

**VIA Technologies, Inc.**

**Financial Statements for the  
Years Ended December 31, 2007 and 2006 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
VIA Technologies, Inc.

We have audited the accompanying balance sheets of VIA Technologies, Inc. as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in New Taiwan dollars). 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.

We conducted our audits in accordance with the Rules Governing the Audit 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, the financial statements referred to above present fairly, in all material respects, the financial position of VIA Technologies, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As mentioned in Note 3, effective January 1, 2006, VIA Technologies, Inc. adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement", SFAS No. 36 "Financial Instruments: Disclosure and Presentation" and related revisions of previously released SFASs.

We have also audited the consolidated financial statements of VIA Technologies, Inc. and its subsidiaries as of and for the years ended 2007 and 2006, and our report dated April 14, 2008 (not presented herewith) has expressed an unqualified opinion on those financial statements.

April 14, 2008

### Notice to Readers

*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 audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# VIA TECHNOLOGIES, INC.

## BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

ASSETS	2007		2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 4,567,788	27	\$ 6,183,067	25	Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	-	-	29	-
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	2,054,573	12	1,667,515	7	Notes payable	26	-	3,969	-
Available-for-sale financial assets, current (Notes 2 and 6)	2,491	-	8,795	-	Accounts payable	1,972,623	12	3,453,215	14
Notes receivable, net (Note 2)	2,586	-	8,539	-	Notes and accounts payable to related parties (Note 27)	55,695	-	38,671	-
Accounts receivable, net (Notes 2 and 7)	299,531	2	1,101,241	4	Income tax payable (Notes 2 and 25)	864,603	5	348,642	2
Notes and accounts receivable from related parties, net (Notes 2, 8 and 27)	197,709	1	367,778	1	Accrued expenses (Notes 17, 27 and 29)	798,578	5	1,093,836	4
Other receivables (Notes 2, 9 and 27)	744,869	4	2,398,153	9	Current portion of long-term liabilities (Notes 19 and 20)	362,500	2	529,167	2
Inventories (Notes 2 and 10)	2,603,079	16	4,195,942	17	Other current liabilities (Notes 18 and 27)	488,557	3	2,170,466	9
Deferred income tax asset, current (Notes 2 and 25)	603,779	4	672,145	3					
Other current assets (Note 11)	136,755	1	206,668	1	Total current liabilities	4,542,582	27	7,637,995	31
Total current assets	11,213,160	67	16,809,843	67					
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Financial assets carried at cost (Notes 2 and 12)	86,234	1	77,984	-	Corporate bonds payable (Notes 2 and 19)	1,175,000	7	1,537,500	6
Investment accounted for using equity method (Notes 2, 13, 23 and 27)	2,720,078	16	4,877,441	20	Long-term bank loans (Notes 2 and 20)	500,000	3	300,000	1
Prepayments long-term investments (Note 13)	-	-	254,201	1	Total long-term liabilities	1,675,000	10	1,837,500	7
Total long-term investments	2,806,312	17	5,209,626	21					
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 14 and 27)</b>					<b>OTHER LIABILITIES (Notes 2, 13, 21 and 27)</b>				
Land	1,074,878	6	1,016,714	4		747,190	4	820,210	3
Buildings and improvements	705,639	4	694,896	3	Total liabilities	6,964,772	41	10,295,705	41
Machinery and equipment	72,418	1	87,413	-					
Computer equipment	151,586	1	185,480	1	<b>STOCKHOLDERS' EQUITY</b>				
Research and development equipment	422,370	3	479,984	2	Common stock (Note 22)	13,092,369	78	13,253,893	53
Transportation equipment	3,368	-	5,607	-	Capital surplus				
Furniture and fixtures	7,534	-	13,852	-	Additional paid-in capital	2,845,335	17	4,309,941	17
Leasehold improvements	20,633	-	16,197	-	Long-term equity investments (Note 13)	219,026	1	218,465	1
	2,458,426	15	2,500,143	10	Retained earnings (Note 22)				
Less accumulated depreciation	(604,722)	(4)	(673,310)	(2)	Accumulated deficit	(5,274,506)	(31)	(1,430,409)	(6)
Prepayments for business facilities	23,719	-	24,420	-	Cumulative translation adjustments (Note 2)	554,542	4	489,449	2
Property, plant and equipment, net	1,877,423	11	1,851,253	8	Unrealized gains (losses) on financial instruments (Notes 2, 3, 6 and 13)	48,506	-	(4,041)	-
					Treasury stock (Notes 2 and 23)	(1,641,241)	(10)	(2,175,383)	(8)
<b>INTANGIBLE ASSETS (Notes 2 and 15)</b>					Total stockholders' equity	9,844,031	59	14,661,915	59
Patents	41,530	-	74,201	-					
<b>OTHER ASSETS</b>									
Leased-out assets (Notes 2, 16 and 27)	197,272	1	198,750	1					
Refundable deposits	12,243	-	18,325	-					
Deferred bonds issuance costs (Note 2)	2,059	-	3,985	-					
Deferred charges (Note 2)	260,947	2	334,456	1					
Deferred income tax assets, noncurrent (Notes 2 and 25)	397,857	2	457,181	2					
Total other assets	870,378	5	1,012,697	4					
<b>TOTAL</b>	<b>\$16,808,803</b>	<b>100</b>	<b>\$24,957,620</b>	<b>100</b>	<b>TOTAL</b>	<b>\$16,808,803</b>	<b>100</b>	<b>\$24,957,620</b>	<b>100</b>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated April 14, 2008)

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)				
Sales	\$ 16,602,110	113	\$ 23,540,064	110
Less				
Sales returns	(74,797)	-	(79,951)	-
Sales allowance	(1,859,433)	(13)	(2,012,897)	(10)
Net sales (Note 27)	14,667,880	100	21,447,216	100
Other operating revenues (Note 27)	6,323	-	2,779	-
Total operating revenues	14,674,203	100	21,449,995	100
COST OF OPERATING REVENUES (Note 27)	11,219,734	76	16,022,742	74
GROSS PROFIT	3,454,469	24	5,427,253	26
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS (Notes 2 and 18)	(24,677)	-	(20,919)	-
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	20,919	-	18,670	-
REALIZED GROSS PROFIT	3,450,711	24	5,425,004	26
OPERATING EXPENSES (Note 27)				
General and administrative expenses	2,017,640	14	2,682,435	13
Research and development expenses	2,262,957	15	2,630,713	12
Total operating expenses	4,280,597	29	5,313,148	25
(LOSS) INCOME FROM OPERATIONS	(829,886)	(5)	111,856	1
NON-OPERATING INCOME				
Interest income	118,176	1	94,217	1
Dividend income	69,797	1	1	-
Gain on disposal of property, plant and equipment	3,600	-	577	-
Gain on sale of investments, net	4,958	-	-	-
Gain on physical inventory	59	-	-	-
Foreign currency exchange gain, net (Note 2)	17,098	-	21,597	-
Rental income (Note 27)	15,108	-	20,238	-
Reversal of provision for bad debts	4,745	-	2,035	-
Valuation gain on financial assets, net (Notes 2 and 5)	347,058	2	-	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	-	-	458	-
Others (Note 27)	333,380	2	188,510	1
Total non-operating income	913,979	6	327,633	2

(Continued)

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expense	\$ 67,252	1	\$ 76,242	1
Investment loss under equity method (Notes 2 and 13)	3,273,306	22	604,557	3
Loss on disposal of property, plant and equipment	82	-	154	-
Loss on sale of investments, net (Note 13)	-	-	22,600	-
Loss on physical inventory	-	-	1,084	-
Loss on inventory devaluation	1,010,329	7	658,566	3
Valuation loss on financial assets, net (Notes 2 and 5)	-	-	519	-
Others	<u>26,775</u>	-	<u>29,454</u>	-
Total non-operating expenses	<u>4,377,744</u>	<u>30</u>	<u>1,393,176</u>	<u>7</u>
LOSS BEFORE INCOME TAX	(4,293,651)	(29)	(953,687)	(4)
INCOME TAX EXPENSE (Notes 2 and 25)	<u>(644,018)</u>	<u>(5)</u>	<u>(201,017)</u>	<u>(1)</u>
LOSS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(4,937,669)	(34)	(1,154,704)	(5)
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	-	-	(487)	-
NET LOSS	<u>\$ (4,937,669)</u>	<u>(34)</u>	<u>\$ (1,155,191)</u>	<u>(5)</u>
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
BASIC LOSS PER SHARE (Note 26)				
Net loss before cumulative effect of changes in accounting principles	\$ (3.33)	\$ (3.82)	\$ (0.74)	\$ (0.90)
Cumulative effect of changes in accounting principles	-	-	-	-
Net loss	<u>\$ (3.33)</u>	<u>\$ (3.82)</u>	<u>\$ (0.74)</u>	<u>\$ (0.90)</u>

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

NET LOSS	<u>\$ (4,937,669)</u>	<u>\$ (1,155,191)</u>
BASIC LOSS PER SHARE (Note 25)	<u>\$ (3.77)</u>	<u>\$ (0.89)</u>

(Concluded)

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated April 14, 2008)

## VIA TECHNOLOGIES, INC.

### STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	Capital Surplus			Retained Earnings	Cumulative Translation Adjustments	Unrealized Gains (Losses) on Financial Instruments	Treasury Stock	Total
	Capital Stock	Additional Paid-in Capital	Long-Term Equity Investments	Accumulated Deficit				
BALANCE, JANUARY 1, 2006	\$ 13,333,803	\$ 4,335,927	\$ 217,339	\$ 8,347	\$ 499,637	\$ (14,956)	\$ (2,760,319)	\$ 15,619,778
Adjustments due to adoption of newly released SFASs	-	-	-	-	-	(128)	-	(128)
Transfer of treasury stock to employees - 11,136,000 shares	-	-	-	(134,049)	-	-	340,559	206,510
Retirement of treasury stock - 7,991,000 shares	(79,910)	(25,986)	-	(138,481)	-	-	244,377	-
Effect of changes of ownership interest in equity method investees and unrealized losses on financial instruments under equity method	-	-	1,126	(11,035)	-	10,919	-	1,010
Unrealized losses on financial instruments	-	-	-	-	-	124	-	124
Translation adjustments on long-term investments	-	-	-	-	(10,188)	-	-	(10,188)
Net loss for 2006	-	-	-	(1,155,191)	-	-	-	(1,155,191)
BALANCE, DECEMBER 31, 2006	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 accumulated deficit	-	(1,430,409)	-	1,430,409	-	-	-	-
Transfer of treasury stock to employees - 1,251,000 shares	-	-	-	(15,061)	-	-	38,263	23,202
Retirement of treasury stock - 16,215,000 shares	(162,150)	(35,229)	-	(298,500)	-	-	495,879	-
Effect of changes of ownership interest in equity method investees and unrealized losses on financial instruments under equity method	-	-	561	(23,276)	-	52,511	-	29,796
Issuance of stock from exercising stock option - 62,550 shares	626	1,032	-	-	-	-	-	1,658
Unrealized losses on financial instruments	-	-	-	-	-	36	-	36
Translation adjustments on long-term investments	-	-	-	-	65,093	-	-	65,093
Net loss for 2007	-	-	-	(4,937,669)	-	-	-	(4,937,669)
BALANCE, DECEMBER 31, 2007	\$ 13,092,369	\$ 2,845,335	\$ 219,026	\$ (5,274,506)	\$ 554,542	\$ 48,506	\$ (1,641,241)	\$ 9,844,031

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated April 14, 2008)

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (4,937,669)	\$ (1,155,191)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation (including depreciation of leased-out assets) and amortization	439,772	470,976
Investment loss under equity-method	3,273,306	604,557
Cash dividends under equity-method	213,000	200,000
Loss on disposal of property, plant and equipment	82	154
Gain on disposal of property, plant and equipment	(3,600)	(577)
Transfer of cost of property, plant and equipment to expense	533	-
(Gain) loss on sale of investments	(2,456)	22,600
Amortization of bond issuance costs	1,926	698
Accrued pension cost	(56,847)	(1,640)
Interest on redeemed convertible bonds	-	(242)
Gain on redemption of convertible bonds	-	(278)
Deferred income tax assets	127,690	195,561
Valuation income on financial instruments, net	(152)	-
Net changes in operating assets and liabilities		
Financial assets held for trading	(2,014,940)	519
Financial liabilities held for trading	(29)	29
Notes receivable, net	5,953	246,356
Accounts receivable, net	801,710	2,120,768
Notes and accounts receivable from related parties, net	170,069	186,227
Other receivables	35,023	21,195
Inventories	1,592,863	418,005
Other current assets	69,913	(104,287)
Notes payable	(3,943)	(1,505)
Accounts payable	(1,480,592)	(3,181,152)
Notes and accounts payable to related parties	17,024	(88,001)
Income tax payable	515,961	-
Accrued expenses	(295,258)	254,324
Other current liabilities	75,695	21,076
Net cash (used in) provided by operating activities	<u>(1,454,966)</u>	<u>230,172</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in financial assets at fair value through profit or loss	(40,000)	-
Payment for available-for-sale financial assets	(522,800)	(1,339,500)
Proceeds from sale of available-for-sale financial assets	531,596	1,342,649
Increase in other receivables from related parties, net	(439,900)	(160,000)
Payment for long-term investments (including prepayment for long-term investment)	(1,356,970)	(1,889,249)
Proceeds from sale of long-term investments (including proceeds from capital reduction)	2,419,362	301,776
Acquisition of property, plant and equipment	(359,472)	(185,789)
Proceeds from disposal of property, plant and equipment	100,540	400
Decrease (increase) in refundable deposits	6,082	(4,252)
Increase in deferred charges	(186,153)	(305,390)
Increase in financial assets carried at cost	(8,250)	-
Cash and cash equivalents from dissolved company	-	507,506
Net cash provided by (used in) investing activities	<u>144,035</u>	<u>(1,731,849)</u>

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# VIA TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term bank loans	33,333	77,778
Redemption of bonds	(362,500)	(4,300)
Proceeds from transfer of treasury stock to employees	23,202	206,510
Bonuses to employees	-	(90,270)
Issuance of stock from exercising stock options	1,658	-
Decrease in guarantee deposits received	<u>(41)</u>	<u>(2,285)</u>
Net cash (used in) provided by financing activities	<u>(304,348)</u>	<u>187,433</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,615,279)	(1,314,244)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,183,067</u>	<u>7,497,311</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,567,788</u>	<u>\$ 6,183,067</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</b>		
Cash paid during the year		
Interest	<u>\$ 68,856</u>	<u>\$ 76,296</u>
Income tax	<u>\$ 8,907</u>	<u>\$ 6,495</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<u>\$ 362,500</u>	<u>\$ 529,167</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 216</u>	<u>\$ 220</u>
Transfer of long-term investment under equity method to other liabilities	<u>\$ (15,916)</u>	<u>\$ 490,099</u>
Transfer of lease-out assets to property, plant and equipment	<u>\$ -</u>	<u>\$ 103,716</u>
<b>PURCHASE OF FINANCIAL ASSETS FOR TRADING</b>		
Net increase in financial assets held for trading	\$ 346,906	\$ 1,668,034
Decrease (increase) in other payable	<u>1,668,034</u>	<u>(1,668,034)</u>
Cash payment	<u>\$ 2,014,940</u>	<u>\$ -</u>
<b>PROCEEDS FROM SALE OF LONG-TERM INVESTMENT UNDER EQUITY METHOD (INCLUDING PROCEEDS FROM CAPITAL REDUCTION)</b>		
Proceeds from sale of long-term investment under equity method	\$ -	\$ 2,355,802
Proceeds from capital reduction	107,000	66
Proceeds from prepayment for long-term investment	254,201	4,069
Decrease (increase) in other receivables	<u>2,058,161</u>	<u>(2,058,161)</u>
Cash received	<u>\$ 2,419,362</u>	<u>\$ 301,776</u>

(Continued)

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

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	2007	2006
<b>PURCHASE OF PROPERTY, PLANT AND EQUIPMENT</b>		
Increase in property, plant and equipment	\$ 305,505	\$ 94,982
Decrease in payable due to acquisition of property, plant and equipment	<u>53,967</u>	<u>90,807</u>
Cash payment	<u>\$ 359,472</u>	<u>\$ 185,789</u>
<b>PURCHASE OF DEFERRED CHARGES</b>		
Increase in deferred charges	\$ 150,550	\$ 247,549
Decrease in payable for deferred charges	<u>35,603</u>	<u>57,841</u>
Cash payment	<u>\$ 186,153</u>	<u>\$ 305,390</u>

(Concluded)

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated April 14, 2008)

