

**VIA Technologies, Inc.**

**Financial Statements for the  
Six Months Ended June 30, 2008 and 2007 and  
Independent Auditors' Report**

# VIA TECHNOLOGIES, INC.

## BALANCE SHEETS

JUNE 30, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 2,703,440	19	\$ 6,047,290	27	Notes payable	\$ 107	-	\$ 3,217	-
Financial assets at fair value through profit or loss, current	2,331,817	16	1,517,739	7	Accounts payable	1,456,375	10	3,948,186	18
Available-for-sale financial assets, current	2,360	-	2,461	-	Notes and accounts payable to related parties	83,201	1	99,749	1
Notes receivable, net	28,736	-	147,830	1	Income tax payable	450,629	3	348,642	2
Accounts receivable, net	549,594	4	1,288,374	6	Accrued expenses	436,858	3	926,587	4
Notes and accounts receivable from related parties, net	336,936	2	381,826	2	Current portion of long-term liabilities	362,500	2	538,056	2
Other Receivables	678,492	5	347,355	2	Other current liabilities	581,546	4	431,738	2
Inventories	1,641,397	12	3,549,997	16					
Deferred income tax asset, current	524,626	4	692,193	3	Total current liabilities	3,371,216	23	6,296,175	29
Other current assets	140,363	1	168,145	1					
Total current assets	8,937,761	63	14,143,210	65	<b>LONG-TERM LIABILITIES</b>				
					Corporate bonds payable	1,175,000	8	1,537,500	7
<b>LONG-TERM INVESTMENTS</b>					Long-term bank loans	500,000	4	180,000	1
Financial assets carried at cost	86,234	1	86,234	-	Total long-term liabilities	1,675,000	12	1,717,500	8
Long-term investments under equity method	2,425,500	17	4,783,691	22					
Prepayments for long-term investments	200,000	1	254,201	1	<b>OTHER LIABILITIES</b>	717,547	5	809,752	3
Total long-term investments	2,711,734	19	5,124,126	23	Total liabilities	5,763,763	40	8,823,427	40
<b>PROPERTY, PLANT AND EQUIPMENT</b>					<b>STOCKHOLDERS' EQUITY</b>				
Land	1,053,249	7	1,000,539	4	Common stock	13,089,732	92	13,253,893	61
Buildings and improvements	696,743	5	635,441	3	Capital surplus				
Machinery and equipment	71,877	1	72,105	-	Additional paid-in capital	-	-	2,879,532	13
Computer equipment	107,905	1	127,689	1	Long-term equity investments	239,723	2	221,675	1
Instruments	342,997	2	419,913	2	Retained earnings				
Transportation equipment	-	-	3,368	-	Accumulated deficit	(3,638,955)	(26)	(1,674,125)	(8)
Furniture and fixtures	5,349	-	7,420	-	Cumulative translation adjustments	477,412	3	547,201	3
Leasehold improvements	11,097	-	14,209	-	Unrealized gains on financial instruments	(18,195)	-	33,680	-
	2,289,217	16	2,280,684	10	Treasury stock	(1,633,176)	(11)	(2,147,312)	(10)
Less accumulated depreciation	(503,050)	(4)	(516,742)	(2)	Total stockholders' equity	8,516,541	60	13,114,544	60
Prepayments for business facilities	9,865	-	24,420	-					
Property, Plant and equipment, net	1,796,032	12	1,788,362	8					
<b>INTANGIBLE ASSETS</b>									
Patents	21,436	-	61,650	-					
<b>OTHER ASSETS</b>									
Leased-out assets	196,532	2	198,011	1					
Refundable deposits	9,092	-	18,375	-					
Deferred bonds issuance costs	1,403	-	2,715	-					
Deferred charges	166,332	1	260,758	1					
Deferred income tax assets, noncurrent	439,982	3	340,764	2					
Total other assets	813,341	6	820,623	4					
<b>TOTAL</b>	<b>\$ 14,280,304</b>	<b>100</b>	<b>\$ 21,937,971</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 14,280,304</b>	<b>100</b>	<b>\$ 21,937,971</b>	<b>100</b>

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Sales	\$ 4,822,631	106	\$ 9,518,330	114
Less sales returns	(39,166)	(1)	(65,609)	(1)
Less sales allowance	<u>(247,825)</u>	<u>(5)</u>	<u>(1,093,988)</u>	<u>(13)</u>
Net sales	4,535,640	100	8,358,733	100
Other operating revenues	<u>4,398</u>	<u>-</u>	<u>737</u>	<u>-</u>
Total operating revenues	4,540,038	100	8,359,470	100
<b>COST OF OPERATING REVENUES</b>				
	<u>3,208,441</u>	<u>71</u>	<u>6,463,569</u>	<u>77</u>
<b>GROSS PROFIT</b>				
	1,331,597	29	1,895,901	23
<b>UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS</b>				
	(8,757)	-	(27,439)	(1)
<b>REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS</b>				
	<u>24,677</u>	<u>1</u>	<u>20,919</u>	<u>-</u>
<b>REALIZED GROSS PROFIT</b>				
	<u>1,347,517</u>	<u>30</u>	<u>1,889,381</u>	<u>22</u>
<b>OPERATING EXPENSES</b>				
General and administrative expenses	563,570	13	990,595	12
Research and development expenses	<u>913,999</u>	<u>20</u>	<u>1,187,175</u>	<u>14</u>
Total operating expenses	<u>1,477,569</u>	<u>33</u>	<u>2,177,770</u>	<u>26</u>
<b>LOSS FROM OPERATIONS</b>				
	<u>(130,052)</u>	<u>(3)</u>	<u>(288,389)</u>	<u>(4)</u>
<b>NON-OPERATING INCOME</b>				
Interest income	39,729	1	55,883	1
Gain on disposal of property, plant and equipment	39,877	1	272	-
Gain on sale of investments	753	-	3,091	-
Foreign exchange gain, net	13,122	-	16,498	-
Rental income	6,031	-	8,103	-
Valuation gain on financial assets, net	272,244	6	-	-
Valuation gain on financial liabilities, net	-	-	88	-
Other	<u>102,028</u>	<u>2</u>	<u>176,748</u>	<u>2</u>
Total non-operating income	<u>473,784</u>	<u>10</u>	<u>260,683</u>	<u>3</u>

(Continued)

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expenses	\$ 29,901	1	\$ 33,320	-
Investment losses under equity method	1,332,612	29	1,022,560	12
Loss on disposal of property, plant and equipment	51	-	81	-
Loss on physical inventory	1,498	-	543	-
Loss on inventory devaluation	137,262	3	326,581	4
Valuation loss on financial assets, net	-	-	149,835	2
Other	9,813	-	739	-
Total non-operating expenses	<u>1,511,137</u>	<u>33</u>	<u>1,533,659</u>	<u>18</u>
LOSS BEFORE INCOME TAX	(1,167,405)	(26)	(1,561,365)	(19)
INCOME TAX EXPENSE	<u>(36,951)</u>	<u>(1)</u>	<u>(96,692)</u>	<u>(1)</u>
NET LOSS	<u>\$ (1,204,356)</u>	<u>(27)</u>	<u>\$ (1,658,057)</u>	<u>(20)</u>
	<b>2008</b>		<b>2007</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	<u>\$ (0.90)</u>	<u>\$ (0.93)</u>	<u>\$ (1.21)</u>	<u>\$ (1.28)</u>

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

	2008	2007
NET LOSS	<u>\$(1,204,356)</u>	<u>\$(1,658,057)</u>
BASIC LOSS PER SHARE	<u>\$(0.92)</u>	<u>\$(1.27)</u>

(Concluded)

**VIA TECHNOLOGIES, INC.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	Capital Surplus			Accumulated Deficit	Cumulative Translation Adjustments	Unrealized Gains (Losses) On Financial Instruments	Treasury Stock	Total
	Capital Stock	Additional Paid-in Capital	Long-Term Equity Investments					
BALANCE, JANUARY 1, 2008	\$ 13,092,369	\$ 2,845,335	\$ 219,026	\$ (5,274,506)	\$ 554,542	\$ 48,506	\$ (1,641,241)	\$ 9,844,031
Retirement of treasury stock - 264 thousand shares	(2,637)	-	-	(5,428)	-	-	8,065	-
Additional paid-in capital transfer to make up for accumulated deficit	-	(2,845,335)	-	2,845,335	-	-	-	-
Effect of changes of ownership interest in equity method investees and unrealized gains on financial instruments under equity method	-	-	20,697	-	-	(66,586)	-	(45,889)
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	(115)	-	(115)
Translation adjustments on long-term investments	-	-	-	-	(77,130)	-	-	(77,130)
Net loss for the six months ended June 30, 2008	-	-	-	(1,204,356)	-	-	-	(1,204,356)
BALANCE, JUNE 30, 2008	<u>\$ 13,089,732</u>	<u>\$ -</u>	<u>\$ 239,723</u>	<u>\$ (3,638,955)</u>	<u>\$ 477,412</u>	<u>\$ (18,195)</u>	<u>\$ (1,633,176)</u>	<u>\$ 8,516,541</u>
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 accumulated deficit	-	(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>

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,204,356)	\$ (1,658,057)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization (including depreciation of leased-out assets)	197,519	227,172
Investment losses on equity-method investees	1,332,612	1,022,560
Loss on disposal of property, plant and equipment	51	81
Gain on disposal of property, plant and equipment	(39,877)	(272)
Transfer of cost of property, plant and equipment to expense	-	533
Valuation gain on financial instruments, net	(43)	-
Gain on sale of investments	(753)	(3,091)
Amortization of bond issuance costs	656	1,270
Accrued pension cost	162	(2,217)
Deferred income tax assets	37,028	96,369
Net changes in operating assets and liabilities		
Financial assets held for trading	(272,201)	(1,518,258)
Financial liabilities held for trading	-	(29)
Notes receivable, net	(26,150)	(139,291)
Accounts receivable, net	(250,063)	(180,402)
Notes and accounts receivable from related parties, net	(139,227)	(20,779)
Other receivables	66,377	(7,363)
Inventories	961,682	645,945
Other current assets	(3,608)	38,523
Notes payable	81	(752)
Accounts payable	(516,248)	494,971
Notes and accounts payable to related parties	27,506	61,078
Income tax payable	(413,974)	-
Accrued expenses	(361,720)	(167,249)
Other current liabilities	<u>105,502</u>	<u>11,878</u>
Net cash used in operating activities	<u>(499,044)</u>	<u>(1,097,380)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in financial assets at fair value through profit and loss	(230,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	225,924	-
Payment for available-for-sale financial assets	(258,000)	(202,500)
Proceeds from sale of available-for-sale financial assets	258,433	211,941
Acquisition of property, plant and equipment	(42,599)	(126,552)
Proceeds from disposal of property, plant, equipment, intangible assets and deferred charges	64,663	71,873
Payment for financial assets carried at cost	-	(8,250)
Payment for long-term investments under equity method	(1,378,598)	(843,305)
Proceeds from sale of long-term investments under equity method	5,201	2,058,161

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# VIA TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Decrease (increase) in refundable deposits	\$ 3,151	\$ (50)
Increase in deferred charges	(59,874)	(105,636)
Proceeds from disposal of property, plant and equipment in advance	<u>46,879</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(1,364,820)</u>	<u>1,055,682</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in long-term bank loans	-	(111,111)
(Decrease) increase in guarantee deposits received	(484)	10
Proceeds from disposal of treasury stock	<u>-</u>	<u>17,022</u>
Net cash used in financing activities	<u>(484)</u>	<u>(94,079)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,864,348)	(135,777)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,567,788</u>	<u>6,183,067</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,703,440</u>	<u>\$ 6,047,290</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</b>		
Cash paid during the period		
Interest	<u>\$ 30,260</u>	<u>\$ 33,957</u>
Income tax	<u>\$ 415,764</u>	<u>\$ 4,119</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<u>\$ 362,500</u>	<u>\$ 538,056</u>
Transfer of Long-term investment under equity method to other liabilities	<u>\$ (11,756)</u>	<u>\$ (8,143)</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 17,565</u>	<u>\$ 108</u>
<b>PAYMENT FOR FINANCIAL ASSETS HELD FOR TRADING</b>		
Net increase (decrease) in financial instruments held for trading	\$ 272,201	\$ (149,776)
Decrease in other payable	<u>-</u>	<u>1,668,034</u>
Cash payment	<u>\$ 272,201</u>	<u>\$ 1,518,258</u>
<b>PROCEEDS FROM SALE OF LONG-TERM INVESTMENT UNDER EQUITY METHOD</b>		
Proceeds from disposal of long-term investment under equity method	\$ 5,201	\$ -
Decrease in other receivables	<u>-</u>	<u>2,058,161</u>
Cash received	<u>\$ 5,201</u>	<u>\$ 2,058,161</u>

(Continued)

# VIA TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

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	2008	2007
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant and equipment	\$ 29,199	\$ 102,659
Decrease in payable due to acquisition of property, plant and equipment	<u>13,400</u>	<u>23,893</u>
Cash payment	<u>\$ 42,599</u>	<u>\$ 126,552</u>
PURCHASE OF DEFERRED CHARGES		
Increase in deferred charges	\$ 13,882	\$ 46,957
Decrease in payable due to acquisition of deferred charges	<u>45,992</u>	<u>58,679</u>
Cash payment	<u>\$ 59,874</u>	<u>\$ 105,636</u>

(Concluded)