

VIA Technologies, Inc.

**Financial Statements for the
Years Ended December 31, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007, 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.

We have also audited the consolidated financial statements of VIA Technologies, Inc. and its subsidiaries as of and for the years ended December 31, 2008 and 2007, and our report dated March 26, 2009 (not presented herewith) has expressed unqualified opinion on those financial statements.

March 26, 2009

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, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 2,221,579	20	\$ 4,567,788	27	Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	\$ 1,124	-	\$ -	-
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	1,472,075	13	2,054,573	12	Notes payable	64,802	1	26	-
Available-for-sale financial assets, current (Notes 2 and 6)	34,512	-	2,491	-	Accounts payable	750,092	7	1,972,623	12
Notes receivable, net (Note 2)	3,709	-	2,586	-	Notes and accounts payable to related parties (Note 27)	70,582	1	55,695	-
Accounts receivable, net (Notes 2 and 7)	313,949	3	299,531	2	Income tax payable (Notes 2 and 25)	450,629	4	864,603	5
Notes and accounts receivable from related parties, net (Notes 2, 8 and 27)	237,620	2	197,709	1	Accrued expenses (Notes 17, 27 and 29)	451,769	4	798,578	5
Other receivables (Notes 2, 9 and 27)	736,655	6	744,869	4	Current portion of long-term liabilities (Note 19)	1,175,000	10	362,500	2
Inventories (Notes 2 and 10)	1,031,487	9	2,603,079	16	Other current liabilities (Notes 18 and 27)	291,449	2	488,557	3
Deferred income tax asset, current (Notes 2 and 25)	345,982	3	603,779	4					
Other current assets (Note 11)	58,030	1	136,755	1	Total current liabilities	3,255,447	29	4,542,582	27
Total current assets	6,455,598	57	11,213,160	67	LONG-TERM LIABILITIES				
LONG-TERM INVESTMENTS					Corporate bonds payable (Notes 2 and 19)	-	-	1,175,000	7
Financial assets carried at cost (Notes 2 and 12)	76,321	1	86,234	1	Long-term bank loans (Notes 2 and 20)	1,400,000	12	500,000	3
Investment accounted for using equity method (Notes 2, 13, 23 and 27)	2,233,415	19	2,720,078	16	Total long-term liabilities	1,400,000	12	1,675,000	10
Total long-term investments	2,309,736	20	2,806,312	17	OTHER LIABILITIES (Notes 2, 13, 21 and 27)	851,206	7	747,190	4
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 14 and 27)					Total liabilities	5,506,653	48	6,964,772	41
Land	983,643	9	1,074,878	6	STOCKHOLDERS' EQUITY				
Buildings and improvements	618,079	5	705,639	4	Common stock (Note 22)	12,915,172	114	13,092,369	78
Machinery and equipment	82,387	1	72,418	1	Capital surplus	-	-	2,845,335	17
Computer equipment	109,402	1	151,586	1	Additional paid-in capital	-	-	219,026	1
Instruments	354,239	3	422,370	3	Long-term equity investments (Note 13)	240,113	2	-	-
Transportation equipment	-	-	3,368	-	Retained earnings (Note 22)	(7,909,297)	(70)	(5,274,506)	(31)
Furniture and fixtures	5,349	-	7,534	-	Accumulated deficit	626,006	6	554,542	4
Leasehold improvements	11,097	-	20,633	-	Cumulative translation adjustments (Note 2)	-	-	-	-
	2,164,196	19	2,458,426	15	Unrealized (losses) gains on financial instruments (Notes 2, 3, 6 and 13)	(1,272)	-	48,506	-
Less accumulated depreciation	(555,510)	(5)	(604,722)	(4)	Treasury stock (Notes 2 and 23)	-	-	(1,641,241)	(10)
Prepayments for business facilities	18,000	-	23,719	-	Total stockholders' equity	5,870,722	52	9,844,031	59
Property, plant and equipment, net	1,626,686	14	1,877,423	11					
INTANGIBLE ASSETS (Notes 2 and 15)									
Patents	39,625	1	41,530	-					
OTHER ASSETS									
Leased-out assets (Notes 2, 16 and 27)	195,793	2	197,272	1					
Refundable deposits	8,438	-	12,243	-					
Deferred bonds issuance costs (Note 2)	748	-	2,059	-					
Deferred charges (Note 2)	155,407	1	260,947	2					
Deferred income tax assets, noncurrent (Notes 2 and 25)	585,344	5	397,857	2					
Total other assets	945,730	8	870,378	5					
TOTAL	\$ 11,377,375	100	\$ 16,808,803	100	TOTAL	\$ 11,377,375	100	\$ 16,808,803	100

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

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)				
Sales	\$ 8,345,416	105	\$ 16,602,110	113
Less sales returns	(56,628)	(1)	(74,797)	-
Less sales allowance	(367,771)	(4)	(1,859,433)	(13)
Net sales (Note 27)	<u>7,921,017</u>	<u>100</u>	<u>14,667,880</u>	<u>100</u>
Other operating revenues (Note 27)	<u>5,915</u>	<u>-</u>	<u>6,323</u>	<u>-</u>
Total operating revenues	7,926,932	100	14,674,203	100
COST OF OPERATING REVENUES (Notes 24 and 27)	<u>5,069,629</u>	<u>64</u>	<u>11,219,734</u>	<u>76</u>
GROSS PROFIT	2,857,303	36	3,454,469	24
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS (Notes 2 and 18)	(4,752)	-	(24,677)	-
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	<u>24,677</u>	<u>-</u>	<u>20,919</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,877,228</u>	<u>36</u>	<u>3,450,711</u>	<u>24</u>
OPERATING EXPENSES (Notes 24 and 27)				
General and administrative expenses	1,181,576	15	2,017,640	14
Research and development expenses	<u>1,639,638</u>	<u>20</u>	<u>2,262,957</u>	<u>15</u>
Total operating expenses	<u>2,821,214</u>	<u>35</u>	<u>4,280,597</u>	<u>29</u>
INCOME (LOSS) FROM OPERATIONS	<u>56,014</u>	<u>1</u>	<u>(829,886)</u>	<u>(5)</u>
NON-OPERATING INCOME (Note 27)				
Interest income	62,691	1	118,176	1
Dividend income	114,257	1	69,797	1
Gain on disposal of property, plant and equipment (Note 27)	65,339	1	3,600	-
Gain on sale of investments, net (Notes 5, 6 and 13)	1,427	-	4,958	-
Gain on physical inventory	-	-	59	-
Foreign currency exchange gain, net (Note 2)	44,605	1	17,098	-
Rental income (Note 27)	13,250	-	15,108	-
Reversal of provision for bad debts	-	-	4,745	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	-	-	347,058	2
Others (Note 27)	<u>243,702</u>	<u>3</u>	<u>333,380</u>	<u>2</u>
Total non-operating income	<u>545,271</u>	<u>7</u>	<u>913,979</u>	<u>6</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expense	63,709	1	67,252	1
Investment loss under equity method (Notes 2 and 13)	3,136,320	40	3,273,306	22
Loss on disposal of property, plant and equipment	51	-	82	-
Loss on physical inventory	6,858	-	-	-
Loss on inventory devaluation	631,771	8	1,010,329	7
Impairment loss (Notes 2 and 12)	59,546	1	-	-
Valuation loss on financial assets, net (Notes 2 and 5)	584,639	7	-	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	1,124	-	-	-
Others	63,114	1	26,775	-
Total non-operating expenses	4,547,132	58	4,377,744	30
LOSS BEFORE INCOME TAX	(3,945,847)	(50)	(4,293,651)	(29)
INCOME TAX EXPENSE (Notes 2 and 25)	(70,205)	(1)	(644,018)	(5)
NET LOSS	<u>\$ (4,016,052)</u>	<u>(51)</u>	<u>\$ (4,937,669)</u>	<u>(34)</u>
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC LOSS PER SHARE (Note 26)	<u>\$ (3.06)</u>	<u>\$ (3.11)</u>	<u>\$ (3.33)</u>	<u>\$ (3.82)</u>

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

NET LOSS	<u>\$ (4,016,082)</u>	<u>\$ (4,937,669)</u>
BASIC LOSS PER SHARE	<u>\$ (3.11)</u>	<u>\$ (3.77)</u>

(Concluded)

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

VIA TECHNOLOGIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	Capital Surplus			Retained Earnings	Cumulative Translation Adjustments	Unrealized (Losses) Gains on Financial Instruments	Treasury Stock	Total
	Capital Stock	Additional Paid-in Capital	Long-Term Equity Investments	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 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
Additional Paid-in capital transfer to make up for accumulated deficit	-	(2,845,335)	-	2,845,335	-	-	-	-
Retirement of treasury stock - 17,720 shares	(177,197)	-	-	(1,464,044)	-	-	1,641,241	-
Effect of changes of ownership interest in equity method investees and unrealized losses on financial instruments under equity method	-	-	21,087	-	-	(54,213)	-	(33,126)
Unrealized losses on financial instruments	-	-	-	-	-	4,435	-	4,435
Translation adjustments on long-term investments	-	-	-	-	71,464	-	-	71,464
Net loss for 2008	-	-	-	(4,016,082)	-	-	-	(4,016,082)
BALANCE, DECEMBER 31, 2008	<u>\$ 12,915,172</u>	<u>\$ -</u>	<u>\$ 240,113</u>	<u>\$ (7,909,297)</u>	<u>\$ 626,006</u>	<u>\$ (1,272)</u>	<u>\$ -</u>	<u>\$ 5,870,722</u>

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

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (4,016,082)	\$ (4,937,669)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation (including depreciation of leased-out assets) and amortization	347,932	439,772
Investment loss under equity-method	3,136,320	3,273,306
Cash dividends under equity-method	-	213,000
Loss on disposal of property, plant and equipment	51	82
Gain on disposal of property, plant and equipment	(65,339)	(3,600)
Transfer of cost of property, plant and equipment to expense	-	533
Impairment loss	59,546	-
Gain on sale of investments	(1,427)	(2,456)
Amortization of bond issuance costs	1,311	1,926
Accrued pension cost	(88,379)	(56,847)
Deferred income tax assets	70,310	127,690
Valuation income on financial instruments, net	-	(152)
Net changes in operating assets and liabilities		
Financial assets held for trading	586,120	(2,014,940)
Financial liabilities held for trading	1,124	(29)
Notes receivable, net	(1,123)	5,953
Accounts receivable, net	(14,418)	801,710
Notes and accounts receivable from related parties, net	(39,911)	170,069
Other receivables	189,274	35,023
Inventories	1,571,592	1,592,863
Other current assets	81,462	69,913
Notes payable	64,776	(3,943)
Accounts payable	(1,222,531)	(1,480,592)
Notes and accounts payable to related parties	14,887	17,024
Income tax payable	(413,974)	515,961
Accrued expenses	(348,312)	(295,258)
Other current liabilities	<u>(107,470)</u>	<u>75,695</u>
Net cash used in operating activities	<u>(194,261)</u>	<u>(1,454,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit or loss	(230,000)	(40,000)
Proceeds from financial assets designated at fair value through profit or loss	271,256	-
Payment for available-for-sale financial assets	(1,116,000)	(522,800)
Proceeds from sale of available-for-sale financial assets	1,116,931	531,596
Increase in other receivables from related parties, net	(90,100)	(439,900)
Payment for long-term investments (including prepayment for long-term investment)	(2,619,937)	(1,356,970)

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Proceeds from sale of long-term investments (including proceeds from capital reduction)	\$ 5,201	\$ 2,419,362
Acquisition of property, plant and equipment	(82,349)	(359,472)
Proceeds from disposal of property, plant and equipment	218,817	100,540
Decrease in refundable deposits	3,805	6,082
Increase in deferred charges	(178,725)	(186,153)
Increase in financial assets carried at cost	-	(8,250)
Cash and cash equivalents from dissolved company	<u>11,169</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(2,689,932)</u>	<u>144,035</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term bank loans	900,000	33,333
Redemption of bonds	(362,500)	(362,500)
Proceeds from transfer of treasury stock to employees	-	23,202
Issuance of stock from exercising stock options	-	1,658
Increase (decrease) in guarantee deposits received	<u>484</u>	<u>(41)</u>
Net cash provided by (used in) financing activities	<u>537,984</u>	<u>(304,348)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,346,209)	(1,615,279)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,567,788</u>	<u>6,183,067</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,221,579</u>	<u>\$ 4,567,788</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year		
Interest	<u>\$ 66,382</u>	<u>\$ 68,856</u>
Income tax	<u>\$ 420,752</u>	<u>\$ 8,907</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 1,175,000</u>	<u>\$ 362,500</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 18,989</u>	<u>\$ 216</u>
Transfer of long-term investment under equity method to other liabilities	<u>\$ (45,825)</u>	<u>\$ (15,916)</u>
PURCHASE OF FINANCIAL ASSETS FOR TRADING		
Net (increase) decrease in financial assets held for trading	\$ (542,346)	\$ 346,906
Decrease in other payable	<u>-</u>	<u>1,668,034</u>
Cash payment	<u>\$ (542,346)</u>	<u>\$ 2,014,940</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
PROCEEDS FROM SALE OF LONG-TERM INVESTMENT UNDER EQUITY METHOD (INCLUDING PROCEEDS FROM CAPITAL REDUCTION)		
Proceeds from sale of long-term investment under equity method	\$ 5,201	\$ -
Proceeds from capital reduction	-	107,000
Proceeds from prepayment for long-term investment	-	254,201
Decrease in other receivables	<u>-</u>	<u>2,058,161</u>
Cash received	<u>\$ 5,201</u>	<u>\$ 2,419,362</u>
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant and equipment	\$ 62,527	\$ 305,505
Decrease in payable due to acquisition of property, plant and equipment	<u>19,822</u>	<u>53,967</u>
Cash payment	<u>\$ 82,349</u>	<u>\$ 359,472</u>
PURCHASE OF DEFERRED CHARGES		
Increase in deferred charges	\$ 98,262	\$ 150,550
Decrease in payable for deferred charges	<u>80,463</u>	<u>35,603</u>
Cash payment	<u>\$ 178,725</u>	<u>\$ 186,153</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

The summary of assets and liabilities from the dissolved company - VIA-Cyrix Technologies Inc.:

	2008
Cash and cash equivalents	\$ 6,269
Financial assets at fair value through profit or loss current	43,774
Available-for-sale financial assets - current	27,606
Other receivables	20,960
Other current assets	1,924
Financial assets carried at cost	16,678
Investments accounted for by the equity method	41,361
Accrued expense	(466)
Other current liabilities	(9,785)
Other liabilities	(150,093)

The summary of assets and liabilities from the dissolved company - Way-Hao International Corp.:

	2008
Cash and cash equivalents	\$ 4,900
Other receivables	70,000
Other current assets	813
Financial assets carried at cost	32,955
Investments accounted for by the equity method	5,929
Accrued expense	(1,037)
Other current liabilities	(862)
Other liabilities	(168,331)

(Concluded)

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