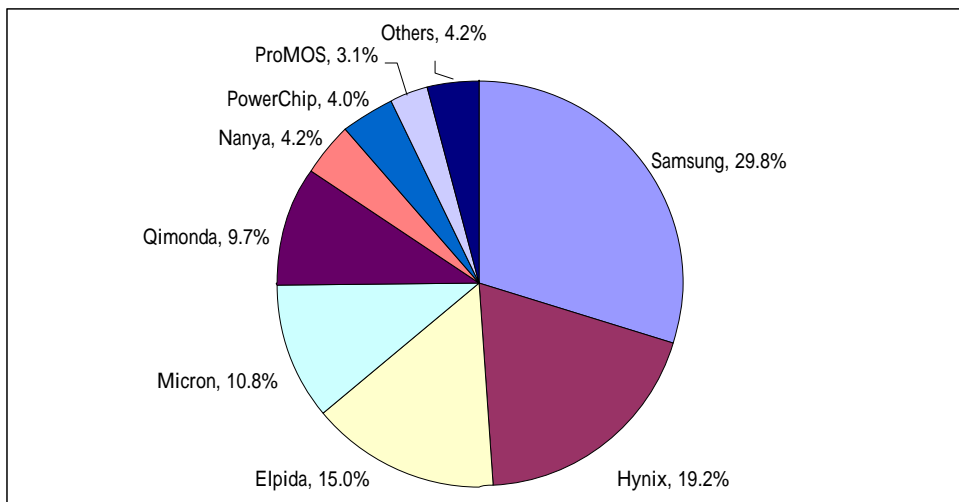
2.1Market Analysis

2.1.1 Main Sales Areas

In addition to North America and domestic market, NTC has extended its sales efforts to Japan, Europe, HK, and China. With NTC's endeavor to penetrate every market, activities have been performed around the globe with fruitful achievements.

2.1.2 Market Share

The mains DRAM suppliers in the world are Samsung and Hynix in Korea, Elpida in Japan, Micron in U.S., and Taiwanese manufacturers. The market share of NTC in 2008 was 4.2%, being the top 6 supplier in the world.



Source: IDC 2009

2.1.3 Market Supply and Demand and the Prospect of Future Growth

(A)Supply side

According to IDC, DRAM Production value in 2008 was US\$ 24.021 billion, 23.2% lower than in 2007. In 2008, the DRAM market is over-supplied. The overall DRAM price dropped 51% in 2008. The supply and price of DRAM market are expected to be stable after the capital expenditure of the DRAM market is decreased.

(B) Demand Side

The increasing expenditure in business's information technology (IT) and the growing demand for desktop, NB, Server, digital consuming products, wireless network and network station are expected to increase the demand for DRAM. While international PC manufacturers develop new types of computer, they usually raise the DRAM contained in new computers. Those all enhance the demand for DRAM.

(C) Future Outlook

Instead of the retardation in PC growth, the popularity in internet raises the sever volume and hence increases the DRAM volume. The non-PC products such as consumer and communication products, increase the demand of DRAM yearly. So, the growth of DRAM products will be expected to maintain at 30%.

2.1.4 Competitive Advantage

NTC's product, DDR (DIMM), has become one of the major DDR DRAM suppliers worldwide and NTC has successfully entered the OEM market ever since. Major customers are global leading computer companies, including Dell, HP, SONY, Fujitsu, Siemens, Apple, IBM, SUN, Lenovo, Acer, and Asus. Sales revenue generated from OEM market has accounted for 70% of total sales. Price with contract obligation is more stable than the price in the spot market; therefore, contract price provides a relatively stable profit for NTC. Not only will NTC propose DDR, DDRII, and DDRIII products, it will also focus on developing graphic and low- volatile memory chips. Complete production lines will enhance an even larger profit margin and further avoid the risk of over-concentration.

2.1.5 Favorable and Unfavorable Factors for Future Development

(A) Favorable Factors

1. The DRAM market has become a monopoly market.
2. Due to the transfer of DRAM capacity and Flash or other product, DRAM manufacturers can transfer the capacity to other advantageous product depending on the demand. This situation makes to widen the application of DRAM capacity and elasticity of DRAM supply (to produce is not is the only choice). Capacity will be balance.
3. Increasing popularity among multimedia, network, and telecommunication appliances, and the emergence of information appliances will help the future development for DRAM industry.
4. Backed by Formosa Plastics Group financially, NTC makes other companies even harder to compete at the same level; meanwhile, with incorporation with Formosa's well-managed production management systems, NTC is capable of

taking advantage of cost control, purchase power, price negotiation over competitors.

5. Knowing the fact that the ability of R & D is the foundation for the semiconductor company, NTC is consistently engaging in production design and manufacture process. Besides, NTC and Micron reached an agreement to co-develop the manufacturing technology under 50nm. Micron has excellent performance in manufacturing process development. NTC has competitive advantage of cost control and manufacturing ability over competitors. Strategic alliance with Micron will enable NTC and Micron to have the leading position in manufacturing process and production capacity and to enhance its ability for continuous operation.

(B) Unfavorable Factors and Strategy

Facing with highly volatile business environment, fierce competition, and vast amount of needed capital and investment, NTC is implementing strategies as followed:

1. To penetrate market with new product to have first-in advantage, and to acquire higher premium.
2. To develop and promote high-end server to enrich our profit.
3. Continuous technology enhancement to reduce production costs.
4. Actively to adjust products combination, to increase non-system DRAM sales percentage, and to fully utilize equipments and capacity in order to stay afloat in DRAM industry.
5. To collect information to know the development of the DRAM market exactly.

2.2 Production Applications and Manufacturing Process

2.2.1 Major Production Applications

The main products of NTC are DRAMs and other memory products used to store enormous data while processing information. The application scope of NTC's products is extensive, such as computers, telecommunications and consumer products.

2.2.2 Manufacturing Process

Production of integrated circuits can be categorized into three phases, wafer production, IC manufacturing, and IC package. NTC's core business focuses on IC manufacturing, a complex manufacturing process, often done with hundreds of different procedures within two months before it is finished. Primarily, after reiterating process of photo, etching, oxidation, ion implantation, thin film...etc, wafer, then is delivered to test and assembly.

2.3 Major Materials Supply Status

Main materials include prime wafer, chemicals, resistance, special gas, and polish. The NTC's suppliers are the worldwide major semiconductor material suppliers, which are from Japan, America and Taiwan, and have been cooperating with NTC for a long time. Therefore, not only the quality of the materials provided by them is better than general but also has a stable supply. We are sure that the purchasing process is fair and justice by applying a web buying platform to avoid malpractice. The buying case is posted on the web for quotation. Suppliers can offer a quotation after confirming their identification by electronic seal. We can promise the whole process is safe and fair and the buying schedule will be shortened. There are over 8,000 suppliers has joined the platform.

2.4 Major Vendors and Customers in the Past Two Years

2.4.1 List of Customers That Have Proportion to Net Sales Over 10% in the Past Two Year

Unit: Thousand NTD; %

Year	Name	Amount	Proportion to net sales	Relation
2007	NTC USA	16,622,920	31.43%	Subsidiary
2008	NTC USA	10,067,867	27.73%	Subsidiary

Our USA Subsidiary is responsible to promote NTC's product to US market. US customers place their order through our US subsidiary. So NTC USA is our main customer.

2.4.2 List of Vendors That Have Proportion to Purchase Amount over 10% in the Past Two Year

Unit : Thousand NTD ; %

Year	Name	Amount	Proportion to purchase	Relation
2007	Inotera Memories Inc.	22,984,160	73.24%	affiliated enterprise
2008	Inotera Memories Inc.	18,557,964	72.86%	affiliated enterprise

Inotera Memories Inc. was co-funded by NTC and Micron. Inotera Memories Inc. will sell half its product to NTC, so Inotera Memories Inc. has a big proportion in our buyout amount.

2.5 Production Capacity/Quantity/Value Over the Past Two Years

Unit : Thousand Chips / Thousand NTD

Year	2007			2008		
Product \ Production	Capacity	Quantity	Value	Capacity	Quantity	Value
Memory	870 thousand wafers /Year	811,002	55,155,881	1,210thousand wafers /Year	1,040,017	61,734,073

2.6 Sales Quantity/Value Over the Past Two Years

Unit: Thousand NTD/Thousand Chip; Wafer

Year Product	2007				2007			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Memory	142,785	7,836,308	617,857	44,955,341	179,543	6,492,497	700,103	29,709,961
Other	0	102,545	0	0	0	109,356	0	0
Total	142,785	7,938,853	617,857	44,955,341	179,543	6,601,853	700,103	29,709,961

3. Personnel status

Unit : Person

Year		2007	2008	As of April 3, 2009
Employee	Indirect Labor	1,160	1,046	983
	R&D Engineer	2,203	1,768	1,725
	Direct Labor	1,940	1,525	1,482
	Total	5,303	4,339	4,190
Average Age		31	32	32
Average Years of Service		4.49	5.6	5.91
Percentage of Education	Ph.D.	0.77%	0.85%	0.86%
	MS/MA	20.68%	20.77%	21.05%
	BS/BA or College	55.13%	55.63%	55.58%
	High School	23.25%	22.15%	22.24%
	Others	0.17%	0.6%	0.26%

4. Environmental Protection Measures

4.1 NTC pays much attention to environment protection activities, pouring a large amount of money in building anti-pollution facilities, operation, and maintenance. In addition, NTC has the professional employees who acquire the certificates of environment protection to operate those facilities as required by law. Therefore, all the facilities have been operated under good conditions and have been improved to meet higher standards. Any disposals of waste gas, water, and other materials are under the guideline imposed by government. The expense in environment protection was spent in building the environment protection facilities, paying the penalty and regulation fee for applying the environment protection related licenses. As of 2008, the total penalty is 180 thousand dollars. The violation is shortly described as below:

1. Fab-2 broke the Article 7 of the water pollution law and paid a NT\$60,000 fine. The fact of the violation is that because the fluoride sodium in the processing of waste water cannot match the standard. The condition is not happening again because Fab-2 has terminated its production.
2. Fab-3 violated Article 14 Item 1 of Water pollution Law and was fined NT60,000 by Taipei County government. The fact of the violation is that emission of waste water

before the emission document is ready. Fab-3A already got the waste water emission document on hand on Feb.5 2008.

3. Fab-3A violated Article 35 Item 1 of Toxic Chemical Material Management Law and was fined NT60, 000 by Taipei County Government. The fact of the violation is that the daily operation of toxic chemical material is not recorded as requirement format. The format has been revised and will enhance the management concept of the worker.

5. Employee Relations

5.1 There are restaurants, food court, convenient stores, barber shops, laundry rooms, hospital, playing fields, and MTV entertainment facilities inside the company; Dormitories and commute buses are also provided to resolve the commuting problem for employees living far from the company. NTC employees' welfare committee provided travel allowance. There are lucky draws in the year-end party.

5.2 Through education and special training programs provided by the company, it is hoped that life-long learning progress will not stop for both employees and the company. Also, the training and education could help employee be adapted to the working environment and blend in. We also provide both basic and professional training for work to enhance the leadership and administration ability to our employees. Through sound course scheme, we can provide the efficient knowledge and skills for various positions. Besides, the company collaborates with some well-known universities to offer opportunities for employees to acquire advanced knowledge to enhance competitiveness.

5.3 Retirement: Retirement system is in line with labor-related law and well enforced.

5.4 To facilitate an interactive environment for both workers and employers, a number of communication channels have been set up to maintain a pleasant working environment.

5.5 As of today, the communication between labor and company is pretty smooth.

6. Important Contracts

Nature	Contracting	Term of Agreement	Summary	Restriction Clauses
Technology cross-licensing Agreement	IBM	11/24/1998~12/31/20011	Technology Licensing Agreement	Sublicense to any third party other than NTC's subsidiary are prohibited
Technology Licensing Agreement	ITRI ERSO	05/28/2002-05/27/2009	Technology Licensing Agreement	Licensing Suspended
Early-Stage Technology Licensing Agreement	ITRI	06/01/2003~05/31/2010	Technology Licensing Agreement	None
Syndicated Loan Agreement	Taipei Fubon Bank	01/09/2008-01/09/2013	Syndicated Loan Agreement	Financial ratios complying with the regulation in the Agreement
Syndicated Loan Agreement	Mega Bank	09/10/2008-09/10/2013	Syndicated Loan Agreement	Financial ratios complying with the regulation in the Agreement
Service Contract	Inotera Memory Inc	07/15/2003~Agreement Terminates	Service Contract	None
Joint-Venture Agreement	Micron Technology Inc.	11/26/2008-the agreement terminated	Joint-Venture Agreement	None
Co-development Agreement	Micron Technology Inc.	11/26/2008-the agreement terminated	Co-development Agreement	None
Technology Transfer Agreement	Micron Technology Inc.	11/26/2008-the agreement terminated	Technology Transfer Agreement	None
Supply Agreement	Micron Technology Inc.	11/26/2008-the agreement terminated	Product supply	None

Financial Statements

1. Brief Statements of Balance Sheet, Income Statement, Auditors' Name and Opinion

Brief Statement of Balance Sheets

Unit : Thousand NTD

Year Item		Financial data from 2004 to Mar. 31. 2009 (Note1)					As of Mar.31.2009
		2008	2007	2006	2005	2004	
Current Assets		15,535,901	23,478,507	67,530,337	34,204,202	21,249,035	13,151,051
Long-term Investments		20,956,167	26,253,168	29,323,720	21,463,927	18,981,165	19,351,491
Fixed Assets		69,197,296	80,191,354	32,807,189	34,382,643	42,305,886	66,249,570
Intangible assets		7,297,780	3,349,827	4,641,100	7,113,416	6,861,026	6,577,416
Other Assets		3,502,922	3,486,069	1,209,882	3,562,340	5,722,157	3,491,040
Current Liabilities	Before Distribution	27,301,798	35,860,869	14,901,513	18,187,472	19,639,353	31,255,596
	After Distribution	27,301,798	35,860,869	28,056,547	18,945,036	19,639,353	31,255,596
Long-term Liabilities		60,237,350	35,040,210	42,310,408	23,995,962	17,694,700	59,251,901
Other Liabilities		774,070	575,564	1,131,544	1,022,697	1,067,217	580,655
Common stock		46,933,975	46,935,385	39,472,674	38,308,204	35,958,088	46,933,975
Capital Surplus		25,133,947	25,160,496	17,801,694	14,358,397	14,184,343	25,150,219
Retained Earnings	Before Distribution	(43,651,262)	(6,921,246)	21,134,424	5,370,027	(138,849)	(54,164,096)
	After Distribution	(43,651,262)	(6,921,246)	1,806,331	3,734,453	(138,849)	(54,164,096)
Translation Adjustments		11,715	28,739	24,413	20,843	24,227	16,652
Treasury Stock		(347,533)	(467,634)	(2,100,801)	(561,468)	(347,672)	(347,533)
Total Assets		116,490,066	136,758,925	135,512,228	100,726,528	95,119,269	108,820,568
Total Liabilities	Before Distribution	88,313,218	71,476,643	58,343,465	43,206,131	35,588,420	91,088,152
	After Distribution	88,313,218	71,476,643	72,122,407	43,963,695	35,588,420	91,088,152
Total Shareholder's Equity	Before Distribution	28,176,848	65,282,282	77,168,763	57,520,397	49,176,036	17,732,416
	After Distribution	28,176,848	65,282,282	63,389,821	56,762,833	49,176,036	17,732,416

2. Note1: The latest 5-year financial data is audited by CPA.

Brief Income Statement

Unit : Thousand NTD

Item \ Year	Financial Data Over the Past Five Years (Note 1)					As of
	2008	2007	2006	2005	2004	Mar.31.2009
Sales Revenue	36,311,814	52,894,192	75,114,831	49,771,582	40,520,966	6,171,965
Gross Profit (Loss)	(15,789,640)	936,500	23,084,379	7,467,066	13,924,828	(6,988,978)
Operating Profit (Loss)	(24,114,368)	(8,974,159)	14,380,734	591,345	8,294,547	(8,346,848)
Non-Operating Income	776,648	2,151,130	6,961,571	3,635,226	682,992	229,392
Non-Operating Expenses (Note 2)	13,392,073	5,635,938	959,929	940,181	1,097,993	(2,395,350)
Continually Operating Department Income Before Tax	(36,729,793)	(12,458,967)	20,382,376	3,286,390	7,879,546	(10,512,806)
Continually Operating Department Net Income	(36,730,016)	(12,457,972)	17,400,847	2,328,125	7,037,862	(10,512,834)
Discontinue Operating Department Net Income	-	-	-	-	-	-
Extra Ordinary Income (Loss)	-	-	-	-	-	-
Effect of Accounting Changes	-	-	(876)	-	-	-
Net Income	(36,730,016)	(12,457,972)	17,399,971	2,328,125	7,037,862	(10,512,834)
Earning Per Share (Dollars)	(7.86)	(2.89)	4.35	0.58	1.89	(2.25)

Note1: Financial data over the past five years has been audited by CPA.

1.3.Auditors' Opinion

Year	CPA Firm	CPA	Auditors' Opinion
2004	KPMG Certified Public Accountants	Wu, Tong-Her and Lee, Tzu-Hui	Modified Unqualified
2005	KPMG Certified Public Accountants	Lee, Tzu-Hui and Kou, Hui- Chih	Modified Unqualified
2006	KPMG Certified Public Accountants	Lee, Tzu-Hui and Kou, Hui- Chih	Modified Unqualified
2007	KPMG Certified Public Accountants	Lee, Tzu-Hui and Kou, Hui-Chih	Modified Unqualified
2008	KPMG Certified Public Accountants	Ko, Hui-Tzu and Wu, Chiu-Hwa	Modified Unqualified

3. Financial Analysis

Year Item		Financial Ratio over past 5 Years					As of Mar.31.2009
		2008	2007	2006	2005	2004	
Financial Structure (%)	Debts Ratio	75.81	52.26	43.05	42.89	40.37	83.70
	Long-term Funds to Fixed assets	127.77	125.10	364.19	239.47	159.29	116.20
Liquidity Analysis (%)	Current Ratio	56.90	65.47	458.92	207.64	108.20	42.08
	Quick Ratio	32.67	47.37	403.14	135.51	51.63	25.05
	Time Interest Earned (times)	(26.43)	(13.10)	29.23	5.04	8.98	(29.63)
Operating Performance Analysis	Net sales to Account Receivable Ratio (times)	5.66	4.52	6.16	6.58	7.04	5.07
	Receivables Collection Period	65	81	59	55	52	72
	Inventory Turnover (times)	8.65	9.56	8.72	6.32	4.33	9.57
	Cost to Account Payable Ratio (Times)	4.01	3.94	7.02	7.70	6.17	6.37
	Average Selling Days	42	38	42	58	84	38
	Fixed Assets Turnover (times)	0.52	0.66	2.29	1.45	0.96	0.37
	Total Assets Turnover (times)	0.31	0.39	0.55	0.49	0.43	0.23
Profitability Analysis (%)	Return on Total Assets (%)	(28.21)	(8.66)	15.19	3.00	8.65	(36.41)
	Return on Equity (%)	(78.60)	(17.49)	25.84	4.08	13.29	(183.19)
	Income to Share Issued Ratio (%)	Operating Income	(51.38)	(19.12)	36.43	1.54	23.12
		Income before Tax	(78.26)	(26.55)	51.64	8.58	21.97
	Return on sales (%)	(101.15)	(23.55)	23.16	4.68	17.37	(170.33)
	Earnings Per Share (NTD)	(7.86)	(2.89)	4.35	0.58	1.89	(2.25)
Cash Flows (%)	Cash Flow Ratio (%)	(36.20)	24.66	148.51	76.99	83.40	(20.65)
	Cash Flow Adequacy Ratio (%)	54.10	74.27	172.74	95.16	49.85	31.98
	Cash Flow Reinvestment Ratio (%)	(7.55)	(2.68)	12.55	9.54	13.99	(5.25)
Leverage Ratio	Operating Leverage	0.36	0.04	166.24	21.56	2.27	0.55
	Financing Leverage	0.95	0.91	1.05	(2.66)	1.14	0.96

Please specify the reason that the various financial ratio fluctuate more than 20 %

1. Because the DRAM price decreased in 2008, the ratios of the financial structure, the liquidity analysis, the profitability analysis, and the leverage decreased.
2. The average account receivables in 2008 is much less than 2007, the net sales to A/R ratio in 2008 is higher than 2007.
3. The variable operation cost and expense in 2008 lowered, the operation leverage is higher than 2007.
4. The gross margin is much lower in 2008 compared to 2007, the net cash-in from operation decreased. Thus the cash flow ratio dropped in 2008.
5. Due to the revenue decreased, the fixed asset turnover and total asset turnover rate dropped as well.

Calculation Formulas are as followed:

1. Financial Structure
 - (1) Liabilities to Assets Ratio= Total liabilities/ Total assets
 - (2) Long-term Funds to Fixed Assets Ratio= (Net equity + Long-term debt)/ Net fixed assets
2. Liquidity Analysis
 - (1) Current Ratio = Current Assets/ Current Liabilities
 - (2) Quick Ratio = (Current Assets – Inventory- Prepaid Expenses)/ Current Liability
 - (3) Time Interest Earned (times) =Net income before tax and interest expense/ Interest expense
3. Operating Performance
 - (1) Net Sales to Account Receivable Ratio (times) (Including Notes Receivables resulted from operating) = Net sales/ Average balance of account receivables (Including Notes Receivables resulted from operation)
 - (2) Receivables Collection Period = 365/ Accounts and Notes receivables turnover
 - (3) Inventory Turnover = Cost of good sold/ Average balance of inventory
 - (4) Cost of Sales to Accounts Payable Ratio (Including Note Payables resulted from operation) = Cost of good sold (Including Note Payables resulted from operation)/ Average account payables
 - (5) Day's inventory = 365/ Inventory turnover ratio
 - (6) Fixed Assets Turnover Ratio = Net sales/ Net fixed assets
 - (7) Total Assets Turnover Ratio = Net sales/ Total assets
4. Profitability
 - (1) Return on Assets = (Net income + Interest expense (1-Tax Rate))/ Average total assets
 - (2) Return on Equity = Net income/ Net average equity
 - (3) Return on Sales = Net income/ Net sales
 - (4) Earnings Per Share = (Net income – Preferred dividends)/ Weighted average outstanding shares
5. Cash Flows
 - (1) Cash Flow Ratio = Cash flows from operating activities/ Current liability
 - (2) Cash Flow Adequacy Ratio = Cumulative operating cash flows for the last 5 years/ (Amount of capital expenditure+ Increased inventory+ Cash dividends) for the last 5 years.
 - (3) Cash Flow Reinvestment ratio = (Cash flows from operating activities – Cash dividends)/ (Gross fixed assets + Long-term investment + Other assets + Operating cash)
6. Leverage Ratio
 - (1) Operating Leverage = (Net sales- Operating variable cost and expenses)/ Operating income
 - (2) Financial Leverage = Operating income/ (Operating income- Interest expense)

3. Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2008 Business Report, proposal for Profit Distributions, Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Statement of Cash Flow. These statements have been audited by CPAs of KPMG Certified Public Accountants. The above Business Report, proposal and statements have been further examined as being correct and accurate by the supervisors of Nanya Technology Corporation. According to Article 219 of the Company Law, we hereby submit this report.

Nanya Technology Corporation

Supervisor	Shih-Ming Hsieh
Supervisor	Mao-Lin Tsai
Supervisor	Ming-Long Huang

April 15th 2009

4. Financial Statements

Please refer to Appendix A

5. Consolidated Financial Statements (Summary Financial Statements)

Please refer to Appendix B

6. As of April 3rd, 2008, if the company and its affiliates have financial difficulties, please list its impact on the company operation: N/A

Review and Analysis of Financial Status, Operating Results, and Risk Management

1. Analysis of Financial Status

Unit: Thousand NTD

Item \ Year	2008	2007	Differences	
			Amount	Percentage
Current Assets	15,535,901	23,478,507	(7,942,606)	(33.83)
Long-term investment	20,956,167	26,253,168	(5,297,001)	(20.18)
Fixed Assets	69,197,296	80,191,354	(10,994,058)	(13.71)
Intangible Assets	7,297,780	3,349,827	3,947,053	117.86
Other Assets	3,502,922	3,486,069	16,853	0.48
Total Assets	116,490,066	136,758,925	(20,268,859)	(14.82)
Current Liabilities	27,301,798	35,860,869	(8,559,071)	(23.87)
Long-term Liabilities	60,237,350	35,040,210	25,197,140	71.91
Other Liabilities	774,070	575,564	198,506	34.49
Total Liabilities	88,313,218	71,476,643	16,836,575	23.56
Capital Surplus	46,933,975	46,935,385	(1,410)	0.00
Paid-in Capital	25,133,947	25,160,496	(26,549)	(0.11)
Retained Earnings	(43,651,262)	(6,921,246)	(36,730,016)	530.69
Total Shareholder's Equity	28,176,848	65,282,282	(37,105,434)	(56.84)

1.1 The explanation of major difference (The amount of difference over 10,000 thousand NTD and the ratio of difference over 20%):

- A. Current Asset: The current account with others amount in 2008 is less than 2007.
- B. Long-Term Investment: The net loss of Inotera Memories Inc. in 2008 increased.
- C. Intangible Assets: The technology cooperation fee increased in 2008.
- D. Current Liabilities: The account payable increased in 2008.
- E. Long-Term Liabilities: The long term debt increased NT38, 000 million dollars in 2008.
- F. Other Liabilities: Due to the net loss of our long-term investment company Pei-Jen Corporation.
- G. Retained Earning : Because of net loss in 2007.
- H. Total Shareholder's Equity: The accumulated loss increased in 2008.

2. Reviews and Analysis of Operating Results

2.1 Comparative Analysis

Unit: Thousand NTD

Item	2007		2006		Difference	Percentage changed (%)
	Subtotal	Total	Subtotal	Total		
Total Sales Revenue	37,376,532		54,069,138		(16,692,606)	(30.87)
- : Sales Allowance	961,218		719,906		241,312	33.52
Sales Discount	<u>103,500</u>		<u>455,040</u>		(351,540)	(77.25)
Net Sales		36,311,814		52,894,192	(16,582,378)	(31.35)
Operating Costs		<u>52,057,838</u>		<u>52,472,402</u>	(414,564)	(0.79)
Gross Profit (Loss)		(15,746,024)		421,790	(16,167,814)	(3,833.14)
- : Unrealized Gross Profit from affiliates		38,592		82,208	(43,616)	(53.06)
+ : Realized Gross Profit(Loss) from affiliates		<u>(82,208)</u>		<u>432,502</u>	(514,710)	(119.01)
Gross Profit (Loss)		(15,789,640)		936,500	(16,726,140)	(1,786.03)
Operating Expenses		<u>8,324,728</u>		<u>9,910,659</u>	(1,585,931)	(16.00)
Operating Income		(24,114,368)		(8,974,159)	(15,140,209)	168.71
Non-operating Income		776,648		2,151,130	(1,374,482)	(63.90)
Non-operating Expenses		<u>13,392,073</u>		<u>5,635,938</u>	7,756,135	137.62
Net Income before Tax (Loss)		(36,729,793)		(12,458,967)	(24,270,826)	194.81
Income Tax expense		<u>(223)</u>		<u>995</u>	(1,218)	(122.41)
Net Income (Loss)		<u><u>(36,730,016)</u></u>		<u><u>(12,457,97)</u></u>	(24,272,044)	(194.83)

The explanation for the ratio of difference over 20% :

- A. Sales revenue changed (31)%: Supply exceeded demand because of the global economic downturn. The sales price went down so the sales revenue went down.
- B. Sales allowance changed 34%: Part of our product is not qualified by customers' requirement. The sales allowance is higher.
- C. Sales discount changed (77)% : The selling price is lower than cost so the allowance is lower as well.
- D. Sales revenue changed 31%: The sales revenue decreased.
- E. Gross profit changed (3,833)% : Because the average sale price decreased dramatically, the gross profit decreased.
- F. Unrealized gross profit from affiliates changed (119)% : Due to the decrease of inventory of NTC USA in 2008.
- G. Realized gross profit from affiliates changed 119% : That is gross loss from affiliates in 2008.
- H. Gross Loss changed (1,786)%: The average selling price is lower than cost this term.
- I. Operating profit changed 169%: The gross loss in 2008 is less than 2007.
- J. Non-operating income changed 64%: The investment loss, interest income and exchange

profit in 2008 is less than 2007.

K. Non-operating expenses and losses 138%: Because of the investment loss and loss on inventory valuation and obsolescence.

L. Income before tax 195%: Due to the gross loss and non-operating expenses and loss increased.

M. Income tax changed (122)%: The short-term note and bill is adapted to 20% tax rate.

N. Net Income changed (195)%: Due to the investment loss and loss on inventory valuation and obsolescence increased in 2008.

2.2 Operating Profit Analysis

Unit: Thousand NTD

	Difference between Periods	Related Factors			
		Pricing Difference	Cost Difference	Sales Combination Difference	Quantity Difference
Gross Profit	(16,167,814)	(52,372,948)	34,118,273	2,020,914	65,947

A. Pricing Difference : The demand of DRAM is weak in 2008 due to the impact of global financial tsunami. The ASP dropped dramatically thus the pricing difference is occurred.

B. Cost Difference : Due to the maturity of manufacturing process and the higher yield rate, the average unit cost dropped.

C. Sales Combination Difference : The sale proportion of higher unit gross profit increased.

D. Quantity Difference : The yield rate is higher so that the production dies increased.

3. Reviews and Analysis of Cash Flows

3.1 Analysis of Cash Flows in 2008

Unit: Thousand NTD

Beginning Cash Balance	Projected cash Flows from Operating Activities	Whole Year Cash Outflows Projection	Ending Balance	Remedy	
				Investment Plan	Investment Plan
2,448,103	(9,883,955)	32,745,370	(40,181,984)	10,644,377	32,055,492

A. Operating activity : Due to the decrease in ASP, the cash inflow from operating activity was NT\$ 18,727,078 thousand less than that in 2007.

B. Investing activity : Cash outflow from investing activity in 2008 decreased NT\$ 28,063,015 thousand. The major changed item comes from the decrease of purchase of fixed assets.

C. Financing activity : Cash inflow from financing activity in 2008 increased NT\$ 17,175,423 thousand. The reason was that the increase of loans and the decrease of corporate bond payback.

D: Remedy for cash shortage and liquidity analysis :

(1) The remedies for cash shortage in 2008: N/A.

(2)Liquidity analysis:

Item \ Year	2008	2007	Difference
Cash Flow Ratio (%)	(36.20)	24.66	(246.80)
Cash Flow Adequacy Ratio (%)	54.10	74.27	(27.13)
Cash Flow Reinvestment Ratio (%)	(7.55)	(2.68)	181.72

Explanation for difference over 20% :

The gross profit in 2008 decreased substantially compared to that in 2007. Net income also decreased substantially. These reasons made the cash inflow from operating activity decreased as well. Cash Flow, Cash Flow Adequacy Ratio and Cash Flow Reinvestment Ratio are lower than 2007.

3.2 Projected One-Year Cash Flows Analysis

Unit: Thousand NTD

Beginning Cash Balance	Projected cash Flows from Operating Activities	Whole Year Cash Outflows Projection	Ending Balance	Remedy	
(1)	(2)	(3)	(1)+(2)-(3)	Investment Plan	Financing Plan
2,506,146	(16,129,642)	(35,847,618)	(49,471,114)	-	52,964,683

The projected cash flow from operating activity for the coming year is NT\$ 16.1billion and the projected cash outflow is NT\$35.8 billion. These include the expenditure in construction of Fab-3 and payment of loans. Thus, the projected cash shortage for the year will be NT\$ 49.5 billion. NTC will raise another NT\$ 53 billion in 2009 for the cash shortage and further expenditure of Fab-3.

4 Impact of Major Capital Spending on Financial Operation

4.1 Use of Funds and Source of Funds for Major Capital Spending

Unit: Thousand NTD

Item	Actual or Projected Source of Funds	Actual or Projected Date of Completion	Actual or Projected Source of Funds					
			2006	2007	2008	2009	2010	Total
Fab-3 Construction	Capital , corporate bond and bank Loan	2010.12.31	2,284,775	44,776,669	11,397,645	13,835,231	37,097,717	109,392,037

4.2 Projected Efficiency

Unit: Thousand NTD

Year	Item	Production Volume (K Dies)	Sales Volume (K Dies)	Sales Revenue	Gross Profit
2007	DRAM	15,176	15,176	232,488	-290,077
2008	DRAM	370,620	370,620	30,674,189	7,575,401
2009	DRAM	622,080	622,080	45,619,252	15,628,805
2010	DRAM	622,080	622,080	43,006,197	14,791,681
2011	DRAM	622,080	622,080	40,203,055	12,496,696
2012	DRAM	622,080	622,080	39,561,573	11,521,639

5. The investment policy in recent year, the reason for loss and gain, plan for improvement and the one-year projected future investment: N/A

6. Risk Management

6.1 Impact of Interest Rate, Foreign Exchange Rate, and Inflation on Profitability and subsequent Remedy:

6.1.1 Interest Rate:

Most long-term debts are floating rate agreements, known as interest rate swaps and signed with a number of well known international banks, to hedge interest rate risk, thus, leaving NTC exempt from interest rate risk exposure.

6.1.2 Foreign Exchange Rate:

After revaluation, most of unrealized gains or losses on exchange of foreign currencies are coming from assets and liabilities, both denominated in foreign currencies. Gain in foreign exchange in 2008 is NT\$203,779 thousand, accounted for 0.56% of total revenue; as of today, no significant gains or losses are recorded. Because our sales revenue is mostly booked and billed at US dollars, so do purchases of materials, machines, and equipments, NTC prepares schedule for future foreign currency offset by receivables and payables at the beginning of every year in accordance with time frame, supply and demand, leaving rooms for buffer. Moreover, finance department will also pay attention to foreign accounts balance between receivables and payables. NTC will engage in, if necessary, a series of derivative contracts abided by the guidelines of procedures of engaging in derivative instruments to avoid loss on exchange of foreign currency. Those strategies mentioned above are aimed to minimize the impact of foreign exchange risk on revenue and profit.

6.1.3 Inflation:

Directorate General of Budget Accounting and Statistics Executive Yuan, R.O.C. announced that CPI in 2008 raised 3.53%. The effect of inflation is unlikely to weigh on financial statements in 2008.

6.1.4 Risk Management in FPG:

FPG's information systems are all self-developed and tailored made to fit our organization and internal guidelines. We emphasize on job distribution and the balance of each department's authority. Our daily operation worked individually such as buying and tendering, fund procurement and risk management between finance front and rear desk to avoid operation risk. FPG's management information systems contain six management functions, which includes HR management, operation management, production management, engineering management, asset management and financial and accounting management. Those information systems linked to each other and the data can be used

repeatedly once the data has been entered to the system. The system will pop out alert message when abnormal condition is detected. With those advantages mentioned above, our operation management function can perform both risk and operation management.

6.2 Policies and Remedies of engaging in High Risk, High Leverage Investments, Loans to others, Commitments, and Financial Derivative Instrument Transactions, and Reasons for Gain or Loss:

- A. NTC did not engage in any kinds or any forms of high risk and high leverage investments.
- B. In 2008, the ending balance lent to Pei Jen Co., Ltd. a subsidiary was NT\$ 0 thousand to, booking NT\$ 2,459 thousand in interest revenue, the ending balance lent to Formosa Heavy Industries Corp. was NT\$ 0, booking NT\$95 thousand in interest revenue, the ending balance lent to Formosa Petrochemical Corporate was NT\$ 0 thousand, booking NT\$ 30,404 thousand in interest revenue, the ending balance lent to Nan Ya Plastics Corporation was NT\$ 0 thousand, booking NT\$ 54,817 thousand in interest revenue, the ending balance lent to Formosa Chemicals & Fibre Corporation was NT\$ 0 thousand, booking NT\$ 33,495 thousand in interest revenue, and the ending balance lent to Formosa Plastic Corporation was NT\$0 thousand, booking NT\$ 82,360 thousand in interest revenue. All these procedures were in accordance with the guideline of loans to others procedures.
- C. NTC did not engage in commitment activities.
- D. NTC's engagement in financial derivative instruments was not for trading, but followed by the guideline of procedures of engaging in financial derivative instruments transactions. NTC's engagement in interest rate swap and exchange and interest rate swap agreements are solely to avoid interest risk of long term debt and exchange rate fluctuation of oversea convertible debt. There is no substantial risk for NTC.

6.3 Development Plans on Hands, Unfinished R&D, and Additional Fund needed to Re-invest, Projected Schedule for Mass Production, and Other Factors.

- A. NTC signed a contract with Micron to joint develop 50nm and 50nm below technology. We are now using Micron 68nm technology in production by technology licensing. In the end of 3rd quarter of 2009, we plan to adapt 50nm technology in the 12-inch Fab and in mass production in 4th quarter of 2009.
- F. The research expense is expected to be 10%~20% of revenue.

6.4 The Impacts and Solutions of the Change of the Important Strategies and Laws on Finance and Business: Not Applicable

6.5 The Impacts and Solutions of latest Technology Improvement on Corporate Finance and Operation: Not Applicable

6.6 The Impact of the Change in Corporate Image on Corporate Crisis Management: Not Applicable

6.7 The expected Effect and possible Risk of Merge: Not Applicable

6.8 The expected Effect and possible Risk of the Factory Expansion:

6.8.1 Expected Benefit: Please see VII Review and Analysis of Financial Status, Operating Results, and Risk Management 4.2.

6.8.2 Risk Analysis:

6.8.2.1 Technology Risk: We are devoted ourselves to the most advanced technology in every generation, and our R&D expense is about 10%~15% revenue constantly. Now we are the leading company in DRAM industry worldwide. We use 70nm technology in Fab-3 for mass production and will use 50nm technology in the future. In April 2008, NTC signed a contract of joint development and joint venture with Micron. Thus, there will be no worries about the source of technology.

6.8.2.2 Market Risk: The DRAM market used to fluctuate a lot and has clear business cycle. Due to the integration of industry and expansion of the product application, the business cycle of DRAM becomes stable recently. Meanwhile, we will keep observe the DRAM supply-demand condition from time to time and apply the most advanced technology on our product to deal with changes of the market.

6.8.2.3 Finance Risk: We got a strong support from Formosa Group to start our 12-inch investment. Besides the cash inflow from operating activities, the capital increase, in a premise of healthy financial structure, borrow loans and issue corporate bonds are also our capital sources. The finance risk thus will be very low.

6.9 The risk of sales and purchases centralization:

Purchase: Inotera Memories Inc. was joint-developed by NTC and Qimonda. To increase both sides' production was main cause of IMI. NTC also signed a supply contract with IMI. Besides, NTC still got two Fabs. There will be no risk for centralized stocking.

Sell: NTC USA is mainly responsible for product promotion in USA. Our local customers put orders via NTC USA. There is no substantial risk for sales centralization.

6.10 The impact and risk of shareholdings transferring or change of directors, supervisors, shareholders whose shareholdings are more than 10%: Not Applicable

6.11 The impact and risk of the change of the management: Not Applicable

6.12 Litigation or Non-Litigation Events:

A. The Company's subsidiary Nanya Technology Corporation, U.S.A. has been involved in the "In re Dynamic Random Access Memory (DRAM) Antitrust Litigation" multidistrict litigation pending in the United States Court for the Northern District of California.

Nanya Technology Corporation, U.S.A. is involved in the DRAM cases litigation pending in the San Francisco Superior Court. To ensure it rights, the Company has undertaken an active defense posture regarding this case and has engaged the services of lawyers to properly handle it. Presently, it is difficult to determine the possible outcome and its potential impact on the Company.

- B. On January, 2005, Rambus filed a legal claim against the Company, Nanya Technology Corporation, U.S.A., and other companies asserting infringement of patents. This matter is currently being reviewed by the Company's lawyers. Presently, it is difficult to determine the possible outcome and its potential impact on the Company.
- C. Nanya filed to the Texas Federal Court in U. S. A. against NEC for a sentence. This lawsuit was to maintain the benefit of Nanya. To ensure its rights, the Company has engaged the services of lawyers to handle this case.
- D. Tessera Corporation in U.S.A. accused Nanya, NTC USA, and other corporations of Infringement of patents in the Texas Federal Court in U. S. A. and asked International Trade Commission to investigate Nanya, NTC USA, and other corporations. To ensure its rights, the Company has engaged the services of lawyers to handle this case.
- E. LSI and AGERE in U.S.A. accused Nanya, and other corporations of Infringement of patents in the Texas Federal Court in U. S. A. and asked International Trade Commission to investigate Nanya , and other corporations. To ensure its rights, the Company has engaged the services of lawyers to handle this case.

6.13 Other important risks: Not Applicable

7. Others: None

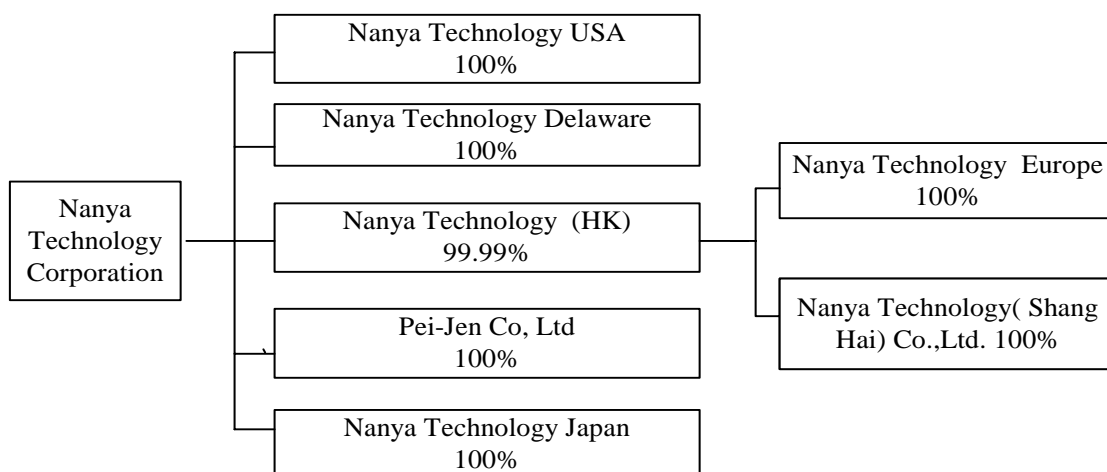
. Specific Notes

1. Affiliates Information

1.1 Consolidate Report

1.1.1 Generalization of NTC Affiliated Companies

(A) NTC Affiliated Companies Chart



(B) Affiliates Basic Information

Dec.31, 2007

Name	Registered date	Address	Capital Stock	Major Business Activities
Nanya Technology Corporation, U.S.A.	1997.04	2001 GATEWAY, PLACE 355 SUITE, SAN JOSE, CA 95110, U.S.A.	USD 720,000	Integrated Circuits Marketing
Nanya Technology Delaware	2008.10	5104 Old Ironsides Drive, Suite113 Santa Clara, CA 95054, U.S.A.	USD 800,000	Integrated Circuits Marketing and Designing
Nanya Technology Corporation, Japan	2002.09	Takanawa Empire Building 3F 3-24-18 Takanawa, Minatoku, Tokyo	JPY 70,000,000	Integrated Circuits Marketing
Nanya Technology (HK) Corporation Limited	2002.04	7th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	HKD 15,366,000	Integrated Circuits Marketing
Nanya Technology Corporation, Europe	2002.09	Kaistrasse 18, 40221, Duesseldorf, Germany	EURO 800,000	Integrated Circuits Marketing
Pei Jen Co.,Ltd.	1978.11	1 F No. 207 Dun Hua North Rd. Taipei	NTD 48,000,000	Foreign Trade
Nanya Technology (Shang Hai) Co. LTD.	2006.08	1118, Yen-An W Rd Room 1103、 1105 Chang-Ning District, Shang Hai City	USD 985,000	Integrated Circuits Marketing

(C) Shareholders of Nanya Technology Corporation and its affiliate, in which the two companies can be inferred as controlling company and its subordinate:

None

(D) Business Scope of Nanya Technology Corporation and its Affiliated Companies:

Business Scope of Nanya Technology Corporation and its Affiliated Companies are mainly in the fields of semiconductor develop, design, manufacture, and marketing, while Nanya Technology Corporation U.S.A, Nanya Technology Japan, Nanya Technology (HK) Corporation Limited, Nanya Technology Corporation Europe and Nanya Technology (Shang Hai) Co. LTD., are responsible for selling and marketing relevant products for Nanya Technology Corporation.

(E) Directors, Supervisors and Presidents of NTC Affiliates:

Unit : share; %

Name	Title	Name or Representative	Shareholdings	
			Share	Percentage (%)
Nanya Technology Corporation, U.S.A.	Chairman	Nanya Technology Corporation Representative: Jih Lien	2,400	100.00
	Director	Pei-Lin Pai	-	-
	President	Ken Hurley	-	-
Nanya Technology Delaware	Chairman	Nanya Technology Corporation Representative: Jih Lien	1	100
	Director	Nanya Technology Corporation Representative: Joseph Hsieh	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: Pei-Ing Lee	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: Joe Ting	Same as above	Same as above
Nanya Technology Europe	Director	Nanya Technology (HK) Corporation Representative: Sheng Tan Chao	-	-
Nanya Technology Japan	Director	Jih Lien	-	-
	Director	Nanya Technology Corporation Representative: Pei-Lin Pai	1,000	100.00
	Director	Otto Chang	-	-
	President	Shigehisa Iwata	-	-
	Supervisor	Ching-Ing Lee	-	-
Nanya Technology (HK) Corporation	Director	Nanya Technology Corporation Representative: Pei-Lin Pai	19,699	99.99
	Director	Otto Chang	1	0.00
Pei. Jen Co., Ltd.	Chairman	Nanya Technology Corporation Representative: Jih Lien	480,000	100.00
	Director	Nanya Technology Corporation Representative: Tommy Kuo	Same as above	Same as above
	Director	Nanya Technology Corporation Representative: Ching-Ing Lee	Same as above	Same as above
	Supervisor	Nanya Technology Corporation Representative: Moor H.M. Chen	480,000	100.00
	President	Tommy Kuo	-	-
Nanya Technology (Shang Hai) Co. LTD.	President	Nanya Technology Corporation Representative: Jih Lien	-	100.00

(F) Highlights of NTC Affiliates Operations

Unit : Thousand NTD Dec 31 2007

Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Net Income	Earning Per Share (NTD) (After Tax)
Nanya Technology Corporation, U.S.A.	20,392	1,652,392	1,547,806	104,586	10,564,344	15,546	12,745	5,311
Nanya Technology Delaware	26,759	26,287	-	26,287	-	(1)	(1)	(631)
Nanya Technology Europe	30,056	319,193	283,308	35,884	1,733,298	5,920	854	-
Nanya Technology Japan	20,161	703,361	708,765	(5,405)	1,337,762	7,027	(2,005)	(2,005)
Nanya Technology (HK) Corporation	66,271	71,449	11,936	59,513	2,188,802	731	(4,405)	(223.60)
Pei. Jen Co.	48,000	425,934	473,860	(47,926)	-	(94)	(29,606)	(61.68)
Nanya Technology (Shang-Hai) Trading, LTD.	32,367	19,634	7,607	12,027	41,147	(4,332)	(4,424)	-

Note : Applied Exchange Rate—(1) For capital, total assets, total liabilities, and net worth, 1USD = NT\$32.8600 rating revenue, operating profits, and net income, 1USD = NT\$31.5410
 (2) For capital, total assets, total liabilities, and net worth, 1 JPY = NT\$0.3626 operating revenue, operating profits, and net income, 1JPY = NT\$0.3060
 (3) For capital, total assets, total liabilities, and net worth, 1HKD = NT\$4.2270 operating revenue, operating profits, and net income, 1HKD = NT\$4.0510
 (4) For capital, total assets, total liabilities, and net worth, 1Euro = NT\$46.2500 operating revenue, operating profits, and net income, 1Euro = NT\$46.2820

1.2 Affiliation Consolidated Financial Statement

1.2.1 Proclamation

The affiliation report for 2008 is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and Criteria of Financial Accounting No. 7. The related information regarding affiliation companies has been disclosure in previous consolidated report. We will not prepare affiliation enterprise financial reports here again.

Nanya Technology Corporation

By

Chairman: Chia-Chau Wu

Mar. 5. 2009

1.2.2 Please see Appendix B for affiliation enterprise consolidated financial statement.

1.2.3 Affiliation Report: N/A

2. From the most recent years to the date of document printing, status of private capital raising : None

3. From the most recent years to the date of document printing, the status of subsidiary's sales and acquisitions of company's common stock

Unit : Thousand NTD ; Thousand Share

Subsidiary	Capital stock	Source of funds	Percentage of holding share	Date of sales and acquisitions	Amount and shares acquired	Amount and shares disposal	Net investment profit	Shareholdings as of date of document printing	Status of pledge	Amount of commitments back by the company	Amount of loan to subsidiary
Pei Jen Co., Ltd.	48,000	Initial capital and earnings	100.00%	2008.12.31	—	—	—	20,464/123,604	—	—	0
				From the end of last fiscal year to the date of printing of the report	—	—					

4. Other disclosures of necessary supplements: None

5. If any of the situations listed in Subparagraph 2 of Paragraph 2 of Article 36 of the Securities and Exchange Law, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, such situations shall be listed one by one: None

APPENDIX A

NANYA TECHNOLOGY CORPORATION

Financial Statements

December 31, 2007 and 2008

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Nanya Technology Corporation:

We have audited the accompanying balance sheets of Nanya Technology Corporation (the Company) as of December 31, 2007 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years 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 audits. As to the financial statement, certain long-term investments were accounted for under the equity method based on financial statement as of December 31, 2007 and 2008 of the investees, which were audited by the other auditors. Our audit insofar as it relates to the related long-term investment statement of NT\$492,395 thousand and NT\$151,878 thousand and reflect total assets constituting 0.36 percent and 0.13 percent of as of December 31, 2007 and 2008, respectively. Those financial statements for which the equity in net earnings to NT\$27,948 thousand and NT\$8,341 thousand, constituting 0.22 percent and 0.02 percent of net loss before income tax in 2007 and 2008, respectively, is based solely on the other auditors.

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 rules and 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.

In our opinion, based on our audits, and the reports of the other auditor, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation as of December 31, 2007 and 2008, and the results of its operations and cash flows for the years then ended, in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Entity Accounting Act, 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 \$36,730,016 thousand in 2008. Also, the Company has liquidity risks as its current liabilities exceed its current assets by \$11,765,897 thousand as of December 31, 2008. 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 Republic of China statement of Financial Accounting Standards (SFAS) from January

1, 2007. The effect of these changes in accounting principle on the accompanying financial statements was as stated in note 3.

We have audited the consolidated financial statements as of and for the years ended December 31, 2007 and 2008, prepared by the Company. Based on our audits, we expressed a unqualified opinion on the consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 5, 2009

The accompanying 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.

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language auditors' report shall prevail.

NANYA TECHNOLOGY CORPORATION

Balance Sheets

December 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	\$ 2,448,103	2	2,506,146	2	Notes and accounts payable	\$ 13,431,966	10	4,895,554	4
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$0 thousands dollars.	3,942,605	3	2,634,034	2	Notes and accounts payable - related parties	4,480,905	3	3,148,084	3
Accounts receivable—related parties	3,844,962	3	2,412,888	2	Accrued expenses	3,874,055	3	6,977,513	6
Other receivables	985,268	1	975,455	1	Financial liabilities reported as fair value through profit or loss - current	208,000	-	377,099	1
Other receivables—related parties	5,734,154	4	388,668	-	Other payable	102,357	-	8,276	-
Inventories, net	5,668,940	4	6,373,388	6	Current portion of bonds payable	9,582,019	7	11,879,497	10
Prepayments	824,058	1	244,322	-	Current portion of long-term debt	4,169,838	3	-	-
Financial assets reported as fair value through profit or loss—current	11,674	-	-	-	Other current liabilities	7,043	-	15,775	-
Hedging derivative assets - current	18,743	-	-	-	Deferred income tax liability - current	4,686	-	-	-
Total current assets	<u>23,478,507</u>	<u>18</u>	<u>15,535,901</u>	<u>13</u>	Total current liabilities	<u>35,860,869</u>	<u>26</u>	<u>27,301,798</u>	<u>24</u>
Funds and long-term investments					Long-term liabilities				
Long-term investments carried on the equity method	26,046,128	19	20,956,167	18	Bonds payable	31,500,000	23	20,102,035	17
Available-for-sale financial assets—non-current	207,040	-	-	-	Long-term debt	2,250,000	2	38,000,000	33
Total Funds and long-term investments	<u>26,253,168</u>	<u>19</u>	<u>20,956,167</u>	<u>18</u>	Long-term accounts payable	961,542	1	1,812,171	2
					Lease payable - long-term	328,668	-	323,144	-
Property, plant and equipment:					Total long-term liabilities	<u>35,040,210</u>	<u>26</u>	<u>60,237,350</u>	<u>52</u>
Land	1,013,924	1	1,013,924	1	Other liabilities:				
Buildings and building improvements	2,427,558	2	5,943,898	5	Accrued pension liability	343,175	-	355,123	-
Machinery and equipment	91,982,197	67	107,265,726	92	Guarantee deposits	205,401	-	171,427	-
Transportation equipment	5,855	-	5,855	-	Miscellaneous liabilities	26,988	-	247,520	-
Leased assets	345,637	-	345,637	1	Total other liabilities	<u>575,564</u>	<u>-</u>	<u>774,070</u>	<u>-</u>
Miscellaneous equipment	2,243,947	2	1,579,622	1	Total liabilities	<u>71,476,643</u>	<u>52</u>	<u>88,313,218</u>	<u>76</u>
	98,019,118	72	116,154,662	100	Stockholders' equity:				
Less: accumulated depreciation	(59,675,545)	(44)	(48,964,549)	(42)	Capital stock	46,935,385	34	46,933,975	40
accumulated impairment- Property, plant and equipment	(3,115,428)	(2)	-	-	Advance receipts for capital stock	27,376	-	-	-
Construction in progress	44,963,209	33	2,007,183	2	Capital surplus	25,160,496	19	25,133,947	22
Net property, plant and equipment	<u>80,191,354</u>	<u>59</u>	<u>69,197,296</u>	<u>60</u>	Legal reserve	2,814,499	2	2,814,499	2
					Special reserve	2,655,892	2	2,655,892	2
Intangible assets:					Accumulated deficit	(12,391,637)	(9)	(49,121,653)	(42)
Patents	1,613,777	1	2,289,938	2	Cumulative translation adjustments	28,739	-	11,715	-
Other intangible assets	1,736,050	1	5,007,842	4	Unrealized losses on financial instruments	519,166	-	96,006	-
Total intangible assets	<u>3,349,827</u>	<u>2</u>	<u>7,297,780</u>	<u>6</u>	Treasury stock	(467,634)	-	(347,533)	-
					Total stockholders' equity				
Other assets:									
Refundable deposits	8,596	-	2,537	-	Commitments and contingencies	<u>65,282,282</u>	<u>48</u>	<u>28,176,848</u>	<u>24</u>
Deferred charges	129,364	-	156,384	-	Total liabilities and stockholders' equity	<u>136,758,925</u>	<u>100</u>	<u>116,490,066</u>	<u>100</u>
Lease receivable—long-term	123,717	-	119,843	-					
Deferred income tax assets, net—non-current	3,224,158	2	3,224,158	3					
Miscellaneous assets	234	-	-	-					
Total other assets	<u>3,486,069</u>	<u>2</u>	<u>3,502,922</u>	<u>3</u>					
Total assets	<u>136,758,925</u>	<u>100</u>	<u>116,490,066</u>	<u>100</u>					

See accompanying notes to financial statements.

This document is an English translation of a financial statement originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language financial statement shall prevail.

NANYA TECHNOLOGY CORPORATION

Statements of Income

For the years ended December 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	\$ 52,894,192	100	36,311,814	100
Operating costs	<u>(52,472,402)</u>	<u>(99)</u>	<u>(52,057,838)</u>	<u>(143)</u>
Gross income (loss)	421,790	1	(15,746,024)	(43)
Unrealized loss from affiliated companies	82,208	-	38,592	-
Realized profit (loss) from affiliated companies	<u>432,502</u>	<u>1</u>	<u>(82,208)</u>	<u>-</u>
Gross income (loss), net	<u>936,500</u>	<u>2</u>	<u>(15,789,640)</u>	<u>(43)</u>
Operating expenses				
Selling expenses	(716,098)	(1)	(432,351)	(1)
Administrative expenses	(2,715,955)	(5)	(1,495,780)	(4)
Research and development expenses	<u>(6,478,606)</u>	<u>(12)</u>	<u>(6,396,597)</u>	<u>(18)</u>
Total operating expenses	<u>(9,910,659)</u>	<u>(18)</u>	<u>(8,324,728)</u>	<u>(23)</u>
Operating loss	<u>(8,974,159)</u>	<u>(16)</u>	<u>(24,114,368)</u>	<u>(66)</u>
Non-operating income and gains:				
Interest income	811,762	2	268,917	1
Investment income recognized under equity method	570,768	1	-	-
Gain on disposal of property, plant and equipment	88,907	-	71,960	-
Gain on disposal of investment	41,325	-	9,050	-
Foreign exchange gain, net	439,715	1	-	-
Miscellaneous income	<u>198,653</u>	<u>-</u>	<u>426,721</u>	<u>1</u>
Total non-operating income	<u>2,151,130</u>	<u>4</u>	<u>776,648</u>	<u>2</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$364,987 thousand and NT\$311,075 thousand for 2007 and 2008, respectively)	(883,459)	(2)	(1,339,227)	(4)
Loss on disposal of property, plant and equipment	(898)	-	(405,194)	(1)
Investment Losses recognized under Equity Method	-	-	(7,373,414)	(20)
Foreign exchange loss, net	-	-	(203,779)	(1)
Loss on inventory valuation and obsolescence	(1,512,059)	(3)	(2,586,597)	(7)
Impairment loss	(3,111,699)	(6)	(424,534)	(1)
Loss on valuation of financial assets	(4,975)	-	(11,674)	-
Loss on valuation of financial liabilities	(55,000)	-	(653,623)	(2)
Miscellaneous disbursements	<u>(67,848)</u>	<u>-</u>	<u>(395,942)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(5,635,938)</u>	<u>(11)</u>	<u>(13,392,073)</u>	<u>(37)</u>
Loss before income tax	(12,458,967)	(23)	(36,729,793)	(101)
Income tax (loss) expenses	995	-	(223)	-
Net loss	<u><u>(12,457,972)</u></u>	<u><u>(23)</u></u>	<u><u>(36,730,016)</u></u>	<u><u>(101)</u></u>
Basic loss per share				
Before tax				
Net loss	<u><u>(2.89)</u></u>		<u><u>(7.86)</u></u>	
After tax				
Net loss	<u><u>(2.89)</u></u>		<u><u>(7.86)</u></u>	
Diluted loss per share				
Before tax				
Net loss	<u><u>(2.89)</u></u>		<u><u>(7.86)</u></u>	
After tax				
Net loss	<u><u>(2.89)</u></u>		<u><u>(7.86)</u></u>	
Pro forma information if the issued shares held by subsidiaries were not recognized as treasury stock:				
Net loss - before tax	<u><u>\$(12,393,505)</u></u>		<u><u>\$(36,729,793)</u></u>	
Net loss - after tax	<u><u>\$(12,392,510)</u></u>		<u><u>\$(36,730,016)</u></u>	
Pro forma primary EPS				
-before tax	<u><u>\$(2.86)</u></u>		<u><u>\$(7.83)</u></u>	
-after tax	<u><u>\$(2.86)</u></u>		<u><u>\$(7.83)</u></u>	
Pro forma fully diluted EPS				
-before tax	<u><u>\$(2.86)</u></u>		<u><u>\$(7.83)</u></u>	
-after tax	<u><u>\$(2.86)</u></u>		<u><u>\$(7.83)</u></u>	

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2008
(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>
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	5,000,000	-	7,000,000	-	-	-	-	-	-	12,000,000
Convertible bonds converted to common stocks	1,165	-	2,168	-	-	-	-	-	-	3,333
Issuance of capital stock due to employee stock options exercised	642,790	(351,387)	508,786	-	-	-	-	-	-	800,189
Treasury stock sold to employees	-	-	27,873	-	-	-	-	-	1,633,167	1,661,040
Advance receipts for capital stock due to employee stock options exercised	-	27,376	-	-	-	-	-	-	-	27,376
2007 Net loss	-	-	-	-	-	(12,457,972)	-	-	-	(12,457,972)
Effects of not subscribing to investee companies' newly issued shares	-	-	(245,487)	-	-	-	-	-	-	(245,487)
Corresponding adjustment to comply with investee companies	-	-	-	-	-	-	-	6,050	-	6,050
Cash dividend distributed to subsidiaries	-	-	65,462	-	-	-	-	-	-	65,462
Gains on foreign currency exchange of long-term investments	-	-	-	-	-	-	4,326	-	-	4,326
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	5,599	-	5,599
Unrealized gain on hedging derivative assets	-	-	-	-	-	-	-	22,545	-	22,545
Balance as of December 31, 2007	\$ 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	60,350	(27,376)	31,792	-	-	-	-	-	-	64,766
Treasury stock retired	(61,760)	-	(58,341)	-	-	-	-	-	120,101	-
2008 Net loss	-	-	-	-	-	(36,730,016)	-	-	-	(36,730,016)
Corresponding adjustment to comply with investee companies	-	-	-	-	-	-	-	(402,063)	-	(402,063)
Losses on foreign currency exchange of long-term investments	-	-	-	-	-	-	(17,024)	-	-	(17,024)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	(7,040)	-	(7,040)
Unrealized loss on hedging derivative assets	-	-	-	-	-	-	-	(14,057)	-	(14,057)
Balance as of December 31, 2008	\$ 46,933,975	-	25,133,947	2,814,499	2,655,892	(49,121,653)	11,715	96,006	(347,533)	28,176,848

See accompanying notes to financial statements.

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NANYA TECHNOLOGY CORPORATION

Statements of Cash Flows

For the years ended December 31, 2007 and 2008

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net income (loss)	\$ (12,457,972)	\$ (36,730,016)
Adjustments:		
Loss on valuation of financial assets	4,975	11,674
Loss on valuation of financial liabilities	55,000	653,623
Depreciation	5,775,673	11,688,864
Amortization	3,354,894	3,726,622
Unrealized interest revenue amortization	(5,766)	(5,605)
Employee warrant compensation cost	-	762
Investment (income) loss recognized under equity method	(570,768)	7,371,503
Loss on impairment Recovery	3,111,699	424,534
Loss on inventory valuation and obsolescence	1,512,059	2,586,597
(Gain) loss on disposal of property, plant and equipment, net	(88,009)	333,234
Loss on retirement of bonds	-	206,546
Amortization of discount on bonds payable	232,200	226,917
Unrealized loss from affiliated companies	(82,208)	(38,592)
Realized (profit) loss from affiliated companies	(432,502)	82,208
Cash dividend received from equity-method investees	2,833,502	84,998
Gain on sales of investment	(49,255)	(9,050)
Unrealized foreign currency exchange loss, net	101,537	523,775
Decrease in notes and accounts receivable	7,886,741	2,817,744
Increase in inventory	(1,868,769)	(3,291,045)
Increase in other receivables	(428,806)	(345,833)
(Increase) decrease in prepayments	(16,799)	579,736
Decrease in notes and accounts payable	(34,458)	(3,743,146)
Increase in accrued expenses	120,404	3,039,367
Increase in accrued pension liability	8,958	11,948
(Decrease) increase in miscellaneous liabilities	(523)	6,199
Decrease in other current liabilities	(118,684)	(97,519)
Net cash provided by (used in) operating activities	<u>8,843,123</u>	<u>(9,883,955)</u>
Cash flows from investing activities:		
Decrease in lease receivable	9,310	9,311
Proceeds from sales of property, plant and equipment	96,298	4,719,423
Increase in deferred expense and intangible assets	(2,125,863)	(7,672,434)
Purchases of property, plant and equipment	(47,177,720)	(12,444,694)
Increase in available-for-sale financial assets	(1,064,440)	-
Proceeds from sales of available-for-sale financial assets	1,768,575	209,050
(Increase) decrease in refundable deposits	(7,314)	6,059
Decrease in other receivables from relate parties	8,377,700	5,700,300
(Increase) decrease in miscellaneous assets	(226)	234
Increase in long-term investments	(11,345)	(2,599,259)
Net cash used in investing activities	<u>(40,135,025)</u>	<u>(12,072,010)</u>
Cash flows from financing activities:		
Decrease in lease payable	(4,912)	(5,209)
(Decrease) increase in long-term borrowings	(1,589,515)	31,580,162
Increase (decrease) in bonds payable	5,000,000	(9,989,800)
Increase in long-term accounts payable	784,743	411,326
Decrease in guarantee deposits	(48,893)	(33,974)
Treasury stock sold to employee	1,661,040	-
Receipt for capital stock of employee stock options	12,800,189	64,004
Cash dividend	(13,143,334)	-
Cash bonus for employees	(623,908)	-
Directors' and supervisors' remuneration	(11,700)	-
Advance receipts for capital stock due to employee stock options exercised	27,376	-
Net cash provided by financing activities	<u>4,851,086</u>	<u>22,026,509</u>
Effect of foreign currency exchange translation	<u>(13,691)</u>	<u>(12,501)</u>
(Decrease) increase in cash and cash equivalents	<u>(26,454,507)</u>	<u>58,043</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>2,448,103</u>	\$ <u>2,506,146</u>
Supplemental cash flow information:		
Income tax paid	\$ <u>215,890</u>	\$ <u>223</u>
Interest paid (excluding capitalized interest)	\$ <u>812,895</u>	\$ <u>1,302,697</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term debt	\$ <u>4,169,838</u>	\$ <u>-</u>
Current portion of bonds payable	\$ <u>9,582,019</u>	\$ <u>11,879,497</u>
Cash paid for acquisition of properties		
Total acquisition	(56,280,638)	(6,172,808)
Increase (decrease) in accounts payable-machinery and equipment,net	<u>9,102,918</u>	<u>(6,271,886)</u>
Cash paid for acquisition of properties	\$ <u>(47,177,720)</u>	\$ <u>(12,444,694)</u>

(expressed in thousands of New Taiwan dollars)

See accompanying notes to financial statements.

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APPENDIX B

NANYA TECHNOLOGY CORPORATION
Consolidated Financial Statements
December 31, 2007 and 2008
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Nanya Technology Corporation:

We have audited the consolidated balance sheets of Nanya Technology Corporation (the Company) and its subsidiaries as of December 31, 2007 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statement of subsidiaries included in the 2007 and 2008 consolidated financial statement of the Company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it related to the amount included for these subsidiaries, is based solely on the reports of the other auditors. Those subsidiaries' financial statements reflect total assets as of December 31, 2007 and 2008 were 2.88 percent (NT\$3,959,144 thousand) and 1.63 percent (NT\$1,899,291 thousand), respectively, of the consolidated total assets, and its net sales of NT\$21,372,473 thousand in 2007 and NT\$12,753,034 thousand in 2008 were 39.30 percent and 34.56 percent, respectively, of the consolidated total.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 and other auditor's reports provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nanya Technology Corporation and its subsidiaries as of December 31, 2007 and 2008, and the results of its operations and cash flows for the years then ended, in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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

\$36,730,016 thousand in 2008. Also, the Company has liquidity risks as its current liabilities exceed its current assets by \$12,052,706 thousand as of December 31, 2008. 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 Republic of China statement of Financial Accounting Standards (SFAS) from January 1, 2007. The effect of these changes in accounting principle on the accompanying financial statements was as stated in note 3.

Taipei, Taiwan (the Republic of China)
March 5, 2009

The accompanying consolidated 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

Consolidated Balance Sheets

December 31, 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	\$3,129,197	2	3,006,910	3
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$29,980 thousand and NT\$36,260 thousand for 2007 and 2008	7,002,766	5	4,652,771	4
Accounts receivable—related parties	232	-	1,279	-
Other receivables	1,055,135	1	1,001,365	1
Other receivables—related parties	5,624,191	4	388,414	-
Inventories, net	5,928,993	4	6,451,438	6
Prepayments	994,618	1	246,665	-
Deferred income tax assets, net—current	-	-	3,279	-
Financial assets reported as fair value through profit or loss—current	11,674	-	-	-
Hedging derivative assets - current	<u>18,743</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>23,765,549</u>	<u>17</u>	<u>15,752,121</u>	<u>14</u>
Funds and long-term investments				
Cost-method financial assets - non-current	8,687	-	-	-
Long-term investments carried on the equity method	25,725,802	19	20,897,941	18
Available-for-sale financial assets—non-current	<u>791,021</u>	<u>1</u>	<u>181,917</u>	<u>-</u>
Total Funds and long-term investments	<u>26,525,510</u>	<u>20</u>	<u>21,079,858</u>	<u>18</u>
Property, plant and equipment:				
Land	1,013,924	1	1,013,924	1
Buildings and building improvements	2,430,388	2	5,947,438	5
Machinery and equipment	91,982,197	67	107,265,726	92
Transportation equipment	9,148	-	9,309	-
Leased assets	345,637	-	345,637	-
Miscellaneous equipment	<u>2,293,374</u>	<u>2</u>	<u>1,638,620</u>	<u>1</u>
	98,074,668	72	116,220,654	99
Less: accumulated depreciation	(59,702,853)	(44)	(49,002,070)	(42)
accumulated impairment- Property, plant and equipment	(3,115,428)	(2)	-	-
Construction in progress	<u>44,963,209</u>	<u>33</u>	<u>2,007,183</u>	<u>2</u>
Net property, plant and equipment	<u>80,219,596</u>	<u>59</u>	<u>69,225,767</u>	<u>59</u>
Intangible assets:				
Patents	1,613,777	1	2,289,938	2
Other intangible assets	<u>1,736,050</u>	<u>1</u>	<u>5,007,842</u>	<u>4</u>
Total intangible assets	<u>3,349,827</u>	<u>2</u>	<u>7,297,780</u>	<u>6</u>
Other assets:				
Refundable deposits	11,249	-	5,614	-
Deferred charges	129,395	-	156,384	-
Lease receivable—long-term	123,717	-	119,843	-
Deferred income tax assets, net—non-current	3,222,437	2	3,223,393	3
Miscellaneous assets	<u>234</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>3,487,032</u>	<u>2</u>	<u>3,505,234</u>	<u>3</u>
Total assets	<u>137,347,514</u>	<u>100</u>	<u>116,860,760</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:				
Short-Term Borrowings	-	-	5,738	-
Notes and accounts payable	13,612,522	10	4,898,807	4
Notes and accounts payable - related parties	4,480,905	3	3,148,084	3
Accrued expenses	3,886,957	3	6,989,940	6
Financial liabilities reported as fair value through profit or loss - current	208,000	-	377,099	1
Other re payables —related parties	299,899	-	472,400	-
Other payable	114,133	-	16,109	-
Current portion of bonds payable	9,582,019	7	11,879,497	10
Current portion of long-term debt	4,169,838	3	-	-
Other current liabilities	7,124	-	17,153	-
Deferred income tax liability - current	<u>1,598</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>36,362,995</u>	<u>26</u>	<u>27,804,827</u>	<u>24</u>
Long-term liabilities				
Bonds payable	31,500,000	24	20,102,035	17
Long-term debt	2,250,000	2	38,000,000	33
Long-term accounts payable	961,542	1	1,812,171	2
Lease payable - long-term	<u>328,668</u>	<u>-</u>	<u>323,144</u>	<u>-</u>
Total long-term liabilities	<u>35,040,210</u>	<u>27</u>	<u>60,237,350</u>	<u>52</u>
Other liabilities:				
Accrued pension liability	343,175	-	355,123	-
Guarantee deposits	205,401	-	171,427	-
Miscellaneous liabilities	<u>109,798</u>	<u>-</u>	<u>115,184</u>	<u>-</u>
Total other liabilities	<u>658,374</u>	<u>-</u>	<u>641,734</u>	<u>-</u>
Total liabilities	<u>72,061,579</u>	<u>53</u>	<u>88,683,911</u>	<u>76</u>
Stockholders' equity:				
Capital stock	46,935,385	34	46,933,975	40
Advance receipts for capital stock	27,376	-	-	-
Capital surplus	25,160,496	18	25,133,947	22
Legal reserve	2,814,499	2	2,814,499	2
Special reserve	2,655,892	2	2,655,892	2
Accumulated deficit	(12,391,637)	(9)	(49,121,653)	(42)
Cumulative translation adjustments	28,739	-	11,715	-
Unrealized losses on financial instruments	519,166	-	96,006	-
Treasury stock	<u>(467,634)</u>	<u>-</u>	<u>(347,533)</u>	<u>-</u>
Total stockholders' equity	<u>65,282,282</u>	<u>47</u>	<u>28,176,848</u>	<u>24</u>
Minority interest	<u>3,653</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total stockholders' equity and minority interest	<u>65,285,935</u>	<u>47</u>	<u>28,176,849</u>	<u>24</u>

Total liabilities and stockholders' equity	<u>137,347,514</u>	<u>100</u>	<u>116,860,760</u>	<u>100</u>
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See accompanying notes to consolidated financial statements.

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NANYA TECHNOLOGY CORPORATION

Consolidated Statements of Income

For the years ended December 31, 2007 and 2008
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2007		2008	
	Amount	%	Amount	%
Operating revenues, net	\$ 54,385,525	100	36,904,345	100
Operating costs	<u>(53,081,605)</u>	<u>(98)</u>	<u>(52,340,450)</u>	<u>(142)</u>
Gross income (loss), net	<u>1,303,920</u>	<u>2</u>	<u>(15,436,105)</u>	<u>(42)</u>
Operating expenses				
Selling expenses	(992,790)	(2)	(674,359)	(2)
Administrative expenses	(2,809,560)	(5)	(1,576,915)	(4)
Research and development expenses	<u>(6,478,606)</u>	<u>(12)</u>	<u>(6,396,597)</u>	<u>(17)</u>
Total operating expenses	<u>(10,280,956)</u>	<u>(19)</u>	<u>(8,647,871)</u>	<u>(23)</u>
Operating loss	<u>(8,977,036)</u>	<u>(17)</u>	<u>(24,083,976)</u>	<u>(65)</u>
Non-operating income and gains:				
Interest income	826,473	2	274,303	1
Investment income recognized under equity method	541,623	1	-	-
Dividend Income	39,016	-	33,053	-
Gain on disposal of property, plant and equipment	88,875	-	71,960	-
Gain on disposal of investment	41,325	-	9,050	-
Foreign exchange gain, net	439,591	1	-	-
Miscellaneous income	<u>201,995</u>	<u>-</u>	<u>430,067</u>	<u>1</u>
Total non-operating income	<u>2,178,898</u>	<u>4</u>	<u>818,433</u>	<u>2</u>
Non-operating expenses and losses:				
Interest expenses (excluding capitalized interest of NT\$364,987 thousand and NT\$311,075 thousand for 2007 and 2008, respectively)	(890,097)	(2)	(1,355,775)	(4)
Loss on disposal of property, plant and equipment	(898)	-	(405,198)	(1)
Investment Losses recognized under Equity Method	-	-	(7,400,362)	(20)
Foreign exchange loss, net	-	-	(197,015)	(1)
Loss on inventory valuation and obsolescence	(1,512,059)	(3)	(2,604,618)	(7)
Impairment loss	(3,111,699)	(6)	(424,534)	(1)
Loss on valuation of financial assets	(4,975)	-	(11,674)	-
Loss on valuation of financial liabilities	(55,000)	-	(653,623)	(2)
Miscellaneous disbursements	<u>(70,960)</u>	<u>-</u>	<u>(395,954)</u>	<u>(1)</u>
Total non-operating expenses and losses	<u>(5,645,688)</u>	<u>(11)</u>	<u>(13,448,753)</u>	<u>(37)</u>
Loss before income tax	(12,443,826)	(24)	(36,714,296)	(100)
Income tax expenses	<u>(14,250)</u>	<u>-</u>	<u>(15,720)</u>	<u>-</u>
Net loss	<u>(12,458,076)</u>	<u>(24)</u>	<u>(36,730,016)</u>	<u>(100)</u>
Consolidated net loss	(12,457,972)	(24)	(36,730,016)	(100)
Minority interest in net loss	<u>(104)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(12,458,076)</u>	<u>(24)</u>	<u>(36,730,016)</u>	<u>(100)</u>
Basic earnings per share				
Before tax				
Net loss	<u>(2.89)</u>		<u>(7.86)</u>	
After tax				
Net loss	<u>(2.89)</u>		<u>(7.86)</u>	
Diluted earnings per share				
Before tax				
Net loss	<u>(2.89)</u>		<u>(7.86)</u>	
After tax				
Net loss	<u>(2.89)</u>		<u>(7.86)</u>	

See accompanying notes to consolidated financial statements.

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NANYA TECHNOLOGY CORPORATION

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2008
(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>Minority interest</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)	3,773	77,172,536
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	5,000,000	-	7,000,000	-	-	-	-	-	-	-	12,000,000
Convertible bonds converted to common stocks	1,165	-	2,168	-	-	-	-	-	-	-	3,333
Issuance of capital stock due to employee stock options exercised	642,790	(351,387)	508,786	-	-	-	-	-	-	-	800,189
Treasury stock sold to employees	-	-	27,873	-	-	-	-	-	1,633,167	-	1,661,040
Advance receipts for capital stock due to employee stock options exercised	-	27,376	-	-	-	-	-	-	-	-	27,376
2007 Net loss	-	-	-	-	-	(12,457,972)	-	-	-	(104)	(12,458,076)
Effects of not subscribing to investee companies' newly issued shares	-	-	(245,487)	-	-	-	-	-	-	-	(245,487)
Cash dividend distributed to subsidiaries	-	-	65,462	-	-	-	-	-	-	-	65,462
Losses on foreign currency exchange of long-term investments	-	-	-	-	-	-	4,326	-	-	(16)	4,310
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	11,649	-	-	11,649
Unrealized gain on hedging derivative assets	-	-	-	-	-	-	-	22,545	-	-	22,545
Balance as of December 31, 2007	\$ 46,935,385	27,376	25,160,496	2,814,499	2,655,892	(12,391,637)	28,739	519,166	(467,634)	3,653	65,285,935
Issuance of capital stock due to employee stock options exercised	60,350	(27,376)	31,792	-	-	-	-	-	-	-	64,766
Treasury stock retired	(61,760)	-	(58,341)	-	-	-	-	-	120,101	-	-
2008 Net loss	-	-	-	-	-	(36,730,016)	-	-	-	-	(36,730,016)
Gains on foreign currency exchange of long-term investments	-	-	-	-	-	-	(17,024)	-	-	-	(17,024)
Corresponding adjustment to comply with investee companies	-	-	-	-	-	-	-	(409,103)	-	-	(409,103)
Unrealized loss on hedging derivative assets	-	-	-	-	-	-	-	(14,057)	-	-	(14,057)
Change in consolidated substantially	-	-	-	-	-	-	-	-	-	(3,652)	(3,652)
Balance as of December 31, 2008	\$ 46,933,975	-	25,133,947	2,814,499	2,655,892	(49,121,653)	11,715	96,006	(347,533)	1	28,176,849

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NANYA TECHNOLOGY CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2008

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss	\$(12,458,076)	\$(36,730,016)
Adjustments:		
Loss on valuation of financial assets	4,975	11,674
Loss on valuation of financial liabilities	55,000	653,623
Depreciation	5,784,393	11,697,983
Amortization	3,354,894	3,726,622
Unrealized interest revenue amortization	(5,766)	(5,605)
Employee warrant compensation cost	-	762
Investment (income) loss recognized under equity method	(541,623)	7,400,362
Loss on impairment Recovery	3,111,699	424,534
Loss on inventory valuation and obsolescence	1,512,059	2,604,618
Loss (Gain) on disposal of property, plant and equipment, net	(87,977)	333,238
Loss on retirement of bonds	-	206,546
Amortization of charge fee on bonds	232,200	226,917
Cash dividend received from equity-method investees	2,803,233	-
Gain on sales of investment	(49,255)	(9,050)
Unrealized foreign currency exchange loss, net	101,537	523,775
Deferred income tax assets	(124)	(1,147)
Decrease in notes and accounts receivable	6,494,494	2,429,031
Increase in inventory	(1,400,244)	(3,127,817)
Increase in other receivables	(495,382)	(300,785)
Decrease(Increase) in prepayments	(56,221)	747,953
Decrease in notes and accounts payable	(34,376)	(3,920,448)
Increase in accrued expenses	118,858	3,039,002
Decrease in other payable	(131,686)	(98,024)
Increase in accrued pension liability	8,958	11,948
Decrease in other current liabilities	<u>(1,754)</u>	<u>(2,141)</u>
Net cash provided by (used in) operating activities	<u>8,319,816</u>	<u>(10,156,445)</u>
Cash flows from investing activities:		
Decrease in lease receivable	9,310	9,311
Proceeds from sales of property, plant and equipment	96,298	4,719,423
Increase in deferred expense and intangible assets	(2,125,863)	(7,672,434)
Purchases of property, plant and equipment	(47,190,058)	(12,453,426)
Increase in available-for-sale financial assets	(1,064,440)	-
Proceeds from sales of available-for-sale financial assets	1,768,575	209,050
Decrease(Increase) in refundable deposits	(7,560)	5,635
Decrease in other receivables from relate parties	8,113,200	5,590,500
Decrease(Increase) in miscellaneous assets	(232)	234
Increase in long-term investments	<u>-</u>	<u>(2,572,500)</u>
Net cash used in investing activities	<u>(40,400,770)</u>	<u>(12,164,207)</u>
Cash flows from financing activities:		
Decrease in lease payable	(4,912)	(5,209)
Increase in Short-Term Borrowings	-	5,738
Increase(decrease) in long-term borrowings	(1,589,515)	31,580,162
Increase(decrease) in bonds payable	5,000,000	(9,989,800)
Increase in long-term accounts payable	784,743	411,326
Increase(decrease) in Miscellaneous liabilities	(1,124)	6,198
Decrease in guarantee deposits	(48,893)	(33,974)
Treasury stock sold to employee	1,661,040	-
Receipt for capital stock of employee stock options	12,800,189	64,004
Increase in Accounts Payable-Related Parties	200,100	172,501
Cash dividend	(13,077,872)	-
Cash bonus for employees	(623,908)	-
Directors' and supervisors' remuneration	(11,700)	-
Advance receipts for capital stock due to employee stock options exercised	<u>27,376</u>	<u>-</u>
Net cash provided by financing activities	<u>5,115,524</u>	<u>22,210,946</u>
Effect of foreign currency exchange translation	<u>(10,161)</u>	<u>(12,442)</u>
Effect of subsidiaries' initial consolidation	<u>-</u>	<u>(139)</u>
Decrease in cash and cash equivalents	<u>(26,975,591)</u>	<u>(122,287)</u>
Cash and cash equivalents at beginning of period	<u>30,104,788</u>	<u>3,129,197</u>
Cash and cash equivalents at end of period	\$ <u>3,129,197</u>	\$ <u>3,006,910</u>
Supplemental cash flow information:		
Income tax paid	\$ <u>231,342</u>	\$ <u>14,659</u>
Interest paid (excluding capitalized interest)	\$ <u>821,340</u>	\$ <u>1,403,271</u>
Supplemental schedule of non-cash investing and financing activities:		
Current portion of long-term debt	\$ <u>4,169,838</u>	\$ <u>-</u>
Current portion of bonds payable	\$ <u>9,582,019</u>	\$ <u>11,879,497</u>
Cash paid for acquisition of properties	\$ <u>65,462</u>	\$ <u>-</u>
Cash paid for acquisition of properties		
Acquisition of properties, plant, and equipment	\$ (56,292,976)	(6,181,540)
Increase (decrease) in accounts payable-machinery and equipment,net	<u>9,102,918</u>	<u>(6,271,886)</u>
Cash paid for acquisition of properties	\$ <u>(47,190,058)</u>	\$ <u>(12,453,426)</u>

(expressed in thousands of New Taiwan dollars)

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