

VIA Technologies, Inc.

**Financial Statements for the
Six Months Ended June 30, 2007 and 2006 and
Independent Auditors' Report**

VIA TECHNOLOGIES, INC.

BALANCE SHEETS

JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

ASSETS	2007		2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 6,047,290	27	\$ 6,136,363	22	Financial liabilities at fair value through profit and loss	\$ -	-	\$ 15,285	-
Financial assets at fair value through profit or loss	1,517,739	7	200,100	1	Notes payable	3,217	-	7,799	-
Available-for-sale financial assets, current	2,461	-	7,184	-	Accounts payable	3,948,186	18	5,102,549	19
Notes receivable, net	147,830	1	52,940	-	Notes and accounts payable to related parties	99,749	1	221,226	1
Accounts receivable, net	1,281,643	6	2,559,855	9	Income tax payable	348,642	2	347,612	1
Notes and accounts receivable from related parties, net	388,557	2	1,340,345	5	Accrued expenses	926,587	4	904,588	3
Other Receivables	347,355	2	210,404	1	Current portion of long-term liabilities	538,056	2	222,222	1
Inventories	3,549,997	16	5,170,369	19	Other current liabilities	431,738	2	590,258	2
Deferred income tax asset, current	692,193	3	439,075	2					
Other current assets	168,145	1	121,065	-	Total current liabilities	6,296,175	29	7,411,539	27
Total current assets	14,143,210	65	16,237,700	59					
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Financial assets carried at cost	86,234	-	77,984	-	Corporate bonds payable	1,537,500	7	1,904,658	7
Long-term investments under equity method	4,783,691	22	7,619,760	28	Long-term bank loans	180,000	1	355,555	1
Prepayments for long-term investments	254,201	1	258,270	1	Total long-term liabilities	1,717,500	8	2,260,213	8
Total long-term investments	5,124,126	23	7,956,014	29					
PROPERTY, PLANT AND EQUIPMENT					OTHER LIABILITIES				
Land	1,000,539	4	946,707	4		809,752	3	765,163	3
Buildings and improvements	635,441	3	655,941	2	Total liabilities	8,823,427	40	10,436,915	38
Machinery and equipment	72,105	-	66,184	-					
Computer equipment	127,689	1	175,008	1	STOCKHOLDERS' EQUITY				
Research and development equipment	419,913	2	426,603	2	Common stock	13,253,893	61	13,333,803	48
Transportation equipment	3,368	-	6,671	-	Capital surplus				
Furniture and fixtures	7,420	-	13,652	-	Additional paid-in capital	2,879,532	13	4,335,927	16
Leasehold improvements	14,209	-	15,501	-	Long-term equity investments	221,675	1	218,148	1
	2,280,684	10	2,306,267	9	Retained earnings				
Less accumulated depreciation	(516,742)	(2)	(554,944)	(2)	(Accumulated deficit) unappropriated earnings	(1,674,125)	(8)	1,306,909	5
Prepayments for business facilities	24,420	-	18,444	-	Cumulative translation adjustments	547,201	3	444,761	2
Property, Plant and equipment, net	1,788,362	8	1,769,767	7	Unrealized gains on financial instruments	33,680	-	42,255	-
					Treasury stock	(2,147,312)	(10)	(2,602,519)	(10)
INTANGIBLE ASSETS					Total stockholders' equity	13,114,544	60	17,079,284	62
Patents	61,650	-	58,520	-					
OTHER ASSETS									
Leased-out assets	198,011	1	303,206	1					
Refundable deposits	18,375	-	11,095	-					
Deferred bonds insurance costs	2,715	-	4,027	-					
Deferred charges	260,758	1	375,729	1					
Deferred income tax assets, noncurrent	340,764	2	800,141	3					
Total other assets	820,623	4	1,494,198	5					
TOTAL	\$21,937,971	100	\$27,516,199	100	TOTAL	\$21,937,971	100	\$27,516,199	100

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales	\$ 9,518,330	114	\$ 13,877,812	107
Less sales returns	(65,609)	(1)	(37,249)	-
Less sales discounts	<u>(1,093,988)</u>	<u>(13)</u>	<u>(842,775)</u>	<u>(7)</u>
Net sales	8,358,733	100	12,997,788	100
Other operating revenues	<u>737</u>	<u>-</u>	<u>1,656</u>	<u>-</u>
Total operating revenues	8,359,470	100	12,999,444	100
COST OF OPERATING REVENUES				
	<u>6,463,569</u>	<u>77</u>	<u>9,178,904</u>	<u>71</u>
GROSS PROFIT				
	1,895,901	23	3,820,540	29
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS				
	(27,439)	(1)	(16,298)	-
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS				
	<u>20,919</u>	<u>-</u>	<u>18,670</u>	<u>-</u>
REALIZED GROSS PROFIT				
	<u>1,889,381</u>	<u>22</u>	<u>3,822,912</u>	<u>29</u>
OPERATING EXPENSES				
General and administrative expenses	990,595	12	1,534,620	12
Research and development expenses	<u>1,187,175</u>	<u>14</u>	<u>1,243,156</u>	<u>9</u>
Total operating expenses	<u>2,177,770</u>	<u>26</u>	<u>2,777,776</u>	<u>21</u>
INCOME (LOSS) FROM OPERATIONS				
	<u>(288,389)</u>	<u>(4)</u>	<u>1,045,136</u>	<u>8</u>
NON-OPERATING INCOME				
Interest income	55,883	1	50,266	-
Investment income under equity method	-	-	558,136	4
Gain on disposal of property, plant and equipment	272	-	116	-
Gain on sale of investments	3,091	-	-	-
Foreign exchange gain, net	16,498	-	50,740	1
Rental income	8,103	-	14,715	-
Valuation gain on financial assets, net	-	-	100	-
Valuation gain on financial liabilities, net	88	-	-	-
Other	<u>176,748</u>	<u>2</u>	<u>100,001</u>	<u>1</u>
Total non-operating income	<u>260,683</u>	<u>3</u>	<u>774,074</u>	<u>6</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expenses	\$ 33,320	-	\$ 36,122	-
Investment losses under equity method	1,022,560	12	-	-
Loss on disposal of property, plant and equipment	81	-	154	-
Loss on sale of investments	-	-	17,038	-
Loss on physical inventory	543	-	317	-
Loss on inventory devaluation	326,581	4	317,099	3
Valuation loss on financial assets, net	149,835	2	-	-
Valuation loss on financial liabilities, net	-	-	14,798	-
Other	739	-	4,425	-
Total non-operating expenses	<u>1,533,659</u>	<u>18</u>	<u>389,953</u>	<u>3</u>
(LOSS) INCOME BEFORE INCOME TAX	(1,561,365)	(19)	1,429,257	11
INCOME TAX EXPENSE	<u>(96,692)</u>	<u>(1)</u>	<u>(67,837)</u>	<u>(1)</u>
NET (LOSS) INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(1,658,057)	(20)	1,361,420	10
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	-	-	(487)	-
NET (LOSS) INCOME	<u>\$ (1,658,057)</u>	<u>(20)</u>	<u>\$ 1,360,933</u>	<u>10</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE				
Net (loss) income before cumulative effect of changes in accounting principles	\$ (1.21)	\$ (1.28)	\$ 1.12	\$ 1.06
Cumulative effect of changes in accounting principles	-	-	-	-
Net (loss) income	<u>\$ (1.21)</u>	<u>(1.28)</u>	<u>\$ 1.12</u>	<u>\$ 1.06</u>
DILUTED EARNINGS PER SHARE				
Net (loss) income before cumulative effect of changes in accounting principles	\$ (1.21)	\$ (1.28)	\$ 1.11	\$ 1.06
Cumulative effect of changes in accounting principles	-	-	-	-
Net (loss) income	<u>\$ (1.21)</u>	<u>(1.28)</u>	<u>\$ 1.11</u>	<u>\$ 1.06</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

If the Company's stock held by subsidiaries is not considered as treasury stock:

	2007	2006
NET (LOSS) INCOME	<u>\$(1,658,057)</u>	<u>\$ 1,360,933</u>
BASIC (LOSS) EARNINGS PER SHARE	<u>\$ (1.27)</u>	<u>\$ 1.05</u>
DILUTED (LOSS) EARNINGS PER SHARE	<u>\$ (1.27)</u>	<u>\$ 1.05</u>

(Concluded)

VIA TECHNOLOGIES, INC.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)**

	Capital Stock	Capital Surplus		Retained Earnings	Cumulative Translation Adjustments	Unrealized Gains (Losses) On Financial Instruments	Treasury Stock	Total
		Additional Paid-in Capital	Long-Term Equity Investments	Unappropriated Earnings (Accumulated Deficit)				
BALANCE, JANUARY 1, 2007	\$ 13,253,893	\$ 4,309,941	\$ 218,465	\$ (1,430,409)	\$ 489,449	\$ (4,041)	\$ (2,175,383)	\$ 14,661,915
Additional paid-in capital transfer to make up for past losses	-	(1,430,409)	-	1,430,409	-	-	-	-
Transfer of treasury stock to employees	-	-	-	(11,049)	-	-	28,071	17,022
Effect of changes of ownership interest in equity method investees and unrealized gains on financial instruments under equity method	-	-	3,210	(5,019)	-	37,705	-	35,896
Unrealized gains on financial instruments	-	-	-	-	-	16	-	16
Translation adjustments on long-term investments	-	-	-	-	57,752	-	-	57,752
Net loss for the six months ended June 30, 2007	-	-	-	(1,658,057)	-	-	-	(1,658,057)
BALANCE, JUNE 30, 2007	<u>\$ 13,253,893</u>	<u>\$ 2,879,532</u>	<u>\$ 221,675</u>	<u>\$ (1,674,125)</u>	<u>\$ 547,201</u>	<u>\$ 33,680</u>	<u>\$ (2,147,312)</u>	<u>\$ 13,114,544</u>
BALANCE, JANUARY 1, 2006	\$ 13,333,803	\$ 4,335,927	\$ 217,339	\$ 8,347	\$ 499,637	\$ (14,956)	\$ (2,760,319)	\$ 15,619,778
Effect of changes in accounting principles	-	-	-	-	-	(128)	-	(128)
Transfer of treasury stock to employees	-	-	-	(62,112)	-	-	157,800	95,688
Effect of changes of ownership interest in equity method investees and unrealized gains on financial instruments under equity method	-	-	809	(259)	-	58,753	-	59,303
Unrealized losses on financial instruments	-	-	-	-	-	(1,414)	-	(1,414)
Translation adjustments on long-term investments	-	-	-	-	(54,876)	-	-	(54,876)
Net income for the six months ended June 30, 2006	-	-	-	1,360,933	-	-	-	1,360,933
BALANCE, JUNE 30, 2006	<u>\$ 13,333,803</u>	<u>\$ 4,335,927</u>	<u>\$ 218,148</u>	<u>\$ 1,306,909</u>	<u>\$ 444,761</u>	<u>\$ 42,255</u>	<u>\$ (2,602,519)</u>	<u>\$ 17,079,284</u>

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (1,658,057)	\$ 1,360,933
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization (including depreciation of leased-out assets)	227,172	235,020
Investment losses (income) on equity-method investees	1,022,560	(558,136)
Cash dividends on equity-method investees	-	200,000
Loss on disposal of property, plant and equipment	81	154
Gain on disposal of property, plant and equipment	(272)	(116)
Transfer of cost of property, plant and equipment to expense	533	-
Valuation loss on financial instruments, net	-	(100)
(Gain) loss on sale of investments	(3,091)	17,038
Amortization of bond issuance costs	1,270	656
Accrued pension cost	(2,217)	(2,713)
Provision for redemption of convertible bonds	-	(162)
Deferred tax benefit	96,369	62,381
Net changes in operating assets and liabilities		
Financial assets held for trading	(1,518,258)	-
Financial liabilities held for trading	(29)	15,285
Notes receivable, net	(139,291)	201,945
Accounts receivable, net	(180,402)	651,331
Notes and accounts receivable from related parties, net	(20,779)	(1,072,866)
Other receivables	(7,363)	(11,833)
Inventories	645,945	(834,184)
Other current assets	38,523	(19,134)
Notes payable	(752)	2,325
Accounts payable	494,971	(1,424,766)
Notes and accounts payable to related parties	61,078	94,554
Accrued expenses	(167,249)	95,362
Other current liabilities	11,878	42,571
Net cash used in operating activities	<u>(1,097,380)</u>	<u>(944,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit and loss	-	(200,000)
Payment for available-for-sale financial assets	(202,500)	(969,500)
Proceeds from sale of available-for-sale financial assets	211,941	972,090
Acquisition of property, plant, equipment and leased-out assets	(126,552)	(102,145)
Proceeds from disposal of property, plant, equipment	71,873	47
Payment for financial assets carried at cost	(8,250)	-
Payment for long-term investments under equity method	(843,305)	(451,066)
Proceeds from sale of long-term investments under equity method	2,058,161	297,707
(Increase) decrease in refundable deposits	(50)	983
Increase in intangible assets and deferred charges	<u>(105,636)</u>	<u>(157,645)</u>
Net cash provided by (used in) investing activities	<u>1,055,682</u>	<u>(609,529)</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in long-term bank loans	\$ (111,111)	\$ 188,888
Bonuses to employees	-	(90,270)
Increase (decrease) in guarantee deposits received	10	(1,270)
Proceeds from disposal of treasury stock	<u>17,022</u>	<u>95,688</u>
Net cash (used in) provided by financing activities	<u>(94,079)</u>	<u>193,036</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(135,777)	(1,360,948)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>6,183,067</u>	<u>7,497,311</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 6,047,290</u>	<u>\$ 6,136,363</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the period		
Interest	<u>\$ 33,957</u>	<u>\$ 36,469</u>
Income tax	<u>\$ 4,119</u>	<u>\$ 2,864</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 538,056</u>	<u>\$ 222,222</u>
Transfer of Long-term investment under equity method to other liabilities	<u>\$ (8,143)</u>	<u>\$ 439,558</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 108</u>	<u>\$ 111</u>
PAYMENT FOR FINANCIAL ASSETS HELD FOR TRADING		
Valuation loss on financial instruments	\$ 149,776	\$ -
Decrease in other payable	<u>(1,668,034)</u>	<u>-</u>
Cash payment	<u>\$ (1,518,258)</u>	<u>\$ -</u>
PROCEEDS FROM SALE OF LONG-TERM INVESTMENT UNDER EQUITY METHOD		
Proceeds from disposal of long-term investment under equity method	\$ -	\$ 297,707
Decrease in other receivables	<u>2,058,161</u>	<u>-</u>
Cash received	<u>\$ 2,058,161</u>	<u>\$ 297,707</u>
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant and equipment	\$ 102,659	\$ 34,711
Decrease in payable due to acquisition of property, plant and equipment	<u>23,893</u>	<u>67,434</u>
Cash payment	<u>\$ 126,552</u>	<u>\$ 102,145</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
PURCHASE OF INTANGIBLE ASSETS AND DEFERRED CHARGES		
Increase in intangible assets and deferred charges	\$ 46,957	\$ 143,717
Decrease in payable due to acquisition of deferred charges	<u>58,679</u>	<u>13,928</u>
Cash payment	<u>\$ 105,636</u>	<u>\$ 157,645</u>
BONUSES TO EMPLOYEES AND DIRECTORS' REMUNERATION		
Employee bonuses and directors' remuneration	\$ -	\$ -
Add payable due to bonuses to employees and directors' remuneration, beginning of period	72,196	162,466
Minus payable due to bonuses to employees and directors' remuneration, end of period	<u>(72,196)</u>	<u>(72,196)</u>
Cash payment	<u>\$ -</u>	<u>\$ 90,270</u>

(Concluded)