

VIA TECHNOLOGIES, INC.

BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

(In Thousands of New Taiwan Dollars)

ASSETS	2002	2001	LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents (Notes 2 and 3)	\$ 4,074,756	\$11,112,886	Notes payable	\$ 4,945	\$ 1,071
Short-term investments (Notes 2 and 4)	5,868,308	45,228	Accounts payable	3,627,646	3,084,536
Notes receivable, net (Note 2)	2,232,155	1,794,164	Notes and accounts payable to related parties (Note 22)	1,180,919	1,196,843
Accounts receivable, net (Notes 2 and 5)	1,320,426	2,374,822	Income tax payable (Notes 2 and 20)	132,355	466,567
Notes and accounts receivable from related parties, net (Notes 2, 6 and 22)	1,019,955	400,565	Accrued expenses (Notes 12 and 22)	932,295	1,268,724
Inventories (Notes 2 and 7)	3,567,697	3,934,757	Current portion of long-term liabilities (Note 15)	11,059	12,490
Other current assets (Notes 2, 8, 20 and 22)	1,125,443	696,109	Other current liabilities (Notes 13 and 22)	931,247	1,217,257
Total current assets	19,208,740	20,358,531	Total current liabilities	6,820,466	7,247,488
LONG-TERM INVESTMENTS (Notes 2, 9 and 22)	12,989,183	13,805,290	LONG-TERM LIABILITIES:		
			Corporate bonds payable (Notes 2 and 14)	4,846,884	4,605,137
			Long-term capital lease liabilities (Note 15)	12,404	27,031
			Total long-term liabilities	4,859,288	4,632,168
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 22):			OTHER LIABILITIES (Notes 2, 9 and 16)		
Land	782,554	775,466		251,767	81,694
Buildings and improvements	509,922	507,216			
Machinery and equipment	317,267	773,888	Total liabilities	11,931,521	11,961,350
Computer equipment	233,164	179,330			
Research and development equipment	298,329	305,972	STOCKHOLDERS' EQUITY:		
Transportation equipment	8,119	8,168	Capital stock (Note 17)	11,918,540	9,468,000
Furniture and fixtures	46,479	50,938	Capital surplus:		
Leased assets	43,502	43,502	Additional paid-in capital	8,073,500	8,073,500
Leasehold improvements	160,614	137,472	Gain on disposal of property, plant and equipment	1,770	1,770
			Long-term equity investment	245,990	74,654
Subtotal	2,399,950	2,781,952	Retained earnings: (Note 19)		
Less accumulated depreciation	(659,474)	(668,482)	Legal reserve	1,663,733	1,131,279
Prepayments on purchase of equipment, land and buildings	64,376	27,300	Unappropriated earnings	3,554,423	6,868,531
			Unrealized valuation losses on long-term equity investments (Notes 2 and 9)	(271,923)	(165,238)
Property, plant and equipment, net	1,804,852	2,140,770	Cumulative translation adjustments (Note 2)	807,778	842,133
			Treasury stock (Notes 2 and 18)	(1,634,554)	-
OTHER ASSETS:					
Leased-out assets (Notes 2, 11 and 22)	581,287	450,209	Total stockholders' equity	24,359,257	26,294,629
Refundable deposits	12,128	14,321			
Deferred charges (Notes 2, 22 and 24)	1,158,198	1,084,369			
Deferred tax asset (Notes 2 and 20)	536,390	402,489			
Total other assets	2,288,003	1,951,388			
TOTAL	\$36,290,778	\$38,255,979	TOTAL	\$36,290,778	\$38,255,979

See notes to financial statements.

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2002 AND 2001 (In Thousands of New Taiwan Dollars, Except Per Share Data)

	2002	2001
OPERATING REVENUES: (Note 2)		
Sales	\$28,229,376	\$37,107,099
Less:		
Sales returns	(539,661)	(164,710)
Sales discounts	<u>(2,575,471)</u>	<u>(3,152,829)</u>
Net sales (Note 22)	25,114,244	33,789,560
Other operating revenues (Note 22)	<u>7,640</u>	<u>58,472</u>
Total operating revenues	25,121,884	33,848,032
COST OF OPERATING REVENUES (Note 22)	<u>17,126,364</u>	<u>21,249,719</u>
GROSS PROFIT	7,995,520	12,598,313
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	<u>(8,548)</u>	<u>-</u>
REALIZED GROSS PROFIT	7,986,972	12,598,313
OPERATING EXPENSES (Note 22)	<u>5,099,551</u>	<u>5,023,878</u>
INCOME FROM OPERATIONS	<u>2,887,421</u>	<u>7,574,435</u>
NON-OPERATING INCOME:		
Interest income	132,853	245,603
Dividend income	-	1,526
Gain on disposal of property, plant and equipment	29,080	229
Gain on sale of investments	514,730	58,840
Foreign currency exchange gain	-	348,445
Rental income (Note 22)	32,817	24,411
Recovery from loss on short-term investment devaluation	-	30,172
Other (Note 22)	<u>52,819</u>	<u>55,047</u>
Total non-operating income	<u>762,299</u>	<u>764,273</u>
NON-OPERATING EXPENSES:		
Interest expenses	250,682	232,074
Investment losses	2,491,066	2,202,831
Loss on short-term investment devaluation	14,586	-
Loss on disposal of property, plant and equipment	1,529	370
Loss on physical inventory	10,494	10,839
Foreign currency exchange loss	34,623	-
Loss on inventory devaluation	456,707	371,321
Other	<u>19,112</u>	<u>4,695</u>
Total non-operating expenses	<u>3,278,799</u>	<u>2,822,130</u>
INCOME BEFORE INCOME TAX	370,921	5,516,578
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 20)	<u>72,343</u>	<u>(192,033)</u>
NET INCOME	<u>\$ 443,264</u>	<u>\$ 5,324,545</u>
PRIMARY EARNINGS PER SHARE BEFORE INCOME TAX (Note 21)	<u>\$0.32</u>	<u>\$4.69</u>
PRIMARY EARNINGS PER SHARE AFTER INCOME TAX (Note 21)	<u>\$0.38</u>	<u>\$4.53</u>

See notes to financial statements.

VIA TECHNOLOGIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001
(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus			Retained Earnings			Unrealized Valuation Losses on Long-Term Equity Investment	Cumulative Translation Adjustments	Treasury Stock	Total
		Additional Paid-in Capital	Gain on Disposal of Property, Plant and Equipment	Long-Term Equity Investment	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2001	\$ 5,767,500	\$8,073,500	\$1,770	\$ 2	\$ 477,013	\$ 41,552	\$6,683,297	\$(109,872)	\$386,821	\$ -	\$21,321,583
Appropriation and distribution of 2000 net income:											
Legal reserve					654,266		(654,266)				-
Special reserve reversed						(41,552)	41,552				-
Cash dividends							(576,750)				(576,750)
Stock dividends and transfer of employees bonuses to capital stock	3,700,500						(3,700,500)				-
Directors' remuneration							(42,824)				(42,824)
Employees bonuses							(56,426)				(56,426)
Effect of changes of ownership interest in equity method investees				74,652			(150,097)				(75,445)
Unrealized valuation losses on long-term equity investment								(55,366)			(55,366)
Cumulative translation adjustments									455,312		455,312
Net income for 2001							5,324,545				5,324,545
BALANCE, DECEMBER 31, 2001	9,468,000	8,073,500	1,770	74,654	1,131,279	-	6,868,531	(165,238)	842,133	-	26,294,629
Appropriation and distribution of 2001 net income:											
Legal reserve					532,454		(532,454)				-
Cash dividends							(757,440)				(757,440)
Stock dividends and transfer of employees bonuses to capital stock	2,450,540						(2,450,540)				-
Employees bonuses							(3,779)				(3,779)
Effect of changes of ownership interests in equity method investees				171,336			(13,159)				158,177
Unrealized valuation losses on long-term equity investment								(106,685)			(106,685)
Cumulative translation adjustments									(34,355)		(34,355)
Net income for 2002							443,264				443,264
Transfer of long-term investments to treasury stock										(1,634,554)	(1,634,554)
BALANCE, DECEMBER 31, 2002	<u>\$11,918,540</u>	<u>\$8,073,500</u>	<u>\$1,770</u>	<u>\$245,990</u>	<u>\$1,663,733</u>	<u>\$ -</u>	<u>\$3,554,423</u>	<u>\$(271,923)</u>	<u>\$807,778</u>	<u>\$(1,634,554)</u>	<u>\$24,359,257</u>

See notes to financial statements.

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (In Thousands of New Taiwan Dollars)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 443,264	\$ 5,324,545
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	990,177	642,990
Provision for redemption of convertible bonds	241,747	229,688
Gain on sale of long-term investment	(317,331)	(896)
Loss on disposal of property, plant and equipment	1,529	370
Gain on disposal of property, plant and equipment	(29,080)	(229)
Investment losses on equity-method investees	2,481,066	2,164,331
Cash dividends on equity-method investees	70,717	1,315
Loss on long-term investment devaluation	10,000	38,500
Changes in assets and liabilities provided (used) cash:		
Short-term investment	(5,823,080)	3,158
Notes receivable	(437,991)	(677,001)
Accounts receivable	1,054,396	730,677
Notes and accounts receivable from related parties	(619,390)	405,741
Inventories	367,060	(661,975)
Other current assets	(360,800)	12,424
Notes payable	3,874	(10,946)
Accounts payable	543,110	654,643
Notes and accounts payable due to related parties	(15,924)	797,310
Income tax payable	(334,212)	262,540
Accrued expenses	(336,429)	108,673
Other current liabilities	(139,312)	(358,477)
Other liabilities	38,660	43,387
Deferred income tax asset – current	(68,534)	4,393
Deferred income tax asset – noncurrent	(133,901)	(290,081)
Total adjustments	<u>(2,813,648)</u>	<u>4,100,535</u>
Net cash (used in) provided by operating activities	<u>(2,370,384)</u>	<u>9,425,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant, equipment and leased-out assets	(656,229)	(818,143)
Proceeds from disposal of property, plant, equipment and deferred charges	577,394	56,080
Payment for long-term investments	(3,800,496)	(2,118,520)
Proceeds from sale of long-term investments	749,596	111,952
Decrease (Increase) in refundable deposits	2,193	(4,991)
Increase in deferred charges	<u>(711,157)</u>	<u>(292,354)</u>
Net cash used in investing activities	<u>(3,838,699)</u>	<u>(3,065,976)</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (In Thousands of New Taiwan Dollars)

	2002	2001
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in long-term loans	(16,058)	(66,386)
Cash dividend	(757,440)	(576,750)
Bonuses to employees and directors' remuneration	(58,174)	-
Increase in guarantee deposits received	<u>2,625</u>	<u>-</u>
Net cash used in financing activities	<u>(829,047)</u>	<u>(643,136)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,038,130)	5,715,968
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,112,886</u>	<u>5,396,918</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,074,756</u>	<u>\$11,112,886</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION -		
Cash paid during the year for:		
Interest	<u>\$ 8,935</u>	<u>\$ 2,521</u>
Income tax	<u>\$ 399,062</u>	<u>\$ 250,862</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of property, plant, equipment to leased-out assets	<u>\$ 135,108</u>	<u>\$ 9,802</u>
Transfer of unappropriated earnings and employees bonuses to capital stock	<u>\$ 2,450,540</u>	<u>\$ 3,700,500</u>
Transfer of long-term investments to treasury stock	<u>\$ 1,634,554</u>	<u>\$ -</u>
Current portion of long-term liabilities	<u>\$ 11,059</u>	<u>\$12,490</u>
Transfer of deferred charges to property, plant, equipment	<u>\$ 1,327</u>	<u>\$ -</u>
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT:		
Increase in property, plant, equipment and leased-out assets	\$ 562,862	\$ 896,263
Decrease (increase) in payable due to acquisition of property, plant and equipment	<u>93,367</u>	<u>(78,120)</u>
Cash payment	<u>\$ 656,229</u>	<u>\$ 818,143</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (In Thousands of New Taiwan Dollars)

	2002	2001
PURCHASE OF DEFERRED CHARGES:		
Increase in deferred charges	\$ 712,221	\$ 734,773
Increase in payable due to acquisition of deferred charges	<u>(1,064)</u>	<u>(442,419)</u>
Cash payment	<u>\$ 711,157</u>	<u>\$ 292,354</u>
Employees bonuses and directors' remuneration	\$ 3,779	\$ 99,250
Add payable due to bonuses to employees and directors' remuneration, beginning of year	130,370	31,120
Minus payable due to bonuses to employees and directors' remuneration, end of year	<u>(75,975)</u>	<u>(130,370)</u>
Cash payment	<u>\$ 58,174</u>	<u>\$ -</u>

(Concluded)

See notes to financial statements.

VIA TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

(Amounts are Expressed in Thousands of New Taiwan Dollars or
Other Specified Currency, Except Per Share Data)

1. ORGANIZATION AND OPERATIONS

Via Technologies, Inc. ("the Company") was incorporated in September 1992 under the Company Law of the Republic of China ("ROC"). Its main business operations include design, development and sales of semiconductors such as PC chipsets. The Company's common stock has been officially listed on the Taiwan Stock Exchange since March 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

Cash equivalents consist primarily of bankers' acceptance and commercial paper which are highly liquid investments with a maturity of three months or less at the date of acquisition.

Short-Term Investments

Short-term investments include investments in marketable equity securities and mutual funds, which are carried at the lower of cost or market. The net change on the investment valuation allowance used in the determination of net income is the result of changes in the difference between aggregate costs and market values of investments still held at the respective year-end. The cost of investments sold is determined using the moving average method. Stock dividends received are not recognized as income, instead they are reflected as an increase in the number of shares held.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is generally provided for notes and accounts receivable due from unrelated and related parties based on management's evaluation of the collectibility of individual accounts, past loss experience, and other pertinent factors.

Inventories

Inventories are stated at the lower of cost or market ("LCM"). Cost is determined using the moving average method. Market value is based on replacement cost. The LCM method is applied to each inventory category.

Long-Term Investments

Investments in companies in which the Company's ownership interest is 20% or more, or where the company can exercise significant influence, are accounted for under the equity method of accounting.

Payment in excess of the proportionate net book value, at the time of investment, of the investee accounted for under the equity method is amortized over five years.

All other long-term investments are accounted for under the cost method. Marketable equity securities are valued at the lower of cost or quoted market value. Unrealized losses, if any, are shown as a deduction to stockholders' equity. Permanent decline in value of investment that is not readily marketable is recognized as a realized loss. The cost of investments sold is determined by the weighted-average method.

Property, Plant and Equipment and Leased-out Assets

Property, plant and equipment are stated at cost less accumulated depreciation. Interest incurred in connection with the purchase or construction of property, plant and equipment is capitalized. Major renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred. Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited to or charged against income.

Depreciation is provided on a straight-line basis over the estimated service lives of the assets as prescribed in the tax regulations, plus one additional year for salvage value.

The value of the leased property is the smaller of the following two values; (a) the present value of all future rental payments (less the lessee's executory costs) plus the bargain purchase price or lessee's guaranteed residual value, and (b) the leased property's market value at the inception date of the lease.

Fixed assets rented out, the related costs and accumulated depreciation, are classified as other assets - leased-out assets.

Employee Retirement Plan

The Company established a pension plan covering all eligible employees in accordance with the Labor Standards Law of the Republic of China. Contributions to the plan were made by the Company at 2% of employee salaries and wages. The funds are deposited with the Central Trust of China, a government-designated custodian of pension funds, and are managed by the Company's Pension Fund Administration Committee. Provision for retirement benefits which has been funded for the years ended December 31, 2002 and 2001 amounted to \$21,747 and \$17,286, respectively. The pension fund balances are \$65,076 and \$42,149 at December 31, 2002 and 2001, respectively.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions" issued by the Accounting Research and Development Foundation of the ROC.

Deferred Charges

Deferred charges which consist of telephone installation charges, computer software installations and deferred authorization charges are amortized on a straight-line basis over three to five years or authorization period.

Income Tax

The Company adopted the provisions of SFAS No. 22, "Accounting for Income Tax," which require asset and liability approach to financial accounting and reporting for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company adopted the flow-through method for income tax credits resulting from research and development expenditures and investments in equity stock.

Adjustment of prior years' income tax is made to current income tax expense in the year the adjustment is made.

Under the Amended Income Tax Law of ROC, the 25% regular corporate income tax and the 20% separate income tax on interest income from short-term investment remain and a 10% additional income tax is levied on distributable earnings earned in 1998 onward that remain undistributed in the following year. Beginning in 1998, every enterprise (except branch, partnership, and not-for-profit organization) is required to maintain an Imputation Credit Account ("ICA") to keep track of all its income taxes paid and tax credits received, collectively called Imputation Credit ("IC"), and the allocation of IC to shareholders. When the earnings are distributed as cash or stock dividends to:

- (a) resident individual shareholders ("RIS"), the RIS include the dividend income in their taxable income and claim an IC issued by the enterprise as deduction from their income tax payable;
- (b) non-resident individual or non-resident corporate shareholders ("NRS"), the NRS exclude the dividend income from their taxable income and do not claim an IC; dividends paid to NRS are subject to 20% withholding tax which can be offset by the 10% additional income tax paid on undistributed earnings;
- (c) resident corporate shareholders ("RCS"), the RCS exclude the dividend income from their taxable income and do not claim the IC as deduction from income tax payable; the IC received is added to the RCS' own ICA until the IC is allocated to RIS or NRS when the earnings are finally distributed to RIS or NRS.

Bonds Payable

Bonds were issued at face value and recorded as bonds payable. Each month interest expense is booked at face value multiplied by the stated interest rate. For bonds with purchase back condition interest is calculated according to purchase back value and recognized as interest expense period by period. The direct and necessary expenses caused by issuing convertible bonds were recorded as issuance expenses and amortized over the period from issuance date to maturity date. When a conversion is requested by a holder of convertible bonds, unamortized issuance expenses, interest payable and recognized interest expense is written off with convertible bonds payable. The exceeding value of bonds to stock face value is recognized as capital surplus.

Treasury Stock

The Company adopted the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 30, “Accounting for Treasury Stock” to account for the Company’s reacquisition of its outstanding shares. Under the provisions of SFAS No. 30, the cost of shares purchased or fair value of shares donated by outside parties is charged to the treasury stock account. If numerous acquisition of blocks of treasury shares are made at different prices, the average costing method is used to identify the cost of the treasury shares at the date of reissuance.

Upon reissuance, the discrepancy between the cost of the treasury shares and the price received is reflected in stockholders’ equity accounts. If the treasury shares are reissued to settle stock warrants, the price received is the sum of the issuance price and the exercise price of the stock warrants.

Revenue Recognition

Revenue from sales of inventories is recognized upon shipment, net of estimated returns, provided that collection is determined to be probable and no significant obligations remain. Product revenues from customers are subject to agreements allowing for limited rights of returns.

Allowance for sales returns is generally based on historical rates of returns, inventory levels in the channel and other pertinent factors.

Foreign Currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses caused by different foreign exchange rates applied when cash in foreign currency is actually converted into New Taiwan dollars, or when the foreign currency receivables or payables are settled, are credited or charged against income in the period of actual conversion or settlement. Balances of assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rate and any resulting gains or losses are credited to or charged against current income.

Long-term investments denominated in foreign currencies are restated at the balance sheet date exchange rate. Related translation adjustments are reported as a separate component of stockholders’ equity under the caption “cumulative translation adjustments.”

Derivative Financial Instruments

Forward exchange contracts that are designated and effective as a hedge of net foreign asset or liability position is recorded at the contract date exchange rate. The premium or discount on the forward contract, which is the difference between the forward rate and the spot rate on the contract date multiplied by the principal amount of foreign currency, is separately accounted for and amortized to current income over the term of the contract. At year-end, existing forward exchange contracts are restated at the year-end exchange rates, and resulting gains or losses are credited or charged to current income. At closing dates of forward exchange contracts, the difference between the forward rate and the spot rate is credited or charged to current income. Receivables or payables from forward exchange contract are shown on the accompanying balance sheets in net balance. Changes in forward rates with respect to foreign currency options contracts which do not qualify as hedges for

financial reporting purposes are reflected directly in income.

Premiums received on short options or paid on long options, which do not qualify as hedges for financial reporting purpose, are included in other current liabilities or other current assets, and are amortized to current income or expense over the term of the contracts by using a average method. Gain or loss from the execution of the foreign currency option contracts are credited to or charged against current income. The option contracts are measured at the balance sheet date using the market value, and gain or loss is credited or charged against current income. Receivables and payables generated from the option contracts shall be offset and the net balance will be included in other current assets and other current liabilities.

Asset-Swap contracts, which do not qualify as hedges for financial reporting purpose, are recorded at the contract date interest rate and trade off principal. At closing dates of Asset-Swap contract, the difference between the strike rate and the spot rate, fixed market value and floating market value are credited or charged to current income. Cash equivalents from Asset-Swap contract is shown on the accompanying balance sheets in net balance.

The deposit paid for security credit transactions shall be listed as short sales refundable deposit and memo entries shall be made for the contract portion. The closing market price of balance sheet date of the short sales refundable deposit and un-offset portions shall be adopted. However, if such price is unavailable, the nearest closing market price of the balance sheet date shall be adopted and adjustment shall be made for short sales refundable deposit. The profit and loss due to the execution of contract shall be listed as disposal profit/loss.

Non-Derivative Financial Instruments

The recognition and valuation for non-derivative financial assets and liabilities and its related income or expenses are in accordance with the Company's accounting policies described herein and accounting principles generally accepted in the Republic of China.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2002 and 2001 consisted of the following:

	2002	2001
Cash on hand	\$ 560	\$ 675
Cash in banks	710,378	1,937,422
Time certificates of deposit	3,363,818	3,677,611
Cash equivalents - short-term bills	<u>-</u>	<u>5,497,178</u>
Total	<u>\$4,074,756</u>	<u>\$11,112,886</u>

At December 31, 2002 and 2001, interest rates on time certificates of deposit ranged from 1.23% to 1.26% and 1.75% to 3.13%, respectively. At December 31, 2001, interest rate on cash equivalents - short-term bills ranged from 2.25% to 2.65%.

4. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2002 and 2001 consisted of the following:

	2002	2001
Mutual fund investments	\$5,771,198	\$30,060
Marketable equity securities	168	168
Convertible corporate bonds	111,407	15,000
Less allowance for decline in market value	<u>(14,465)</u>	<u>-</u>
Short-term investment, net	<u>\$5,868,308</u>	<u>\$45,228</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2002 and 2001 were as follows:

	2002	2001
Accounts receivable	\$1,521,815	\$2,814,592
Less allowance for doubtful accounts	(18,060)	(8,880)
Less allowance for sales returns and discounts	<u>(183,329)</u>	<u>(430,890)</u>
Accounts receivable, net	<u>\$1,320,426</u>	<u>\$2,374,822</u>

6. NOTES AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES

A summary of notes and accounts receivable due from related parties at December 31, 2002 and 2001 was as follows:

	2002	2001
Notes receivable	\$ 1 8	\$ 1,116
Accounts receivable	1,100,947	424,220
Less allowance for doubtful accounts	(19,364)	(8,823)
Less allowance for sales returns and discounts	<u>(61,646)</u>	<u>(15,948)</u>
Notes and accounts receivable from related parties, net	<u>\$1,019,955</u>	<u>\$400,565</u>

7. INVENTORIES

Inventories at December 31, 2002 and 2001 consisted of the following:

	2002	2001
Resale merchandise	\$ 180,352	\$ 2,607
Finished goods	1,670,287	1,665,433
Work-in-process	1,640,748	1,886,085
Raw materials	<u>1,015,503</u>	<u>899,107</u>
Subtotal	4,506,890	4,453,232
Less valuation allowance	<u>(939,193)</u>	<u>(518,475)</u>
Inventories	<u><u>\$3,567,697</u></u>	<u><u>\$3,934,757</u></u>

At December 31, 2002 and 2001, insurance coverage for inventories amounted to \$4,367,253 and \$2,750,052, respectively.

8. OTHER CURRENT ASSETS

Other current assets at December 31, 2002 and 2001 consisted of the following:

	2002	2001
Income tax refunds receivable	\$ 95,153	\$ 95,153
Business tax refunds receivable	53,538	-
Other receivable (see Note 22)	304,740	185,719
Deferred income tax asset (see Note 20)	355,186	286,652
Prepaid expenses	225,641	68,749
Stock short sales refundable deposit	6,614	-
Other	<u>84,571</u>	<u>59,836</u>
Total	<u><u>\$1,125,443</u></u>	<u><u>\$696,109</u></u>

9. LONG-TERM INVESTMENTS

Long-term investments at December 31, 2002 and 2001 included the following:

	2002			2001	
	Original Cost	Carrying Value	Ownership %	Carrying Value	Ownership %
At equity:					
Viabase Co., Ltd.	\$12,417,750	\$ 5,153,515	100.00	\$ 6,075,534	100.00
Viatech Co., Ltd.	1,198,694	1,118,565	100.00	903,425	100.00
Via Technologies GmbH Premier Development & Investment Co., Ltd.	1,433	3,024	100.00	2,063	100.00
Linkage Technology Co., Ltd.	17,690	11,245	100.00	1,227	100.00
Via Communications, Inc.	356,992	328,868	100.00	-	-
Via-Cyrix Technologies, Inc.	5,000	4,999	100.00	-	-
Via-Testing Technologies, Inc.	1,999,940	1,405,963	99.99	2,145,877	99.99
Way-Hao Investment Corp.	999,940	1,017,694	99.99	1,069,820	99.99
Lian Mei Investment Corp.	599,940	209,681	99.99	575,173	99.99
Way-Han Investment Corp.	599,940	42,546	99.99	603,427	99.99
Way-Tung Investment Corp.	494,940	805,106	99.99	519,338	99.99
Way-Mao Investment Corp.	494,940	810,459	99.99	543,230	99.99
Way-Shuo Investment Corp.	98,940	114,765	99.94	136,505	99.94
Via Networking, Inc.	98,940	82,677	99.94	115,032	99.94
Via Optical Solution, Inc.	153,000	151,240	76.50	-	-
S3-Via Inc.	999,313	877,601	57.10	-	-
Way-Lien Technologies, Inc.	15,485	57	49.90	-	49.90
High Tech Computer Corp.	29,850	19,331	15.00	27,369	15.00
Via Cortech Co., Ltd.	434,933	358,981	5.90	444,960	8.40
	-	-	-	55,033	100.00
At cost:					
Openfind Information Technology Corporation, Ltd.	63,897	63,897	7.61	63,897	7.61
Global Communication Technology, Inc.	103,284	103,284	5.32	90,000	6.00
ASE Material Inc.	84,000	84,000	3.36	84,000	3.36
North American Venture Fund II LP.	63,222	63,222	3.10	42,264	3.10
Phoenix Precision Technologies, Inc.	174,598	174,598	2.48	187,616	2.68
Day-Shine Technologies, Inc.	70,000	21,500	1.00	31,500	2.50
Yeh-Chiang Technologies, Corp.	-	-	-	88,000	2.19
At LCM:					
Yeh-Chiang Technologies, Corp.	80,267	80,267	1.99	-	-
Less allowance for decline in market value	-	(117,902)		-	
Total	\$21,656,928	\$12,989,183		\$13,805,290	

In 2001, the Company invested \$2,118,520 in North American Venture Fund II LP as well as other nine companies such as Viatech Co., Ltd., Viabase Co., Ltd., Premier Development & Investment Co., Ltd., Via Cortech Co., Ltd., Way-Mao Investment Corp., and Way-Shuo Investment Corp..

In 2002, the Company invested \$3,800,496 in North American Venture Fund II LP as well as other nine companies such as Viabase Co., Ltd., Viatech Co., Ltd., Linkage Co., Ltd., Via Optical Solution, Inc., and Via Communications Inc.

In 2001, the Company transferred the ownership interest in Via Technologies, Inc. (USA), IC-Ensemble Inc., S3 Graphics Japan K.K. to Viabase Co., Ltd. and transferred the ownership interest in Via Technologies (HK) Inc., Ltd. to Viatech Co., Ltd. for the purpose of the Company's management strategy and investment frame. In 2002, the Company transferred the ownership interest in Via Cortech Co., Ltd. to Viabase Co., Ltd.

In May 2001, the Company sold part of its investment in High Tech Computer Corp totaling \$96,000 and recognized \$944 as gain on sales of such long-term investment. Phoenix Precision Technologies Inc.'s common stock has been officially listed on the Taiwan Stock Exchange since June 2001. The Company provided part of its shares for underwriting which amounted to \$15,952 and recognized \$48 as loss on sales of such investment.

In 2002, the Company sold part of its investment in High Tech Computer Corp. and Phoenix Precision Technologies Inc. amounted to \$423,735 and \$22,989, and recognized \$311,104 and \$9,971 as gain on sales of such long-term investment, respectively. Yeh-Chiang Technologies Corp.'s common stock has been officially listed on the Gre Tai Securities Market since March 2002, the Company provided part of its shares for underwriting which amounted to \$3,989 and recognized \$3,744 as loss on sales of such investment. At December 31, 2002, the Company recognized \$117,902 as unrealized valuation losses on long-term equity investments because the market price were lower than the costs of Phoenix Precision Technologies Inc. and Yeh-Chiang Technologies Corp.

In June 2001, High Tech Computer Corp. issued additional common stock. Due to the changes of ownership interest in investees and due to the increase in capital surplus and unrealized valuation losses on long-term investments of Way-Hao Investment Corp. and Way-Tung Investment Corp. and so forth, the Company proportionately increased its capital surplus by \$74,652, unrealized valuation losses on long-term investments by \$55,366 and decreased its retained earnings by \$150,097.

In 2002, Via Optical Solution Inc. issued additional common stock. Due to the changes of ownership interest in investees and due to the increase in capital surplus and unrealized valuation losses on long-term investments of Viatech Co., Ltd. and Way-Mao Investment Corp. and so forth, the Company proportionately increased its capital surplus by \$171,366, unrealized valuation losses on long-term investments by \$11,217 and decreased its retained earnings by \$13,159.

In 2002 and 2001, Day-Shine Technologies, Corp.'s capital was decreased to make up for past losses and its capital stock was reduced. The Company recognized \$10,000 and \$38,500 as realized valuation losses on long-term investments proportionately, respectively. In addition, at December 31, 2002, Viabase Co., Ltd. decreased its capital stock by \$5,138,105 (US\$159,246) to make up for past losses.

Via-Cyrix Technologies, Inc., Lian-Mei Investment Corp. and so on held the Company's common stocks amounted to 15,833,160 shares. The Company proportionately recognized \$1,634,554 as its treasury stock (see Note 18).

In accordance with SFAS No. 7 and "Regulations Governing the Preparation of Financial Statements of Public Companies", the Company prepared consolidated financial statements which included the accounts of the Company and Viabase Co., Ltd. in 2002 and 2001. Other than above consolidated subsidiaries, none of the affiliates, in which the Company's ownership interest is more than 50%, had their financial statements consolidated with that of the Company because their total assets and total sales, individually, are less than 10% of that of the Company and, in the aggregate are less than 30% of that of the Company.

Equity in net loss of affiliates amounted to \$2,481,066 and \$2,164,331 in 2002 and 2001, respectively.

The equity of S3-Via Inc. was negative on December 31, 2001. The Company recognized investment losses proportionately and recorded as other liabilities due to a continuous financial support to the investee.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2002 and 2001 consisted of the following:

	2002			2001
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 782,554	\$ -	\$ 782,554	\$ 775,466
Buildings and improvements	509,922	73,989	435,933	451,751
Machinery and equipment	317,267	195,550	121,717	452,748
Computer equipment	233,164	95,650	137,514	108,990
Research and development equipment	298,329	129,301	169,028	186,372
Transportation equipment	8,119	3,381	4,738	6,092
Furniture and fixtures	46,479	24,661	21,818	27,984
Leased assets	43,502	13,594	29,908	40,783
Leasehold improvements	160,614	123,348	37,266	63,284
Prepayments on purchase of equipment	64,376	-	64,376	27,300
Total	\$2,464,326	\$659,474	\$1,804,852	\$2,140,770

The acquisition of land, buildings and improvements, which is primarily used as an office, amounted to \$293,032 and \$373,255 in 2002 and 2001, respectively.

The Company rented out parts of its land, buildings and improvements to High Tech Computer Corp., Xander International Corp, Chander Electronics Corp., Via Optical Solution Inc., Way-Ei Information Technologies, Inc., Via Networking, Inc., and Via-Testing Technologies, Inc. The carrying value of the related assets, had been transferred to leased-out assets (see Note 11).

The Company had no interest capitalization as of December 31, 2002 and 2001.

Insurance coverage of property, plant and equipment, including leased-out assets at December 31, 2002 and 2001 amounted to \$1,486,909 and \$1,284,299, respectively .

11. LEASED-OUT ASSETS

Leased-out assets at December 31, 2002 and 2001 consisted of the following:

	<u>2002</u>			<u>2001</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Land	\$381,953	\$ -	\$381,953	\$281,350
Buildings and improvements	<u>214,028</u>	<u>14,694</u>	<u>199,334</u>	<u>168,859</u>
Total	<u>\$595,981</u>	<u>\$14,694</u>	<u>\$581,287</u>	<u>\$450,209</u>

The above land and buildings and improvements were rented out to the related parties, Xander International Corp., High Tech Computer Corp., Chander Electronics Corp., Via Optical Solution Inc., Way-Ei Information Technologies, Inc., Via Networking, Inc., and Via -Testing Technologies, Inc. (see Note 22).

12. ACCRUED EXPENSES

Accrued expenses at December 31, 2002 and 2001 consisted of the following:

	<u>2002</u>	<u>2001</u>
Salaries & bonuses	\$299,361	\$ 352,679
Royalties (Notes 22 and 24)	198,992	256,031
Commission	77,245	24,862
Insurance	14,879	14,861
Advertisement	34,670	158,411
Research and development	53,863	83,013
Professional fees	128,953	254,384
Others	<u>124,332</u>	<u>124,483</u>
Total	<u>\$932,295</u>	<u>\$1,268,724</u>

13. OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 2002 and 2001 consisted of the following:

	2002	2001
Advance receipts	\$ 10,863	\$ 33,032
Balance payable – machinery and equipment	193,073	286,440
Employee bonus payable	3,779	58,174
Compensation due to directors and supervisors	72,196	72,196
Business tax payable	-	32,816
Option on forward contracts, net	3,996	63,401
Deferred credits – profit from intercompany transactions	8,548	-
Other payables	<u>638,792</u>	<u>671,198</u>
Total	<u>\$931,247</u>	<u>\$1,217,257</u>

On December 31, 2002 and 2001, other payables were primarily sales rebates payable and software expense payables.

14. CORPORATE BONDS PAYABLE

	2002	2001
On August 31, 2000 the Company issued unsecured convertible corporate bonds of \$4,300,000 for investments in affiliates and purchases of equipment. The interest rate is zero and the bonds will mature on August 30, 2007.	\$4,300,000	\$4,300,000
Add provision for redemption of convertible bonds.	<u>546,884</u>	<u>305,137</u>
Total	<u>\$4,846,884</u>	<u>\$4,605,137</u>

Terms and Conditions of Bonds

The bonds will mature at August 30, 2007. The conversion rights of bonds are exercisable by the bondholders at any time on or after three months from the date of issuance and ten days prior to the maturity date.

A bondholder has the right to request the Company to redeem the bonds on July 31, 2003 and July 31, 2004 at 115.76% and 122.71% of par value, respectively.

After two years from issuance date, the Company has the option to call redemption of the bonds and calculate the redemption price on the basis of the following yields:

- (a) Within two to three years from the issuance date, the Company shall pay the redemption price at 5% yield.
- (b) Within three to four years from the issuance date, the Company shall pay the redemption price at

5.25% yield.

- (c) After four years from the issuance date and forty days prior to the maturity date, the Company shall redeem the bonds at face value.

For any period of at least 30 consecutive exchanging dates prior to the date of notice to the bondholders, the Company's stock price is greater than 150% of the conversion price, then the Company shall exercise the right of redemption.

After three months from the issuance date and forty days prior to the maturity date, if the balance not converted is less than \$430,000 (10% of the issuing amount), then the Company has the option to redeem by the following yields:

- (a) Within three months to three years from the issuance date, the Company shall pay the redemption price at 5% yield.
(b) Within three to four years from the issuance date, the Company shall pay the redemption price at 5.25%.
(c) After four years from the issuance date and forty days prior to the maturity date, the Company shall pay the redemption price equaling the principal amount of the bonds.

Provisions for Conversion Rights

A bondholder has the right to convert the bonds into shares of the Company or convertible bond certification.

Conversion period: Except during suspending period of transferring ownership, the bondholders may request to convert the corporate bonds into convertible bond certification after three months from the issuance date and ten days prior to the maturity date under the regulation.

The conversion process: When the bondholders request to convert the bonds into shares, they should fill out the convertible bond certification form and other related documents to the agency. The conversion is effective while the documents are sent to the agency and cannot be countermanded. The agency states the new shareholders to the lists and gives the convertible bond certification in five trading days. If the bondholders request to convert the bonds into shares after December 28, the conversion will be taken next year.

The initial conversion price was \$325.3 per share at the time of issuance. Upon the distribution of stock dividends and the issuance of addition common shares, the conversion price will be adjusted. At December 31, 2002, the conversion price is \$125.9 per share.

15. LONG-TERM LIABILITIES

A summary of long-term liabilities at December 31, 2002 and 2001 was as follows:

	2002	2001
Long-term capital lease liabilities from Taiwan NewTec Financial Corporation for lease of machinery. The amount of capital lease is \$44,008, and principal payments are due in 12 equal installments commencing in October 2001.	\$23,463	\$39,521
Less current portion of long-term capital lease	<u>(11,059)</u>	<u>(12,490)</u>

Long-term liabilities	<u>\$12,404</u>	<u>\$27,031</u>
16. EMPLOYEE PENSION PLAN		

The Company has a defined benefit pension plan covering all regular employees in accordance with the Labor Standards Law of the Republic of China.

The Company adopted the provisions of SFAS No. 18, "Accounting for Pension," which require that pension expense shall be computed on actuarial basis. The following table sets forth the plan's status at December 31, 2002 and 2001:

Net periodic pension cost for 2002 and 2001 included the following components:

	2002	2001
Service cost	\$51,660	\$35,530
Interest cost on projected benefit obligation	7,339	5,033
Amortization on unrecognized net obligation	(10)	(10)
Expected return on plan assets	(2,441)	(1,741)
Amortization on loss of pension	<u>1,522</u>	<u>862</u>
Net periodic pension cost	<u>\$58,070</u>	<u>\$39,674</u>

The following table sets forth the reconciliation between the plan's funding status and the amount of accrued pension liability recognized at December 31, 2002 and 2001:

	2002	2001
Actuarial present value of benefit obligations - Nonvested benefits	<u>\$ (82,958)</u>	<u>\$ (48,304)</u>
Accumulated benefit obligation	(82,958)	(48,304)
Additional benefits based on future salaries	<u>(116,373)</u>	<u>(106,209)</u>
Projected benefit obligation	(199,331)	(154,513)
Plan assets at fair value	<u>65,076</u>	<u>42,149</u>
Funded status	(134,255)	(112,364)
Prior unrecognized net assets not yet recognized in net periodic pension cost	(203)	(213)
Unrecognized loss of pension - net	<u>43,629</u>	<u>58,071</u>
Accrued pension cost	<u>\$ (90,829)</u>	<u>\$ (54,506)</u>

The Company had no vested benefits as of December 31, 2002 and 2001.

Assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	2002	2001
Weighted-average discount rate	3.75%	4.75%
Assumed rate of increase in future compensation	4.00%	5.00%
Expected rate of return on plan assets	3.75%	4.75%

17. CAPITAL STOCK

The Company's outstanding common stock at January 1, 2001 amounted to \$5,767,500, divided into 576,750,000 shares with a par value of \$10 each.

In September 2001, the Company declared to distribute stock dividends of \$3,460,500 and \$240,000 of employees bonuses to common stock. As a result, the Company's outstanding common stock at December 31, 2001 amounted to \$9,468,000, divided into 946,800,000 common shares with a par value of \$10 each.

In September 2002, the Company declared to distribute stock dividends of \$2,082,960 and \$367,580 of employees bonuses to common stock. As a result, the Company's outstanding common stock at December 31, 2002 amounted to \$11,918,540, divided into 1,191,854,000 common shares with a par value of \$10 each.

18. TREASURY STOCK

As of December 31, 2002, the subsidiaries held the Company's common stocks amounted to 15,833,160 shares and the Company proportionately accounted to \$1,634,554. The details consisted of the following:

	Shares Held by the Subsidiary Company	Book Value	Ownership %	Amount Transfer to Treasury Stock	Market Price
Via-Cyrix Technologies, Inc.	7,990,512	\$ 772,623	99.99	\$ 772,600	\$322,311
Way-Hao Investment Corp.	849,120	93,509	99.99	93,500	34,237
Way-Han Investment Corp.	917,440	99,542	99.99	99,530	36,991
Way-Tung Investment Corp.	819,840	90,290	99.99	90,279	33,059
Lian-Mei Investment Corp.	5,241,120	577,211	99.99	577,153	211,333
Via-Testing Technologies, Inc.	<u>15,128</u>	<u>1,492</u>	99.99	<u>1,492</u>	<u>610</u>
Total	<u>15,833,160</u>	<u>\$1,634,667</u>		<u>\$1,634,554</u>	<u>\$638,541</u>

19. APPROPRIATION OF RETAINED EARNINGS

According to the Company Law and the Company's Articles of Incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deficit, if any, shall be appropriated as legal reserve until such reserve equals the amount of common stock. The remaining balance shall be appropriated no more than 1% as directors' remuneration and no less than 5% as bonuses to employees. The appropriation of retained earnings should be proposed by the board of directors and approved by the stockholders.

The Company's main operations include design, development and sale of semiconductors such PC chipsets. It is in the growth stage of the industry life cycle. Under the consideration of whole environment around the Company and the characteristics of industry development, and the intention of pursuing the long-term interests of stockholders, maintaining the operating efficiency, and meeting its capital expenditure budget and the financial goals, the Company would appropriate 30%~100% of unappropriated earnings as stock dividends. The sum of cash dividends will not be more than 70% of total dividends.

If the Company were to expense \$371,359 for the 2001 employees bonuses, the pro forma earnings per share for the year ended 2001 would have been \$5.23 (as opposed to the original earnings per share of \$5.62.)

The appropriation of retained earnings should be proposed by the board of directors and approved by the stockholders in their annual meeting.

20. INCOME TAX

The income tax returns for the years through 2001 (except for 1995, 1996 and 1997) have not been examined and approved by the tax authority.

The Company is exempt from paying the corporation income tax on certain products for five consecutive years commencing on September 27, 1997 and January 1, 2002.

Income tax payable at December 31, 2002 and 2001 was computed as follows:

	2002	2001
Income before income tax	\$ 370,921	\$5,516,578
Add:		
Investment losses on equity-method	2,481,066	2,164,331
Provision for inventory devaluation	420,718	154,044
Unrealized loss on disposal of inventory	35,989	190,910
Unrealized sales allowance	244,975	451,521
Provision for redemption of convertible bonds	241,747	229,688
Loss on short-term investment devaluation	14,586	-
Unrealized foreign exchange gain, beginning of year	32,276	223
Unrealized profit from intercompany transaction	8,548	-
Unrealized gain on disposal of property, plant and equipment	118,388	-

	2002	2001
Others	6,265	-
Less:		
Gain on disposal of short-term investments	(514,730)	(59,872)
Unrealized sales allowance, beginning of year	(451,521)	(117,569)
Realized valuation losses on long-term investments	(2,297,038)	-
Unrealized foreign exchange gain, end of year	(4,197)	(32,276)
Unrealized loss on disposal of inventory, beginning of year	-	(211,026)
Others	-	(4,481)
Subtotal	707,993	8,282,071
Less income exempt from tax	<u>(478,606)</u>	<u>(5,844,648)</u>
Estimated taxable income	229,387	<u>2,437,423</u>
Estimated income tax provision (×25% -10)	57,337	609,346
Unappropriated earnings additional 10% income tax	221,389	362,266
Less investment, research and development tax credits	<u>(139,363)</u>	<u>(485,806)</u>
Current income tax expense	139,363	485,806
Less prepaid and withheld income tax	<u>(7,008)</u>	<u>(19,239)</u>
Income tax payable	<u>\$ 132,355</u>	<u>\$ 466,567</u>

The tax effects of deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2002 and 2001 consisted of the following:

	2002	2001
Deferred tax asset:		
Unrealized loss on disposal of inventory	\$ 53,161	\$ 47,728
Unrealized provision for inventory devaluation	234,798	129,619
Unrealized sales allowance	61,244	112,880
Unrealized provision for redemption of convertible bonds	136,721	76,284
Unrealized pension cost	19,420	10,339
Unrealized gain on disposal of property, plant and equipment	29,597	-
Investment tax credits	1,741,666	780,438
Others	<u>8,302</u>	<u>72</u>
Total deferred income tax assets	2,284,909	1,157,360
Less allowance for deferred income tax assets	<u>(1,393,333)</u>	<u>(468,219)</u>
Deferred income tax assets, net	891,576	689,141
Deferred income tax assets – current	<u>(355,186)</u>	<u>(286,652)</u>
Deferred income tax assets – noncurrent	<u>\$ 536,390</u>	<u>\$ 402,489</u>

The income tax (benefit) expense for the years ended December 31, 2002 and 2001 consists of the following:

	2002	2001
Current income tax expense	\$ 139,363	\$ 485,806
Increase in deferred income tax assets	(202,435)	(285,688)
Over estimation of prior year's income tax	<u>(9,271)</u>	<u>(8,085)</u>
Income tax (benefit) expense	<u>\$ (72,343)</u>	<u>\$ 192,033</u>

The related information for the integrated income tax system as of December 31, 2002 and 2001 is disclosed as follows:

	2002	2001
Balance of imputation credit account	\$ 237,479	\$ 109,151
Unappropriated earnings attributed to years before 1998	21,925	21,925
Unappropriated earnings attributed to 1998 and years after	3,532,498	6,846,606
Expected creditable ratio (including income tax payable of 2002 and 2001) for 2002 and 2001	10.47%	8.41%

21. EARNINGS PER SHARE

Primary earnings per share before income tax and after income tax are calculated by dividing net income before income tax of \$370,921 and \$5,516,578; net income after income tax of \$443,264 and \$5,324,545 by the weighted average number of common shares outstanding of 1,191,854,000 shares less treasury stock held by the subsidiaries amounted to 15,833,160 shares during 2002 and 2001, respectively. The weighted average number of shares used in the calculation of earnings per share is 1,176,020,840 and 1,176,020,840 in 2002 and 2001, respectively. Earnings per share of 2001 were calculated after giving retroactive effect of the stock dividend distributions in 2002. The convertible bond has no dilution effect on simple earnings per share, and therefore, only simple earnings per share are disclosed.

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
First International Computer, Inc. ("FIC Inc.")	Chairman of the Board of Directors is one of the immediate family members of the Company's Chairman of the Board of Directors
LEO Systems Inc.	Directors is the Company's Chairman of the Board of Directors
Via Technologies GmbH	A subsidiary of the Company
Via-Cyrix Technologies, inc	A subsidiary of the Company
Via Optical Solution, Inc.	A subsidiary of the Company
Via Networking, Inc.	A subsidiary of the Company
Viabase Co., Ltd.	A subsidiary of the Company
Via-Testing Technologies, Inc.	A subsidiary of the Company
Way Han Investment Corp.	A subsidiary of the Company
Way Tung Investment Corp.	A subsidiary of the Company
Via Cortech Co., Ltd.	An indirect subsidiary of the Company
Via-Cyrix, Inc.	An indirect subsidiary of the Company
Centaur Technology, Inc.	An indirect subsidiary of the Company
Via Technologies, Inc. (USA)	An indirect subsidiary of the Company
Via Technologies (HK) Inc. Ltd.	An indirect subsidiary of the Company
Welkin Technology Co., Ltd.	An indirect subsidiary of the Company
Via Technologies (China) Ltd.	An indirect subsidiary of the Company
Via Technologies (Europe) Ltd.	An indirect subsidiary of the Company
High Tech Computer Corp.	Chairman of the Board of Directors is the Company's Chairman of the Board of Directors
Chander Electronics Corp.	Chairman of the Board of Directors is the Company's Chairman of the Board of Directors
I-Dot Computer Corp.	Chairman of the Board of Directors is the Company's Chairman of the Board of Directors
Via-Creating Technologies, Inc.	Chairman of the Board of Directors is the Company's Chairman of the Board of Directors
Xander International Corp.	Chairman of the Board of Directors is the Company's President
S3 Graphics Co., Ltd.	An investee under the equity method of Viabase Co., Ltd.
S3 Graphics Japan K.K.	An investee under the equity method of Viabase Co., Ltd.
S3 Graphics Inc.	An investee under the equity method of Viabase Co., Ltd.
S3-Via Inc.	An investee under the equity method
Danriver, Inc.	An entity related to FIC Inc.
Amertek Limited	An entity related to FIC Inc.
Taider International Corp.	A significant stockholder is the Company's Chairman of the Board of Directors
Global Advanced Packaging Technology, Ltd.	An entity related to the Company
Vate Technology Co., Ltd.	An entity related to the Company

Major transactions with related parties are summarized below:

Sales

Related Party	Years Ended December 31			
	2002		2001	
	Amount	% of Total Net Sales	Amount	% of Total Net Sales
Amertek Limited	\$ 863,818	3.44	\$1,155,719	3.42
Via Optical Solution, Inc.	500,390	1.99	-	-
FIC Inc.	294,684	1.17	649,463	1.92
Via Technologies, Inc. (USA)	216,207	0.86	4,393	0.01
Danriver, Inc.	134,268	0.54	112,317	0.33
Chander Electronics Corp.	97,866	0.39	106,710	0.32
Via Networking, Inc.	66,997	0.27	-	-
Via-Cyrix	57,443	0.23	67,756	0.20
Taider International Corp.	-	-	232,265	0.69
Others	28,529	0.11	43,411	0.13
Total	<u>\$2,260,202</u>	<u>9.00</u>	<u>\$2,372,034</u>	<u>7.02</u>

Selling prices to related parties, except for some kind of merchandise that are not comparable, are similar with other regular sales. Terms of payment for both related and unrelated parties are similar except for Via-Cyrix, Inc., Via Technologies, Inc. (USA), Amertek Limited, and Taider International Corp. which are established at open accounts.

Other Operating Revenue

Related Party	Years Ended December 31			
	2002		2001	
	Amount	% of Total Other Operating Revenue	Amount	% of Total Other Operating Revenue
Via Optical Solution, Inc.	\$ 3,822	50.03	\$ -	-
Xander International Corp.	469	6.14	10,662	18.23
Total	<u>\$ 4,291</u>	<u>56.17</u>	<u>\$ 10,662</u>	<u>18.23</u>

The Company, Xander International Corp. and Via Optical Solution, Inc. have entered into the technical support and supervision agreement of chipset products effective in July 1999 and September 2002, respectively. The technical support revenue accounted by the agreement were recognized as other operating revenue.

Leasing - Lessor

Related Party	Years Ended December 31			
	2002		2001	
	Amount	% of Total Rental Income	Amount	% of Total Rental Income
High Tech Computer Corp.	\$ 12,857	39.18	\$ 11,526	47.22
Chander Electronics Corp.	5,742	17.50	5,149	21.09
Xander International Corp.	5,639	17.18	5,121	20.98
Via-Testing Technologies, Inc.	3,465	10.56	1,800	7.37
Via Optical Solution Inc.	2,473	7.53	-	-
Via Networking, Inc.	1,486	4.53	-	-
Others	460	1.40	-	-
Total	<u>\$ 32,122</u>	<u>97.88</u>	<u>\$ 23,596</u>	<u>96.66</u>

The Company rented out part of its land and building and improvements to the related parties. Rental prices were determined based on the prevailing rates in the surrounding area.

Other Income

Related Party	Years Ended December 31			
	2002		2001	
	Amount	% of Total Other Income	Amount	% of Total Other Income
Via-Testing Technologies, Inc.	\$ 6,579	12.46	\$ 7,663	13.92
Others	800	1.51	-	-
Total	<u>\$ 7,379</u>	<u>13.97</u>	<u>\$ 7,663</u>	<u>13.92</u>

The Company and Via-Testing Technologies, Inc. have entered into the management support and supervision agreement in February 2001. The support revenue accounted by the agreement was recognized as other income.

Purchases

Related Party	Years Ended December 31			
	2002		2001	
	Amount	% of Total Net Purchases	Amount	% of Total Net Purchases
S3 Graphics Co., Ltd.	\$4,470,222	32.55	\$6,657,164	36.05
Danriver, Inc.	534,442	3.89	-	-
Via Technologies, Inc. (USA)	93,237	0.68	-	-
S3-Via Inc.	21,339	0.16	587,960	3.18
Via Networking, Inc.	43,543	0.32	-	-
Chander Electronics Corp.	3,309	0.02	38,384	0.21
Others	45,955	0.33	-	-
Total	<u>\$5,212,047</u>	<u>37.95</u>	<u>\$7,283,508</u>	<u>39.44</u>

Terms of payment for both related and unrelated parties are similar except for Chander Electronics Corp., which is established at one month and S3 Via, Inc. which is established at open accounts. The specifications of the merchandise bought from Chander Electronics Corp., Danriver, Inc. and other companies are different; and therefore, purchase prices are not comparable.

Technical Support and Supervision Agreement

Via Technologies, Inc. (USA)

The Company and Via Technologies, Inc. (USA) have entered into the technical support and supervision agreement of chipset products effective on April 1, 1998, under which the Company and Via Technologies, Inc. (USA) will jointly develop certain chipset products on certain terms and conditions. The major provisions of the agreement are as follows:

Technical Service Fees: Under this agreement the Company shall pay Via Technologies, Inc. (USA) the technical service fees based on the set of chipset sold. All the service fees shall be due and payable yearly within 60 days after the year-end. The amount of the service fee to be paid under this agreement shall be as follows:

- US\$1 dollar / set for the first 1,000,000 sets.
- US\$0.5 dollar / set for the second 1,000,000 sets.
- US\$0.3 dollar / set for the third 1,000,000 sets and thereafter.

Term: This agreement became effective on the April 1, 1998 and shall be terminated on March 31, 2003.

The Company amended the above technical support and supervision agreement of chipset products on April 1, 2000. The major provisions of the amendment are as follows:

Technical Service Fees: Under this agreement the Company shall pay Via Technologies, Inc. (USA) the technical service fees based on the set of chipset sold. All the service fees shall be due and payable yearly within 60 days after the year-end. The amount of the service fee to be paid under this agreement shall be as follows:

- US\$1 dollar / set for the first 1,000,000 sets.
- US\$0.5 dollar / set for the second 1,000,000 sets.
- US\$0.2 dollar / set for the third 1,000,000 sets and thereafter.

Term: This agreement became effective on April 1, 2000 and shall be terminated on March 31, 2003.

The Company amended the above technical support and supervision agreement of chipset products on July 1, 2002. The major provisions of the amendment are as follows:

Technical Service Fees: Under this agreement the Company shall pay VIA Technologies, Inc. (USA) the technical service fees based on the set of chipset sold. All the service fees shall be due and payable yearly within 60 days after the year-end. The amount of the service fee to be paid under this agreement shall be as follows:

US\$1 dollar / set for the first 1,000,000 sets.
US\$0.5 dollar / set for the second 1,000,000 sets.
US\$0.5 dollar / set for the third 1,000,000 sets and thereafter.

Term: This agreement became effective on the July 1, 2002 and shall be terminated on March 31, 2003.

The technical service fees the Company shall pay to Via Technologies, Inc. (USA) were \$433,606 and \$276,912 in 2002 and 2001, respectively. As of December 31, 2002 and 2001, \$164,689 and \$16,537 are still unpaid, respectively.

Centaur Technology, Inc.

The Company and Centaur Technology, Inc. have entered into the technical support and supervision agreement of central processing units effective on December 1, 1999, under which the Company and Centaur Technology, Inc. will jointly develop certain chipset products on certain terms and conditions. The major provisions of the agreement are as follows:

Technical Service Fees: Under this agreement the Company shall pay Centaur Technology, Inc. the technical service fees based on the set of chipset sold. All the service fees shall be due and payable yearly within 60 days after the year-end. The amount of the service fee to be paid under this agreement shall be as follows:

US\$5 dollar / set for the first 5,000,000 sets.
US\$4 dollar / set for the second 5,000,000 sets.
US\$3 dollar / set for the third 5,000,000 sets and thereafter.

Term: This agreement became effective on the December 1, 1999 and shall be terminated on November 30, 2004.

The technical service fees the Company shall pay to Centaur Technology, Inc. were \$277,618 and \$111,490 in 2002 and 2001, respectively. As of December 31, 2002 and 2001, \$27,383 and \$18,515 are still unpaid, respectively.

Commissions

Chander Electronics Corp.

The Company and Chander Electronics Corp. have entered into the sales commissions agreement. Chander Electronics Corp. will offer the Company sales support and information of chipset products. The commission fees the Company shall pay to Chander Electronics Corp. were \$692 and \$1,589 during the year ended December 31, 2002 and 2001, respectively. As of December 31, 2001, \$109 is still unpaid.

S3 Graphics, Japan K.K.

The Company and S3 Graphics, Japan K.K. have entered into the sales commissions agreement effective in 2001. S3 Graphics, Japan K.K. will offer the Company sales support and information of chipset and central processing units products in Japan. The commission fees the Company shall pay to S3 Graphics, Japan K.K. were \$60,165 and \$49,610 during the years ended December 31, 2002 and 2001, respectively. As of December 31, 2002 and 2001, \$2,288 and \$1,467 are still unpaid, respectively.

Via Technologies (HK) Inc., Ltd.

The Company and Via Technologies (HK) Inc., Ltd. have entered into the sales commissions agreement effective in 2001. Via Technologies (HK) Inc., Ltd. will offer the Company sales support and information of products in Hong Kong and the Republic of China. The commission fees the Company shall pay to Via Technologies (HK) Inc., Ltd. were \$62,743 and \$67,212, during the years ended December 31, 2002 and 2001, respectively. As of December 31, 2001, \$2,505 is still unpaid.

S3 Graphics Inc.

The Company and S3 Graphics Inc. have entered into the sales commissions agreement effective in 2001. S3 Graphics Inc. will offer the Company sales support and information of graphics products in America. The commission fees to S3 Graphics Inc. were \$56,909 and \$13,418 for the years ended December 31, 2002 and 2001, respectively. As of December 31, 2002 and 2001, \$58,511 and \$13,895 are still unpaid, respectively.

Via Technologies GmbH

The Company and Via Technologies GmbH have entered into the sales commissions agreement effective in 2000. Via Technologies GmbH will offer the Company sales support and information of graphics products in Germany. The commission fees to Via Technologies GmbH were \$19,586 and \$20,145 for the years ended December 31, 2002 and 2001, respectively. As of December 31, 2001, \$1,173 is still unpaid.

Via Technologies, Inc. (USA)

The Company and Via Technologies, Inc. (USA) have entered into the sales commissions agreement effective in 2001. Via Technologies Inc. (USA) will offer the Company sales support and information of chipset products in North America. The commission fees to Via Technologies Inc. (USA) were \$57,685 and \$85,102 for the years ended December 31, 2002 and 2001, respectively. As of December 31, 2001, \$11,465 is unpaid.

Via-Cyrix, Inc.

The Company and Via-Cyrix, Inc. have entered into the sales commissions agreement effective in 2001. Via-Cyrix, Inc. will offer the Company sales support and information of central processing units products in North America. The commission fees to Via-Cyrix, Inc. was \$11,613 for the year ended December 31, 2001. As of December 31, 2001, \$12,026 is unpaid.

Via Technologies (Europe) Ltd.

The Company and Via Technologies (Europe) Ltd. have entered into the sales commissions agreement effective in 2001. Via Technologies (Europe) Ltd. will offer the Company sales support and information of products in United Kingdom. The commission fees the Company shall pay to Via Technologies (Europe) Ltd. were \$9,473 and \$14,568, during the years ended December 31, 2002 and 2001, respectively. As of December 31, 2002 and 2001, \$665 and \$4,610 are still unpaid, respectively.

Professional Services

	Years Ended December 31			
	2002		2001	
	Amount	% of Total Professional Services	Amount	% of Total Professional Services
Related Party				
Via-Creating Technologies, Inc.	\$ 2,671	0.51	\$ 3,638	0.63

Testing Expenses

	Years Ended December 31			
	2002		2001	
	Amount	% of Total Testing Expenses	Amount	% of Total Testing Expenses
Related Party				
Vate Technology Co., Ltd.	\$ 591,573	57.02	\$ -	-
Via-Testing Technologies, Inc.	66,599	6.42	61,369	6.92
Others	278	0.03	-	-
Total	\$ 658,450	63.47	\$ 61,369	6.92

Research and Development Expense

	Years Ended December 31			
	2002		2001	
	Amount	% of Total Research and Development Expenses	Amount	% of Total Research and Development Expenses
Related Party				
Research and development expense:				
S3 Graphics Co., Ltd.	\$ 9,167	0.37	\$ 10,623	0.45
Via-Testing Technologies, Inc.	6,129	0.24	5,429	0.23
Xander International Corp.	3,713	0.15	15,195	0.64
Others	2,918	0.12	6,565	0.27
Total	\$ 21,927	0.88	\$ 37,812	1.59
Sundry purchases:				
Xander International Corp.	\$ 4,880	3.13	\$ 76	0.37

			8	
LEO Systems Inc.	2,445	1.57	2,721	1.33
Others	<u>3,951</u>	<u>2.52</u>	<u>1,370</u>	<u>0.67</u>
Total	<u>\$ 11,276</u>	<u>7.22</u>	<u>\$ 4,859</u>	<u>2.37</u>

Receivables / Payables

Related Party	December 31			
	2002		2001	
	Amount	% of Total Receivables/ Payables	Amount	% of Total Receivables/ Payables
Notes and accounts receivable from related parties:				
Ametek Limited	\$ 554,653	11.43	\$ 91,620	1.82
Via Technologies, Inc. (USA)	259,202	5.34	882	0.02
Via-Cyrix, Inc.	125,102	2.58	157,524	3.13
Via Optical Solution, Inc.	55,106	1.14	-	-
Via Networking, Inc.	49,618	1.02	-	-
Danriver, Inc.	27,311	0.56	114,024	2.26
FIC Inc.	18,134	0.37	22,753	0.45
Taider International Corp.	-	-	29,696	0.59
Others	<u>11,839</u>	<u>0.24</u>	<u>8,837</u>	<u>0.18</u>
Total	<u>\$1,100,965</u>	<u>22.68</u>	<u>\$ 425,336</u>	<u>8.45</u>
Notes and accounts payable to related parties:				
S3 Graphics Co., Ltd.	\$ 873,356	18.14	\$1,120,222	26.16
Danriver, Inc.	199,050	4.13	-	-
Via Networking, Inc.	45,720	0.95	-	-
Via-Testing Technologies, Inc.	35,061	0.73	14,974	0.35
S3-Via Inc.	-	-	58,438	1.37
Others	<u>27,732</u>	<u>0.58</u>	<u>3,209</u>	<u>0.07</u>
Total	<u>\$1,180,919</u>	<u>24.53</u>	<u>\$1,196,843</u>	<u>27.95</u>
Other receivables:				
Centaur Technology, Inc.	\$ 89,253	29.29	\$ -	-
Via Networking, Inc.	47,729	15.66	-	-
S3 Graphics Inc.	35,112	11.52	36,281	19.54
Via Optical Solution, Inc.	31,655	10.39	-	-
Via-Cyrix, Inc.	21,625	7.10	-	-
Via Cortech Co., Ltd.	8,713	2.86	36,451	19.63
S3-Via Inc.	224	0.07	29,929	16.11
Viabase Co., Ltd.	-	-	46,416	24.99
Others	<u>33,368</u>	<u>10.95</u>	<u>11,648</u>	<u>6.27</u>

	December 31			
	2002		2001	
	Amount	% of Total Receivables / Payables	Amount	% of Total Receivables / Payables
Related Party Total	<u>\$ 267,679</u>	<u>87.84</u>	<u>\$ 160,725</u>	<u>86.54</u>

Other receivables from Viabase Co., Ltd., S3 Graphics Inc., Via-Cyrix Inc. and Centaur Technology, Inc. are the amounts that the Company paid for property, plant and equipment for Viabase Co., Ltd., S3 Graphics Inc., Vic-Cyrix, Inc. and Centaur Technology, Inc. Other receivables from S3-Via Inc., Via Optical Solution, Inc., and Via Networking Inc. are the amount about sales of deferred authorization charges. Other receivables from Via Cortech Co., Ltd. are the amount about temporary payment of royalty charges.

Related Party	December 31			
	2002		2001	
	Amount	% of Total Receivables/ Payables	Amount	% of Total Receivables/ Payables
Prepayment for purchase - Vate Technology Co., Ltd.	\$ 83,754	100.00	\$ -	-
Temporary payment - Via Technologies (HK) Inc., Ltd.	\$ 21,599	60.08	\$ 21,640	40.48
Accrued expenses:				
Via Technologies, Inc. (USA)	\$ 176,154	18.90	\$ 16,537	1.30
S3 Graphics Inc.	66,488	7.13	14,041	1.11
Centaur Technology, Inc.	27,383	2.94	18,515	1.46
Via-Cyrix, Inc.	-	-	24,350	1.92
Others	7,773	0.83	20,065	1.58
Total	\$ 277,798	29.80	\$ 93,508	7.37
Balance payables – Machinery and Equipment:				
Via-Cyrix, Inc.	\$ 167,572	86.79	\$ 257,283	89.82
I-Dot Computer Corp.	464	0.24	407	0.14
S3 Graphics Co., Ltd.	-	-	1,450	0.51
Total	\$ 168,036	87.03	\$ 259,140	90.47
Guarantee deposits received -				
Via Networking, Inc.	\$ 1,486	40.44	\$ -	-
Chander Electronics Corp.	1,050	28.57	1,050	100.00
Via Optical Solution, Inc.	761	20.71	-	-
Others	378	10.28	-	-
Total	\$ 3,675	100.00	\$ 1,050	100.00

Property Transactions

The Company acquired part of its computer equipment from LEO Systems Inc. in 2002 and 2001 which amounted to \$857 and \$1,777, respectively.

The Company acquired part of its machinery equipment from Via-Cyrix, Inc. in 2002 and 2001 which amounted to \$4,815 and \$107,555, respectively. At December 31, 2002 and 2001, \$167,572 and \$257,283, respectively, were still unpaid and recognized as balance payable - machinery and equipment.

The Company acquired part of its machinery equipment from Centaur Technology, Inc. in 2001 which amounted to \$12,420.

The Company acquired part of its machinery equipment, computer equipment, furniture and fixtures from Welkin Technology, Co., Ltd. in 2001 which amounted to \$12,262. In 2002, the Company acquired all patents of Welkin Technology, Co., Ltd. which amounted to \$150,000 and recognized as deferred authorization charges. Total transactions gain of \$114,363 which is calculated according to the Company's holding interest will not be recognized until the investor amortized its cost. As of December 31, 2002, the unrealized gain of \$114,363 is recorded as unrealized intercompany gain and reduced investment.

The Company acquired part of its computer equipment and machinery equipment from S3 Graphics Co., Ltd. in 2001 which amounted to \$451. At December 31, 2001, \$1,450 is still unpaid recognized as balance payable – machinery and equipment.

The Company acquired part of its computer equipment from Xander International Corp. in 2001 which amounted to \$275.

The Company acquired part of its computer equipment from I-Dot Computer Corp. in 2002 and 2001 which amounted to \$750 and \$534, respectively. At December 31, 2002 and 2001, \$464 and \$407 were still unpaid recognized as balance payable – machinery and equipment.

The Company sold part of its buildings and machinery equipment to Via-Testing Technology, Inc. in 2001 which amounted to \$4,346. In 2002, the Company sold part of its lands, buildings and machinery equipment to Via-Test Technology, Inc. totaling \$504,004. The transaction gain of \$159,464 which is calculated according to the Company's holding interest in Via Testing Technologies Inc. will not be recognized until the investee amortized its cost. Unrealized gain of \$133,926 is recorded as unrealized intercompany profit under other liabilities at December 31, 2002.

The Company sold part of its computer equipment to Via Technologies (China) Ltd. in 2001 which amounted to \$1,546.

The Company sold part of its machinery equipment to Global Advanced Packaging Technology Ltd. in 2002 and 2001 which amounted to \$3,475 and \$543, respectively.

The Company sold 1,200,000 of its shares in High Tech Computer Corp. at \$40 for per share to Wai-Han Investment Corp. and Wai-Tung Investment Corp., respectively totaling 96,000 and recognized \$944 as gain on sale of long-term investments.

The Company sold part of its computer equipment to LEO systems Inc. in 2002 which amounted to \$200 and recognized \$67 as gain on disposal of property, plant and equipment. The Company sold part of its machinery equipment, research and development equipment and deferred authorization charges to Via Optical Solution, Inc. in 2002 which amounted to \$1,865, \$20,674 and \$217, respectively. At December 31, 2002, those are still uncollected.

The Company sold part of its machinery equipment, research and development equipment, computer equipment and deferred authorization charges to Via Networking, Inc. in 2002 which amounted to \$721, \$27,411, \$904 and \$1,868, respectively. At December 31, 2002, those are still uncollected.

23. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

In August 2000 and September 2001, the Company has been accused of infringement about chipset and CPU products by International Intel in America, Britain, Germany and Hong Kong, and the Company also accused Intel of infringement about products in America and Taiwan. In April 2003, the Company and Intel have entered into settlement agreement.

In June 2002, the Company has been accused of infringement by Media Tek, Inc. Because the accuser's reasons were not specific and having no adequate evidences, the Company estimated less probability of contingent loss based on past experiences and the Company did not provide any provision.

24. SIGNIFICANT CONTRACTS

Wafer Production Agreement

The Company and a well-known semiconductor manufacturing company (the "Contractor") have entered into the wafer production agreement.

The contents of the agreement are as follows:

Term and Termination: The term shall start on March 27, 1997 and shall terminate on March 26, 2001. However, it shall be automatically renewed for another calendar year unless terminated by a three months prior written notice.

Capacity Planning: The Company shall, prior to the 20th of each calendar month, send to Contractor a six month forecast of anticipated Wafer orders.

Price: Fabricated Wafer prices will be negotiated and determined between the Company and the Contractor based on the market price as of the month before every calendar quarter. The prices are in U.S. Dollars.

In 2002, the Company and the Contractor did not terminate the agreement. Therefore the agreement is renewed automatically until March 26, 2003.

Patent Agreement

On November 24, 1998, the Company has patent agreement with Intel. On June 30, 2000, the Company amended part of the provision as follows:

Contractor	Contract Period	Product	Description
Intel	November 24, 1998 to the expiration of the last patent licensed to expire.	P5/P6 chipsets	a. License to manufacture and sell P5/P6 chipsets b. Except for payment the full amount of royalties at once, the Company shall pay the amount computed from gross profit within 45 days following the end of each calendar quarter.
	April 8, 2003 to the expiration of the last patent licensed to expire	Pentium 4 CPU chipset	Pentium 4 CPU patent agreement.

On November 29, 2000, the Company has patent agreement with Monolithic System Technology, Inc. for IT-SRAM. The contents of the agreement are as follows:

Contractor	Contract Period	Product	Description
Monolithic System Technology, Inc.	The term shall start on November 29, 2000, and it shall be automatically renewed for another calendar year unless terminated by 45 days prior written notice.	Network and multimedia chipsets	a. License to manufacture and sell networking and multimedia chipsets b. The Company shall pay the amount computed from quantity of sales of the Company and related parties within 45 days following the end of each calendar quarter.

25. FINANCIAL INSTRUMENTS

As of December 31, 2002 and 2001, the Company held foreign currency option contracts for trading purpose. In accordance with the Approval Documents (85) Tai-Tsai-Tseng (6) No. 00263 of Securities and Futures Commission of ROC and Statement of Financial Accounting Standards No. 27 "Disclosure of Financial Instruments," the Company discloses related information as follows:

Amount of Contract and Credit Risk

Foreign Currency Option Contracts

2002					
Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate
Sell	2002.11.14~2002.11.18	2003.02.27~2003.03.24	USD/NTD	US\$27,000	35.00

2001					
Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate
Sell	2001.02.01~2001.12.19	2002.01.31~2002.10.31	USD/NTD	US\$164,500	34.00~35.20
Buy	2001.12.22~2001.12.19	2002.01.05~2002.02.25	NTD/USD	US\$ 40,000	34.00~35.20

Asset-Swap contract

Trade Date	Expiry Date	Swap in Asset	Swap out Asset	2002		2001	
				Amount	Credit Risk	Amount	Credit Risk
October 27, 2001	May 27, 2002	The interest revenue of the interest rate of 14.53%	The conversion right of US\$5,000 ECB by ProMos	-	-	US\$5,000	-
May 28, 2002	April 7, 2003	The interest revenue of the interest rate of 8.00%	The conversion right of US\$5,000 ECB by ProMos	US\$5,000	-	-	-
December 10, 2002	January 27, 2003	The interest revenue of the interest rate of LIBOR 3 month plus 2.00%	The conversion right of ECB by Prodisc	US\$5,000	-	-	-
December 26, 2002	January 27, 2003	The interest revenue of the interest rate of LIBOR 3 month plus 2.00%	The conversion right of ECB by King Yuan	US\$1,000	-	-	-
December 26, 2002	January 27, 2003	The interest revenue of the interest rate of LIBOR 3 month plus 2.00%	The conversion right of ECB by Askey	US\$2,000	-	-	-
November 12, 2002	March 28, 2003	The interest revenue of the interest rate of LIBOR 3 month plus 2.00%	The conversion right of ECB by Gigabyte	US\$2,000	-	-	-
December 24, 2002	January 27, 2003	The interest revenue of the interest rate of LIBOR 3 month plus 2.00%	The conversion right of ECB by Walsin	US\$1,005	-	-	-
December 28, 2002	June 28, 2003	The interest revenue of the interest rate of LIBOR 3 month plus 2.00%	The conversion right of ECB by Compeq	NT\$51,600	-	-	-
November 22, 2001	August 31, 2003	The interest revenue of the interest rate of 2.731% ~ 5.911%	The conversion right of ECB by VIA	NT\$1,794,800	-	-	-

Securities Credit Transactions

Financial Product	Shares	Contract Amount	Initial Guarantee	Credit Risk
Short sales of stock of Macronix	630,000	\$7,445	\$6,614	-

The Company only deals with banks with good credit, which is according to banks' reputation and the Company's past experience with them. Moreover, because the Company established a series of control procedures for transactions of derivative financial instruments, no credit risks are expected.

Market Risk

The Company's transactions of foreign exchange instruments are for trading purpose, thus, such instruments are measured at the balance sheet date using the market value. As of December 31, 2002 and 2001, foreign exchange loss on foreign currency option amounted to \$3,996 and \$63,401, respectively.

The market risks of the Asset-Swap contract are the fluctuation of interest rates of LIBOR 3 month and the ECB (CB) market value. As of December 31, 2002, the interest rate of LIBOR 3 month was 2.00% and the market value of ECB (CB) ranged from 98.00%~112.00% and as of December 31, 2001, the market value of ECB was 91.00%, respectively.

The market risks of the securities credit transactions are the fluctuation of stock price, which is measured by market price in the Taiwan Stock Exchange. As of December 31, 2002, the devaluation loss on short sales amounted to \$121.

Liquidity Risk, Cash Flow Risk and the Amount, Timing and Uncertainty of Future Cash Requirements Risk

If the USD/NTD exchange rate forecast is between 1:34.50 and 1:35.20 in 2003, there will be between foreign exchange gain \$3,996 and loss \$1,404 of foreign currency options.

Because the Company has sufficient working capital to settle those contracts, no future cash requirements risk existed. Future exchange rate has been fixed by signing foreign currency options, no significant cash flow risks are expected. Meanwhile, because the Company would not intend to sell foreign currency options before maturity date, no liquidity risk is considered.

Interest revenue is gained during the Asset-Swap contract period and if the bank intends to stop the contract, it should pay 1% of the contract amount. As a result, no cash flow risks is expected.

The Company held securities credit transactions contract for avoiding the risk of price change of convertible bond. As of December 31, 2002, the position could offset by exercising the conversion right. In addition, the Company has sufficient working capital to settle those contracts, either future cash requirements risk nor liquidity risk existed.

Purpose and Category of Financial Instrument Held

The Company held derivative financial instruments for trading activity purpose, and to earn profit from foreign exchange fluctuation, interest income and profit from stock price fluctuation.

Disclosures of Derivative Instruments in the Financial Statements

The receivables and payables generated from foreign currency option shall be offset, and the net balance will be included in other current assets or other current liabilities. As of December 31, 2002 and 2001, the net balance recorded in other current liabilities was \$3,996 and \$63,401, respectively. The Company held derivative financial instruments for trading activities at December 31, 2002 and 2001. Loss generated from transactions of derivative financial instruments for trading activities for the years ended December 31, 2002 and 2001 amounted to \$19,935 and \$165,250, respectively.

Gain generated from transactions of forward exchange contract for the years ended December 31, 2002 and 2001 amounted to \$4,160 and \$87,174, respectively, recognized as non-operating income (expense) – foreign exchange gains (net).

As of December 31, 2002 and 2001, the Assets-Swap contract of the Company recorded in cash in banks was US\$16,005, NT\$1,846,400 and US\$5,000, NT\$691,200, respectively. Interest income from transaction of Assets-Swap contract for the years ended December 31, 2002 and 2001 amounted to \$43,798 and \$13,049, respectively.

Fair Value of Financial Instruments

Derivative Financial Instruments

	December 31			
	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities -				
Foreign currency options	\$3,996	\$3,996	\$63,401	\$63,401
Assets -				
Short sales of stock refundable deposit	6,614	6,614	-	-

The fair value of derivative financial instruments are the estimated amount that the Company would receive or pay if contracts are closed at the balance sheet date. The Company obtained quotes from banks to estimate the fair value.

Non-derivative Financial Instruments

	December 31			
	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$ 4,074,756	\$ 4,074,756	\$11,112,886	\$11,112,886
Short-term investments	5,868,308	5,868,308	45,228	48,732
Notes and accounts receivable, net	3,552,581	3,552,581	4,168,986	4,168,986
Notes and accounts receivable from related parties, net	1,019,955	1,019,955	400,565	400,565
Other current financial assets	471,849	471,849	287,247	287,247
Long-term investments	12,989,183	12,989,183	13,805,290	13,805,290
Other financial assets	12,128	11,977	14,321	13,972
Liabilities:				
Notes and accounts payable	3,632,591	3,632,591	3,085,607	3,085,607
Notes and accounts payable due to related parties	1,180,919	1,180,919	1,196,843	1,196,843
Income tax payable	132,355	132,355	466,567	466,567
Accrued expenses	932,295	932,295	1,268,724	1,268,724
Other current financial liabilities	907,840	907,840	1,120,824	1,120,824
Corporate bonds payable	4,846,884	4,846,884	4,605,137	4,605,137
Long-term loans	23,463	23,463	39,521	39,521
Other financial liabilities	3,675	3,629	1,050	1,024

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The carrying amount approximated the fair value because of the short maturities of such instruments, including cash and cash equivalents, notes and accounts receivable, notes and accounts receivable from related parties, other current financial assets, notes and accounts payable, notes and accounts payable due to related parties, accrued expenses, income tax payable, and other current financial liabilities.

Securities, short-term investments and long-term investments, are measured based on quoted market prices for these instruments. If the securities do not have market prices, fair value is measured based on financial or other information.

The fair value of other financial assets and liabilities are based on the discounted value of the future cash flows expected to be received. The discount rate is based on the average interest rate of time deposits in banks.

The fair value of long-term loans, including current portion, and corporate bonds payable are estimated based on rates that the Company obtained which are comparable to rates offered by the banks to other borrowers for long-term debts with same terms and maturities.

26. SEGMENT INFORMATION

Industry Segment

Manufacturing and sales of PC chipset and semiconductor accounted for over 90% of the Company's total revenues; therefore, the disclosure for industry segment is not applicable.

Foreign Operations

Currently, the Company does not have any foreign operations.

Export Sales

Export sales for the years ended December 31, 2002 and 2001 were as follows:

Areas	2002	2001
Hong Kong	\$ 8,046,070	\$ 9,084,362
Singapore	1,285,637	1,784,329
Japan	471,942	651,123
USA	694,880	469,601
Europe	505,923	228,044
Others	249,191	864,290
Total	<u>\$11,253,643</u>	<u>\$13,081,749</u>

Dominant Customers Information

Sales to major customer for the years ended December 31, 2002 and 2001 were as follow s:

Segment	Customer	2002		2001	
		Amount	% of Total Sales	Amount	% of Total Sales
Chipset	A	\$ 4,092,902	16.29	\$ 3,614,298	10.68
Chipset	B	<u>2,414,042</u>	<u>9.61</u>	<u>3,964,047</u>	<u>11.71</u>
Total		<u>\$ 6,506,944</u>	<u>25.90</u>	<u>\$ 7,578,345</u>	<u>22.39</u>

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**VIA TECHNOLOGIES, INC. AND
SUBSIDIARIES**

**Consolidated Financial Statements for the
Years Ended December 31, 2002 and 2001 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT



To the Board of Directors and Stockholders of
Via Technologies, Inc. and subsidiaries:

We (Deloitte & Touche) have audited the accompanying consolidated balance sheets of Via Technologies, Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and "Guidelines for Certified Public Accountants' Examinations of and Reports on Financial Statements." 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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Via Technologies, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China and "Regulations Governing the Preparation of Financial Statements of Public Companies."

In accordance with SFAS No. 30, "Accounting for Treasury Stock", parent company stock held by subsidiaries is considered as treasury stock. Accordingly, the long-term investments and stockholders' equity were both reduced by \$1,634,554 thousand at December 31, 2002.

April 2, 2003

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than in the Republic of China. Accordingly, the accompanying balance sheets of Via Technologies Inc. and subsidiaries and the related statements of income, changes in stockholders' equity and cash flows as of and for the years ended December 31, 2002 and 2001 are not designed for those who are not informed about accounting principles, procedures and practices in the Republic of China. The standards, procedures and practices utilized in the Republic of China to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	2002	2001	LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 4,170,402	\$11,272,054	Notes payable	\$ 4,945	\$ 1,071
Short-term investments	5,868,308	289,207	Accounts payable	3,674,316	3,152,435
Notes receivable, net	2,232,155	1,794,164	Notes and accounts payable to related parties	1,218,441	1,196,843
Accounts receivable, net	1,320,426	2,378,863	Income tax payable	133,293	467,623
Notes and accounts receivable from related parties, net	926,606	247,555	Accrued expenses	988,236	1,326,238
Inventories	3,569,459	3,934,992	Current portion of long-term liabilities	11,059	12,490
Other current assets	<u>1,673,025</u>	<u>728,738</u>	Other current liabilities	<u>1,032,327</u>	<u>1,019,951</u>
Total current assets	<u>19,760,381</u>	<u>20,645,573</u>	Total current liabilities	<u>7,062,617</u>	<u>7,176,651</u>
LONG-TERM INVESTMENTS	<u>11,824,215</u>	<u>12,367,940</u>	LONG-TERM LIABILITIES:		
PROPERTY, PLANT AND EQUIPMENT:			Corporate bonds payable	4,846,884	4,605,137
Land	782,554	775,466	Long-term capital lease liabilities	<u>12,404</u>	<u>27,031</u>
Buildings and improvements	509,922	507,216	Total long-term liabilities	<u>4,859,288</u>	<u>4,632,168</u>
Machinery and equipment	610,619	1,039,989	OTHER LIABILITIES		
Computer equipment	586,071	533,671		<u>256,339</u>	<u>86,261</u>
Research and development equipment	326,685	410,787	Total liabilities	<u>12,178,244</u>	<u>11,895,080</u>
Transportation equipment	8,119	8,168	STOCKHOLDERS' EQUITY:		
Furniture and fixtures	50,739	55,371	Capital stock	11,918,540	9,468,000
Leased assets	43,502	43,502	Capital surplus:		
Leasehold improvements	<u>202,403</u>	<u>174,564</u>	Additional paid-in capital	8,073,500	8,073,500
Subtotal	3,120,614	3,548,734	Gain on disposal of property, plant and equipment	1,770	1,770
Less accumulated depreciation	(1,273,169)	(1,204,607)	Long-term equity investment	245,990	74,654
Prepayments on purchase of equipment	<u>64,376</u>	<u>27,300</u>	Retained earnings:		
Property, plant and equipment, net	<u>1,911,821</u>	<u>2,371,427</u>	Legal reserve	1,663,733	1,131,279
OTHER ASSETS:			Unappropriated earnings	3,554,423	6,868,531
Leased-out assets	581,287	450,209	Unrealized valuation losses on long-term equity investments	(271,923)	(165,238)
Idle assets	237,690	239,058	Cumulative translation adjustments	807,778	842,133
Refundable deposits	16,441	15,726	Treasury stock	<u>(1,634,554)</u>	<u>-</u>
Deferred charges	1,669,276	1,697,287	Total stockholders' equity	<u>24,359,257</u>	<u>26,294,629</u>
Deferred tax asset	<u>536,390</u>	<u>402,489</u>	TOTAL	<u>\$36,537,501</u>	<u>\$38,189,709</u>
Total other assets	<u>3,041,084</u>	<u>2,804,769</u>			
TOTAL	<u>\$36,537,501</u>	<u>\$38,189,709</u>			

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2002 AND 2001

(Expressed in Thousands of New Taiwan Dollars, Except Per Share Data)

	2002	2001
OPERATING REVENUES:		
Sales	\$28,294,530	\$37,125,326
Less:		
Sales returns	(540,333)	(164,710)
Sales discounts	<u>(2,577,630)</u>	<u>(3,152,829)</u>
Net sales	25,176,567	33,807,787
Other operating revenues	<u>11,323</u>	<u>62,831</u>
Total operating revenues	25,187,890	33,870,618
COST OF OPERATING REVENUES	<u>17,180,377</u>	<u>21,256,328</u>
GROSS PROFIT	8,007,513	12,614,290
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	<u>(8,548)</u>	<u>-</u>
REALIZED GROSS PROFIT	7,998,965	12,614,290
OPERATING EXPENSES	<u>6,198,145</u>	<u>6,625,667</u>
INCOME FROM OPERATIONS	<u>1,800,820</u>	<u>5,988,623</u>
NON-OPERATING INCOME:		
Interest income	135,340	260,744
Dividend income	-	1,526
Gain on disposal of property, plant and equipment	29,080	278,899
Gain on sale of investments	514,730	58,840
Foreign currency exchange gain	-	348,445
Rental income	32,817	101,658
Recovery from loss on short-term investment devaluation	-	30,172
Other	<u>64,758</u>	<u>67,776</u>
Total non-operating income	<u>776,725</u>	<u>1,148,060</u>
NON-OPERATING EXPENSES:		
Interest expenses	250,682	232,918
Investment losses	1,398,664	701,672
Loss on short-term investment devaluation	14,586	-
Loss on disposal of property, plant and equipment	20,725	370
Loss on physical inventory	10,494	10,839
Foreign currency exchange loss	33,769	-
Loss on inventory devaluation	456,707	382,048
Other	<u>20,065</u>	<u>288,873</u>
Total non-operating expenses	<u>2,205,692</u>	<u>1,616,720</u>
INCOME BEFORE INCOME TAX	371,853	5,519,963
INCOME TAX BENEFIT (EXPENSE)	<u>71,411</u>	<u>(195,418)</u>
NET INCOME	<u>\$ 443,264</u>	<u>\$ 5,324,545</u>
PRIMARY EARNINGS PER SHARE BEFORE INCOME TAX	<u>\$0.32</u>	<u>\$4.69</u>
PRIMARY EARNINGS PER SHARE AFTER INCOME TAX	<u>\$0.38</u>	<u>\$4.53</u>

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2002 AND 2001 (Expressed in Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus			Retained Earnings			Unrealized Valuation Losses on Long-Term Equity Investment	Cumulative Translation Adjustments	Treasury Stock	Total
		Additional Paid-in Capital	Gain on Disposal of Property, Plant and Equipment	Long-Term Equity Investment	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2001	\$ 5,767,500	\$8,073,500	\$1,770	\$ 2	\$ 477,013	\$ 41,552	\$6,683,297	\$(109,872)	\$386,821	\$ -	\$21,321,583
Appropriation and distribution of 2000 net income:											
Legal reserve					654,266		(654,266)				-
Special reserve reversed						(41,552)	41,552				-
Cash dividends							(576,750)				(576,750)
Stock dividends and transfer of employees bonuses to capital stock	3,700,500						(3,700,500)				-
Directors' remuneration							(42,824)				(42,824)
Employees bonuses							(56,426)				(56,426)
Effect of changes of ownership interest in equity method investees				74,652			(150,097)				(75,445)
Unrealized valuation losses on long-term equity investment								(55,366)			(55,366)
Cumulative translation adjustments									455,312		455,312
Net income for 2001							5,324,545				5,324,545
BALANCE, DECEMBER 31, 2001	9,468,000	8,073,500	1,770	74,654	1,131,279	-	6,868,531	(165,238)	842,133	-	26,294,629
Appropriation and distribution of 2001 net income:											
Legal reserve					532,454		(532,454)				-
Cash dividends							(757,440)				(757,440)
Stock dividends and transfer of employees bonuses to capital stock	2,450,540						(2,450,540)				-
Employees bonuses							(3,779)				(3,779)
Effect of changes of ownership interests in equity method investees				171,336			(13,159)				158,177
Unrealized valuation losses on long-term equity investment								(106,685)			(106,685)
Cumulative translation adjustments									(34,355)		(34,355)
Net income for 2002							443,264				443,264
Transfer of long-term investments to treasury stock										(1,634,554)	(1,634,554)
BALANCE, DECEMBER 31, 2002	<u>\$11,918,540</u>	<u>\$8,073,500</u>	<u>\$1,770</u>	<u>\$245,990</u>	<u>\$1,663,733</u>	<u>\$ -</u>	<u>\$3,554,423</u>	<u>\$(271,923)</u>	<u>\$807,778</u>	<u>\$(1,634,554)</u>	<u>\$24,359,257</u>

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (Expressed in Thousands of New Taiwan Dollars)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 443,264	\$ 5,324,545
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,242,078	1,281,931
Provision for redemption of convertible bonds	241,747	229,688
Gain on sale of long-term investment	(317,331)	(896)
Loss on disposal of property, plant and equipment	20,725	370
Gain on disposal of property, plant and equipment	(29,080)	(278,899)
Loss on disposal of intangible assets and deferred charges	-	280,707
Investment losses on equity-method investees	1,251,320	663,172
Cash dividends on equity-method investees	70,717	1,315
Loss on long-term investment devaluation	147,344	38,500
Changes in assets and liabilities provided (used) cash:		
Short-term investments	(5,579,101)	(240,821)
Notes receivable	(437,991)	(677,001)
Accounts receivable	1,058,437	820,111
Notes and accounts receivable from related parties	(679,051)	527,530
Inventories	365,533	(657,745)
Other current assets	(875,753)	(17,475)
Notes payable	3,874	(10,946)
Accounts payable	521,881	668,621
Notes and accounts payable to related parties	21,598	825,460
Income tax payable	(334,330)	263,596
Accrued expenses	(338,002)	127,294
Other current liabilities	69,363	(350,167)
Other liabilities	38,660	43,387
Deferred income tax asset – current	(68,534)	4,393
Deferred income tax asset – noncurrent	(133,901)	(290,081)
Total adjustments	(3,739,797)	3,252,044
Net cash (used in) provided by operating activities	(3,296,533)	8,576,589
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant, equipment and leased-out assets	(619,981)	(967,979)
Proceeds from disposal of property, plant, equipment and deferred charges	578,598	718,242
Payment for long-term investments	(3,000,286)	(1,672,935)
Proceeds from sale of long-term investments	749,596	111,952
Increase in refundable deposits	(715)	(5,049)
Increase in deferred charges	(711,157)	(292,354)
Net cash used in investing activities	(3,003,945)	(2,108,123)

(Continued)

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (In Thousands of New Taiwan Dollars)

	2002	2001
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in long-term loans	(16,058)	(115,365)
Cash dividend	(757,440)	(576,750)
Bonuses to employees and directors' remuneration	(58,174)	-
Increase in guarantee deposits received	<u>2,625</u>	<u>-</u>
Net cash used in financing activities	<u>(829,047)</u>	<u>(692,115)</u>
FOREIGN EXCHANGE ADJUSTMENT	<u>27,873</u>	<u>23,654</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,101,652)	5,800,005
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,272,054</u>	<u>5,472,049</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,170,402</u>	<u>\$11,272,054</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION -		
Cash paid during the year for:		
Interest	<u>\$ 8,935</u>	<u>\$ 3,365</u>
Income tax	<u>\$ 400,118</u>	<u>\$ 253,191</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of property, plant, equipment to leased-out assets	<u>\$ 135,108</u>	<u>\$ 9,802</u>
Transfer of unappropriated earnings and employees bonuses to capital stock	<u>\$ 2,450,540</u>	<u>\$ 3,700,500</u>
Transfer of long-term investments to treasury stock	<u>\$ 1,634,554</u>	<u>\$ -</u>
Current portion of long-term liabilities	<u>\$ 11,059</u>	<u>\$12,490</u>
Transfer of deferred charges to property, plant, equipment	<u>\$ 1,327</u>	<u>\$ -</u>
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT:		
Increase in property, plant, equipment and leased-out assets	\$ 616,325	\$ 990,140
Decrease (increase) in payable due to acquisition of property, plant and equipment	<u>3,656</u>	<u>(22,161)</u>
Cash payment	<u>\$ 619,981</u>	<u>\$ 967,979</u>

(Continued)

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (In Thousands of New Taiwan Dollars)

	2002	2001
PURCHASE OF DEFERRED CHARGES:		
Increase in deferred charges	\$ 712,221	\$ 734,773
Increase in payable due to acquisition of deferred charges	<u>(1,064)</u>	<u>(442,419)</u>
Cash payment	<u>\$ 711,157</u>	<u>\$ 292,354</u>
Appropriation of bonuses to employees and directors' remuneration	\$ 3,779	\$ 99,250
Add payable due to bonuses to employees and directors' remuneration, beginning of year	130,370	31,120
Minus payable due to bonuses to employees and directors' remuneration, end of year	<u>(75,975)</u>	<u>(130,370)</u>
Cash payment	<u>\$ 58,174</u>	<u>\$ -</u>

(Concluded)