

VIA TECHNOLOGIES, INC.

**Financial Statements for the
Years Ended December 31, 2003 and 2002 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of VIA Technologies, Inc. as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in New Taiwan dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of VIA Technologies, Inc. as of December 31, 2003 and 2002, and the results of its operations and its 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 carrying value of long-term investments and stockholders' equity were both reduced by \$1,634,554 thousand at December 31, 2002.

We have also audited the consolidated financial statements of VIA Technologies, Inc. and its subsidiaries for the years ended December 31, 2003 and 2002 (not accompanied herein) and have issued our report, dated March 14, 2004, thereon expressing an unqualified opinion with modification due to the change of consolidated entities of VIA Technologies, Inc. in 2003.

Deloitte & Touche
(T N Soong & Co and Deloitte & Touche (Taiwan) Established
Deloitte & Touche Effective June 1, 2003)
Taipei, Taiwan
Republic of China

March 14, 2004

The accompanying 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 the related statements of income, changes in stockholders' equity and cash flows as of and for the years ended December 31, 2003 and 2002 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.

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars)

ASSETS	2003	2002	LIABILITIES AND STOCKHOLDERS' EQUITY	2003	2002
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents (Notes 2 and 3)	\$ 5,750,624	\$ 4,074,756	Notes payable	\$ 9,459	\$ 4,945
Short-term investments (Notes 2 and 4)	18,260	5,868,308	Accounts payable	3,466,466	3,627,646
Notes receivable, net (Note 2)	663,570	2,232,155	Notes and accounts payable to related parties (Note 23)	313,960	1,180,919
Accounts receivable, net (Notes 2 and 5)	2,084,095	1,320,426	Income tax payable (Notes 2 and 21)	32,689	132,355
Notes and accounts receivable from related parties, net (Notes 2, 6 and 23)	601,807	1,019,955	Accrued expenses (Notes 13 and 23)	996,727	932,295
Other financial assets, current (Notes 2, 7, 23 and 27)	624,915	478,463	Current portion of long-term liabilities (Note 15 and 16)	2,301,196	11,059
Inventories (Notes 2 and 8)	3,404,591	3,567,697	Other current liabilities (Notes 14, 23 and 27)	<u>656,172</u>	<u>931,247</u>
Deferred tax asset, current (Notes 2 and 21)	371,264	355,186			
Other current assets (Notes 2 and 23)	<u>77,344</u>	<u>291,794</u>	Total current liabilities	<u>7,776,669</u>	<u>6,820,466</u>
Total current assets	<u>13,596,470</u>	<u>19,208,740</u>			
LONG-TERM INVESTMENTS (Notes 2 and 10):			LONG-TERM LIABILITIES:		
Long-term investments under equity method	11,623,978	12,516,317	Corporate bonds payable (Notes 2 and 15)	-	4,846,884
Long-term investments under cost method	537,930	590,768	Long-term capital lease liabilities (Notes 2 and 16)	-	<u>12,404</u>
Allowance for valuation losses of long-term equity investments	-	<u>(117,902)</u>	Total long-term liabilities	<u>-</u>	<u>4,859,288</u>
Total long-term investments	<u>12,161,908</u>	<u>12,989,183</u>			
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23):			OTHER LIABILITIES (Notes 2, 17 and 23)	<u>198,788</u>	<u>251,767</u>
Land	942,061	782,554	Total liabilities	<u>7,975,457</u>	<u>11,931,521</u>
Buildings and improvements	592,481	509,922			
Machinery and equipment	297,158	317,267	STOCKHOLDERS' EQUITY:		
Computer equipment	274,089	233,164	Capital stock (Note 18)	12,704,467	11,918,540
Research and development equipment	342,028	298,329	Capital surplus:		
Transportation equipment	8,119	8,119	Additional paid-in capital	7,739,781	8,073,500
Furniture and fixtures	46,258	46,479	Gain on disposal of property, plant and equipment	1,770	1,770
Leased assets	43,502	43,502	Long-term equity investment (Note 10)	213,035	245,990
Leasehold improvements	<u>133,782</u>	<u>160,614</u>	Retained earnings: (Note 18)		
Subtotal	2,679,478	2,399,950	Legal reserve	1,708,059	1,663,733
Less accumulated depreciation	(872,100)	(659,474)	Special reserve	996,057	-
Prepayments on purchase of equipment, land and buildings	<u>106,164</u>	<u>64,376</u>	(Accumulated deficit) unappropriated earnings	(253,410)	3,554,423
Property, plant and equipment, net	<u>1,913,542</u>	<u>1,804,852</u>	Unrealized valuation losses on long-term equity investments (Notes 2 and 10)	(59,063)	(271,923)
			Cumulative translation adjustments (Note 2)	655,438	807,778
OTHER ASSETS:			Treasury stock (Notes 2, 10 and 19)	<u>(2,040,649)</u>	<u>(1,634,554)</u>
Leased-out assets (Notes 2, 12 and 23)	573,460	581,287	Total stockholders' equity	<u>21,665,485</u>	<u>24,359,257</u>
Refundable deposits	12,562	12,128			
Deferred charges (Notes 2 and 23)	775,934	1,158,198			
Deferred tax asset (Notes 2 and 21)	<u>607,066</u>	<u>536,390</u>			
Total other assets	<u>1,969,022</u>	<u>2,288,003</u>			
TOTAL	<u>\$ 29,640,942</u>	<u>\$ 36,290,778</u>	TOTAL	<u>\$ 29,640,942</u>	<u>\$ 36,290,778</u>

See notes to financial statements.

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars, Except Per Share Data)

	2003	2002
OPERATING REVENUES: (Note 2)		
Sales	\$ 22,059,900	\$ 28,229,376
Less:		
Sales returns	(113,961)	(539,661)
Sales discounts	<u>(1,715,128)</u>	<u>(2,575,471)</u>
Net sales (Note 23)	20,230,811	25,114,244
Other operating revenues (Note 23)	<u>25,152</u>	<u>7,640</u>
Total operating revenues	20,255,963	25,121,884
COST OF OPERATING REVENUES (Note 23)	<u>14,809,171</u>	<u>17,126,364</u>
GROSS PROFIT	5,446,792	7,995,520
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	(12,057)	(8,548)
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	<u>8,548</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>5,443,283</u>	<u>7,986,972</u>
OPERATING EXPENSES (Note 23):		
General and administrative expenses	2,794,359	2,601,451
Research and development expenses	<u>2,404,260</u>	<u>2,498,100</u>
Total operating expenses	<u>5,198,619</u>	<u>5,099,551</u>
INCOME FROM OPERATIONS	<u>244,664</u>	<u>2,887,421</u>
NON-OPERATING INCOME:		
Interest income	77,942	132,853
Gain on disposal of property, plant and equipment	87,592	29,080
Gain on sale of investments	399,115	514,730
Rental income (Note 23)	45,297	32,817
Recovery from loss on short-term investment devaluation	426	-
Other (Note 23)	<u>212,373</u>	<u>52,819</u>
Total non-operating income	<u>822,745</u>	<u>762,299</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars, Except Per Share Data)

	2003	2002
NON-OPERATING EXPENSES:		
Interest expenses	196,714	250,682
Investment losses under equity method (Note 10)	2,281,455	2,481,066
Other investment losses (Note 10)	34,029	24,586
Loss on disposal of property, plant and equipment	175	1,529
Loss on physical inventory	4,964	10,494
Foreign currency exchange loss	63,585	34,623
Loss on inventory devaluation	152,913	456,707
Other	<u>15,393</u>	<u>19,112</u>
Total non-operating expenses	<u>2,749,228</u>	<u>3,278,799</u>
(LOSS) INCOME BEFORE INCOME TAX	(1,681,819)	370,921
INCOME TAX BENEFIT (Notes 2 and 21)	<u>31,286</u>	<u>72,343</u>
NET (LOSS) INCOME	<u>\$ (1,650,533)</u>	<u>\$ 443,264</u>

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC (LOSS) EARNINGS PER SHARE (Note 22)	<u>\$(1.34)</u>	<u>\$(1.32)</u>	<u>\$0.30</u>	<u>\$0.35</u>
DILUTED (LOSS) EARNINGS PER SHARE (Note 22)	<u>\$(1.34)</u>	<u>\$(1.32)</u>	<u>\$0.30</u>	<u>\$0.35</u>

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

NET (LOSS) INCOME	<u>\$(1,681,819)</u>	<u>\$(1,650,533)</u>	<u>\$370,921</u>	<u>\$443,264</u>
	<u>9</u>	<u>3</u>		
BASIC (LOSS) EARNINGS PER SHARE (Note 22)	<u>\$(1.33)</u>	<u>\$(1.30)</u>	<u>\$0.29</u>	<u>\$0.35</u>
DILUTED (LOSS) EARNINGS PER SHARE (Note 22)	<u>\$(1.33)</u>	<u>\$(1.30)</u>	<u>\$0.29</u>	<u>\$0.35</u>

(Concluded)

See notes to financial statements.

VIA TECHNOLOGIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars)

	Capital Surplus				Retained Earnings			Unrealized Valuation Losses on Long-Term Equity Investment	Cumulative Translation Adjustments	Treasury Stock	Total
	Capital Stock	Additional Paid-in Capital	Gain on Disposal of Property, Plant and Equipment	Long-Term Equity Investment	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)				
BALANCE, JANUARY 1, 2002	\$ 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	11,918,540	8,073,500	1,770	245,990	1,663,733		3,554,423	(271,923)	807,778	(1,634,554)	24,359,257
Appropriation and distribution of 2002 net income:											
Legal reserve					44,326		(44,326)				-
Special reserve						996,057	(996,057)				-
Cash dividends							(595,927)				(595,927)
Stock dividends and transfer of capital surplus and employees bonuses to capital stock	785,927	(333,719)					(452,208)				-
Effect of changes of ownership interests in equity method investees				(32,955)			(68,782)			511	(101,226)
Recovery of unrealized valuation losses on long-term equity investment								212,860			212,860
Cumulative translation adjustments									(152,340)		(152,340)
Net loss for 2003							(1,650,533)				(1,650,533)
Purchase of treasury stock										(406,606)	(406,606)
BALANCE, DECEMBER 31, 2003	<u>\$12,704,467</u>	<u>\$7,739,781</u>	<u>\$ 1,770</u>	<u>\$ 213,035</u>	<u>\$1,708,059</u>	<u>\$ 996,057</u>	<u>\$ (253,410)</u>	<u>\$ (59,063)</u>	<u>\$ 655,438</u>	<u>\$ (2,040,649)</u>	<u>\$21,665,485</u>

See notes to financial statements.

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (1,650,533)	\$ 443,264
Depreciation and amortization	1,021,871	990,177
Provision for redemption of convertible bonds	192,875	241,747
Gain on sale of long-term investment	(302,615)	(317,331)
Loss on disposal of property, plant and equipment	175	1,529
Gain on disposal of property, plant and equipment	(87,592)	(29,080)
Investment losses on equity-method investees	2,281,455	2,481,066
Cash dividends on equity-method investees	30,203	70,717
Loss on long-term investment devaluation	34,029	10,000
Gain from redeemed convertible bonds	(1,987)	-
Accrued pension cost	40,826	36,323
Deferred tax benefit	(86,754)	(202,435)
Changes in assets and liabilities provided (used) cash:		
Notes receivable	1,568,585	(437,991)
Accounts receivable	(763,669)	1,054,396
Notes and accounts receivable from related parties	418,148	(619,390)
Other financial assets, current	221,485	(191,216)
Inventories	163,106	367,060
Other current assets	214,450	(169,584)
Notes payable	4,514	3,874
Accounts payable	(161,180)	543,110
Notes and accounts payable to related parties	(866,959)	(15,924)
Income tax payable	(99,666)	(334,212)
Accrued expenses	64,432	(336,429)
Other current liabilities	44,903	(139,312)
Other liabilities	(8,775)	2,337
Net cash provided by operating activities	<u>2,271,327</u>	<u>3,452,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short-term investment	5,850,048	(5,823,080)
Acquisition of property, plant, equipment and leased-out assets	(561,647)	(656,229)
Proceeds from disposal of property, plant, equipment and deferred charges	8,961	577,394
Payment for long-term investments	(1,813,374)	(3,800,496)
Proceeds from sale of long-term investments	556,871	749,596
(Increase) decrease in refundable deposits	(434)	2,193
Increase in deferred charges	(507,937)	(711,157)
Increase in current account with others	(367,937)	-
Net cash provided by (used in) investing activities	<u>3,164,551</u>	<u>(9,661,779)</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars)

	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in long-term loans	(10,506)	(16,058)
Decrease in convertible bonds	(2,749,533)	-
Cash dividend	(595,927)	(757,440)
Bonuses to employees and directors' remuneration	-	(58,174)
Increase in guarantee deposits received	2,562	2,625
Purchase of treasury stock	(406,606)	-
Net cash used in financing activities	<u>(3,760,010)</u>	<u>(829,047)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,675,868	(7,038,130)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,074,756</u>	<u>11,112,886</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,750,624</u>	<u>\$ 4,074,756</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION -		
Cash paid during the year for:		
Interest	<u>\$ 382,171</u>	<u>\$ 8,935</u>
Income tax	<u>\$ 139,345</u>	<u>\$ 399,062</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of property, plant, and equipment to leased-out assets	<u>\$ -</u>	<u>\$ 135,108</u>
Transfer of unappropriated earnings and employees bonuses to capital stock	<u>\$ 785,927</u>	<u>\$ 2,450,540</u>
Transfer of long-term investments to treasury stock	<u>\$ -</u>	<u>\$ 1,634,554</u>
Current portion of long-term liabilities	<u>\$ 2,301,196</u>	<u>\$ 11,059</u>
Transfer of deferred charges to property, plant, and equipment	<u>\$ -</u>	<u>\$ 1,327</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 87,592</u>	<u>\$ -</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2003 AND 2002 (In Thousands of New Taiwan Dollars)

	2003	2002
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT:		
Increase in property, plant, equipment and leased-out assets	\$ 394,907	\$ 562,862
Decrease in payable due to acquisition of property, plant and equipment	<u>166,740</u>	<u>93,367</u>
Cash payment	<u>\$ 561,647</u>	<u>\$ 656,229</u>
PURCHASE OF DEFERRED CHARGES:		
Increase in deferred charges	\$ 354,699	\$ 712,221
Decrease (increase) in payable due to acquisition of deferred charges	<u>153,238</u>	<u>(1,064)</u>
Cash payment	<u>\$ 507,937</u>	<u>\$ 711,157</u>
Employees bonuses and directors' remuneration	\$ -	\$ 3,779
Add payable due to bonuses to employees and directors' remuneration, beginning of year -	75,975	130,370
Minus payable due to bonuses to employees and directors' remuneration, end of year -	<u>(75,975)</u>	<u>(75,975)</u>
Cash payment	<u>\$ -</u>	<u>\$ 58,174</u>

(Concluded)

See notes to financial statements.

VIA TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(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 to engage in the programming, designing, manufacturing and selling of semiconductors and PC chipsets. In March 1999, the Company's common stock was officially listed on the Taiwan Stock Exchange.

There are 1,458 employees in the Company at December 31, 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Distinction between Current and Non-Current Assets and Liabilities

Current assets are those resources that are reasonably expected to be realized in cash, sold, or consumed (prepaid items) during the normal operating cycle of a business or one year, whichever is longer. Current liabilities are obligations reasonably expected to require the use of current assets or the creation of other current liabilities. Obligations for items that have entered the operating cycle should be classified as current liabilities. Assets or liabilities which were excluded from current assets or current liabilities should be classified as non-current assets or non-current liabilities.

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 (“ROC”). 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, 2003 and 2002 amounted to \$20,290 and \$21,747, respectively. The pension fund balances are \$86,420 and \$65,076 at December 31, 2003 and 2002, 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 purchase of equipment, research and development expenditures, investments in equity stock and loss carryforward.

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 income 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 acquisitions 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.

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

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.

Use of Estimates

To present the financial statements in accordance with accounting principles generally accepted in the Republic of China, the Company’s management should evaluate the amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, the evaluation of revenues and expenses should also be done for the periods covered.

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 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 are 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, 2003 and 2002 consisted of the following:

	2003	2002
Cash on hand	\$ 560	\$ 560
Cash in banks	695,276	710,378
Time certificates of deposit	51,075	3,363,818
Cash equivalents - short-term bills	<u>5,003,713</u>	<u>-</u>
Total	<u>\$ 5,750,624</u>	<u>\$ 4,074,756</u>

At December 31, 2003 and 2002, interest rates on time certificates of deposit was 1.02% and ranged from 1.23% to 1.26%, respectively. At December 31, 2003, interest rate on cash equivalents - short-term bills ranged from 0.90% to 0.93%.

4. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Mutual fund investments	\$ 32,420	\$ 5,771,198
Marketable equity securities	-	168
Convertible corporate bonds	-	111,407
Less allowance for decline in market value	<u>(14,160)</u>	<u>(14,465)</u>
Short-term investment, net	<u>\$ 18,260</u>	<u>\$ 5,868,308</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2003 and 2002 were as follows:

	2003	2002
Accounts receivable	\$ 2,300,048	\$ 1,521,815
Less allowance for doubtful accounts	(33,982)	(18,060)
Less allowance for sales returns and discounts	<u>(181,971)</u>	<u>(183,329)</u>
Accounts receivable, net	<u>\$ 2,084,095</u>	<u>\$ 1,320,426</u>

6. NOTES AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES

A summary of notes and accounts receivable due from related parties at December 31, 2003 and 2002 was as follows:

	2003	2002
Notes receivable	\$ -	\$ 18
Accounts receivable	635,259	1,100,947
Less allowance for doubtful accounts	(2,122)	(19,364)
Less allowance for sales returns and discounts	<u>(31,330)</u>	<u>(61,646)</u>
Notes and accounts receivable from related parties, net	<u>\$601,807</u>	<u>\$1,019,955</u>

7. OTHER FINANCIAL ASSETS, CURRENT

Other financial assets, current at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Income tax refunds receivable	\$ 5,211	\$ 95,153
Value-added tax refunds receivable	122,749	53,538
Other receivables	496,826	304,740
Interests receivable	8	18,418
Receivable on forward exchange contracts, net (Note 27)	121	-
Stock short sales refundable deposit	<u>-</u>	<u>6,614</u>
Total	<u>\$624,915</u>	<u>\$478,463</u>

8. INVENTORIES

Inventories at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Resale merchandise	\$ 37,254	\$ 180,352
Finished goods	1,769,289	1,670,287
Work-in-process	1,818,693	1,640,748
Raw materials	<u>687,256</u>	<u>1,015,503</u>
Subtotal	4,312,492	4,506,890
Less valuation allowance	<u>(907,901)</u>	<u>(939,193)</u>
Inventories	<u>\$3,404,591</u>	<u>\$3,567,697</u>

At December 31, 2003 and 2002, insurance coverage for inventories amounted to \$3,534,326 and \$4,367,253, respectively.

9. OTHER CURRENT ASSETS

Other current assets at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Prepaid expenses	\$ 63,782	\$ 225,641
Prepayments for purchases	64	30,204
Temporary debits	<u>13,498</u>	<u>35,949</u>
Total	<u>\$ 77,344</u>	<u>\$ 291,794</u>

10. LONG-TERM INVESTMENTS

Long-term investments at December 31, 2003 and 2002 included the following:

	2003			2002	
	Original Cost	Carrying Value	Ownership %	Carrying Value	Ownership %
At equity:					
VIABASE Co., Ltd.	\$ 6,093,790	\$ 3,907,078	100.00	\$ 5,153,515	100.00
VIATECH Co., Ltd.	1,237,245	1,203,301	100.00	1,118,565	100.00
VIA Technologie GmbH	1,433	4,478	100.00	3,024	100.00
Premier Development & Investment (B.V.I.) Co., Ltd.	88,654	74,900	100.00	11,245	100.00
Linkage Technology Co., Ltd.	241,553	206,893	100.00	328,868	100.00
VIA Communications, Inc.	5,000	5,036	100.00	4,999	100.00
VIA Telecom Co., Ltd.	5,000	4,962	100.00	-	-
Way-Xing Technologies, Inc	5,000	4,986	100.00	-	-
VIA -Cyrix Technologies, Inc.	1,999,940	1,494,199	100.00	1,405,963	99.99
Way-Hao Investment Corp.	599,940	263,171	99.99	209,681	99.99
Lian-Mei Investment Corp.	599,940	41,120	99.99	42,546	99.99
Way-Han Investment Corp.	494,940	1,035,410	99.99	805,106	99.99
Way-Tung Investment Corp.	494,940	900,533	99.99	810,459	99.99
Way-Mao Investment Corp.	98,940	87,436	99.99	114,765	99.94
Way-Shuo Investment Corp.	98,940	46,607	99.99	82,677	99.94
Vate Technology Co., Ltd.	985,970	757,341	65.73	-	-
VIA Networking Technologies, Inc.	337,000	432,159	57.41	151,240	76.50
VIA Optical Solution, Inc.	999,313	794,459	57.10	877,601	57.10
S3-VIA Inc.	15,485	18	49.90	57	49.90
Way-Lien Technologies, Inc.	29,850	21,133	15.00	19,331	15.00
High Tech Computer Corp.	308,612	338,758	3.83	358,981	5.90
VIA-Testing Technologies, Inc.	-	-	-	1,017,694	99.99
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	103,284	5.32
Ase Material Inc.	84,000	84,000	3.36	84,000	3.36
North American Venture Fund II Lp.	43,769	9,740	2.15	63,222	3.10

	2003			2002	
	Original Cost	Carrying Value	Ownership %	Carrying Value	Ownership %
Phoenix Precision Technologies, Inc.	174,598	174,598	1.99	174,598	2.48
Yeh-Chiang Technologies, Corp.	80,267	80,267	1.99	80,267	1.99
Day-Shine Technologies, Inc.	70,000	21,500	1.00	21,500	1.00
Chander Electronic, Corp.	644	644	0.28	-	-
Less allowance for decline in market value	-	-	-	(117,902)	-
Total	<u>\$15,361,944</u>	<u>\$12,161,908</u>		<u>\$12,989,183</u>	

In 2002, the Company invested \$3,800,496 in VIABASE Co., Ltd., VIATECH Co., Ltd., Linkage Co., Ltd., VIA Optical Solution, Inc., VIA Communications Inc., and other 9 companies and North American Venture Fund II Lp.

In 2003, the Company invested \$1,813,374 in VIATECH Co., Ltd., VIABASE Co., Ltd., Premier Development & Investment Co., Ltd., VIA Networking Technologies, Inc. and other 7 companies.

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. In March 2002, Yeh-Chiang Technologies Corp.'s common stock was officially listed on the Gre Tai Securities Market, 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 2003, the Company sold part of its investment in VIA-Testing Technologies, Inc. and High Tech Computer Corp., amounted to \$14,207 and \$407,772 and recognized \$1,682 and \$300,933 as gain on sales of such long-term investment, respectively.

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 2003, VIA Networking Technologies, Inc. issued additional common stock. Due to the change of ownership interest in investees and due to the decrease in capital surplus and unrealized valuation losses on long-term investment of Way-Han Investment Corp. and Way-Tung Investment Corp. and so forth, the Company proportionately decreased its capital surplus by \$32,955, retained earnings by \$68,782, treasury stock by \$511 and unrealized valuation losses on long-term investment by \$94,958.

For the year ended December 31, 2003 North American Venture Fund II Lp. had a loss from its operation. The Company recognized \$34,029 as realized valuation losses on long-term investments proportionately. In addition, at December 31, 2003, VIABASE Co., Ltd. and VIATECH Co., Ltd. decreased their capital stock by \$7,594,328 (US\$238,963) and \$238,845

(US\$7,117) to make up for past losses, respectively.

VIA-Cyrix Technologies, Inc., Lian-Mei Investment Corp. and so on held the Company's common stock amounted to 16,624,815 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, VIABASE Co., Ltd. VIBTECH Co., Ltd., VIA-Cyrix Technologies, Inc., Vate Technology Co., Ltd., Way-Han Investment Corp., Way-Tung Investment Corp., VIA Optical Solution, Inc., and VIA Networking Technologies, Inc. in 2003. In 2002, the consolidated financial statements included only the Company and VIBASE Co., Ltd. For comparison purpose, the 2002 consolidated financial statements had been restated to include the subsidiaries consolidated in 2003. 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 \$2,281,445 and \$2,481,066 in 2003 and 2002, respectively which consisted of the following:

	2003	2002
VIATECH Co., Ltd.	\$ (169,147)	\$ (219,594)
VIBASE Co., Ltd.	(2,429,628)	(2,690,412)
VIA Technologies GmbH	833	537
Premier Development & Investment (B.V.I.) Co., Ltd.	(6,730)	(3,621)
VIA Cortech Co., Ltd.	-	(26,805)
S3 VIA, Inc.	(38)	5,130
Linkage Technology Co., Ltd.	5,309	(25,506)
VIA Networking Technologies, Inc	120,545	(1,760)
VIA-Cyrix Technologies, Inc.	51,856	97,746
VIA-Testing Technologies, Inc.	(177,195)	12,244
Way-Hao Investment Corp.	14,243	(210,849)
Lian-Mei Investment Corp.	(1,662)	14,412
Way-Han Investment Corp.	238,332	385,134
Way-Tung Investment Corp.	170,406	357,348
Way-Mao Investment Corp.	(27,329)	(23,896)
Way-Shuo Investment Corp.	(42,755)	(34,281)
VIA Optical Solution, Inc.	(83,142)	(157,475)
Way-Lien Technologies, Inc.	1,853	(8,089)
High Tech Computer Corp.	69,383	(48,672)
VIA Communications, Inc.	37	(1)
VIA Telecom, Co., Ltd.	(38)	-
Vate Technology, Co., Ltd.	(16,574)	-
Way-Xing Technologies, Inc.	(14)	-
	<hr/>	<hr/>
Total	<u>\$ (2,281,455)</u>	<u>\$ (2,481,066)</u>

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2003 and 2002 consisted of the following:

	2003			2002
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 942,061	\$ -	\$ 942,061	\$ 782,554
Buildings and improvements	592,481	108,777	483,704	435,933
Machinery and equipment	297,158	240,359	56,799	121,717
Computer equipment	274,089	151,706	122,383	137,514
Research and development equipment	342,028	190,775	151,253	169,028
Transportation equipment	8,119	4,734	3,385	4,738
Furniture and fixtures	46,258	31,756	14,502	21,818
Leased assets	43,502	24,470	19,032	29,908
Leasehold improvements	133,782	119,523	14,259	37,266
Prepayments on purchase of equipment, land and buildings	<u>106,164</u>	<u>-</u>	<u>106,164</u>	<u>64,376</u>
Total	<u>\$2,785,642</u>	<u>\$872,100</u>	<u>\$1,913,542</u>	<u>\$1,804,852</u>

The acquisition of land, buildings and improvements, which is primarily used as an office, amounted to \$242,496 and \$293,032 in 2003 and 2002, respectively.

The Company rented out parts of its land, buildings and improvements to other companies and the carrying value of the related assets had been transferred to leased-out assets (see Note 12).

The Company had no interest capitalization as of December 31, 2003 and 2002.

Insurance coverage of property, plant and equipment, including leased-out assets at December 31, 2003 and 2002 amounted to \$1,318,393 and \$1,486,909, respectively.

12. LEASED-OUT ASSETS

Leased-out assets at December 31, 2003 and 2002 consisted of the following:

	2003			2002
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 381,953	\$ -	\$ 381,953	\$ 381,953
Buildings and improvements	<u>214,028</u>	<u>22,521</u>	<u>191,507</u>	<u>199,334</u>
Total	<u>\$595,981</u>	<u>\$22,521</u>	<u>\$573,460</u>	<u>\$581,287</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 Technologies, Inc., and Vate Technology Co., Ltd. (see Note 23).

13. ACCRUED EXPENSES

Accrued expenses at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Salaries & bonuses	\$246,463	\$299,361
Royalties (Notes 23 and 25)	449,828	198,992
Commission	25,176	77,245
Insurance	12,434	14,879
Advertisement	33,541	34,670
Research and development	4,917	53,863
Professional fees	140,273	128,953
Others	<u>84,095</u>	<u>124,332</u>
Total	<u>\$996,727</u>	<u>\$932,295</u>

14. OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Advance receipts	\$ 46,986	\$ 10,863
Balance payable - machinery and equipment	26,333	193,073
Employees bonuses payable	3,779	3,779
Compensation due to directors and supervisors	72,196	72,196
Option on forward contracts, net (Note 27)	31	3,996
Deferred credits - profit from intercompany transactions	12,057	8,548
Other payables	<u>494,790</u>	<u>638,792</u>
Total	<u>\$656,172</u>	<u>\$931,247</u>

On December 31, 2003 and 2002, other payables were primarily sales rebates payable and software expense payables.

On December 31, 2003 and 2002, deferred credits - profit from intercompany transactions were the unrealized profit from intercompany transactions between the Company and its subsidiaries.

15. CORPORATE BONDS PAYABLE

	2003	2002
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.	\$1,928,800	\$4,300,000
Add provision for redemption of convertible bonds.	359,439	546,884
Less current portion of convertible bonds	<u>(2,288,239)</u>	<u> </u>
Total	<u>\$ -</u>	<u>\$4,846,884</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 at 5%~5.25% yield.

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 at 5%~5.25% yield.

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 as 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 additional common shares, the conversion price will be adjusted. At December 31, 2003, the conversion price is \$118.1 per share.

A bondholder has the right to request the Company to redeem the bonds on July 31, 2003 at 115.76% of par value. As at December 31, 2003, the Company had redeemed the bonds amounted to \$2,131,200 plus the provision for redemption amounted to \$335,878, requested by the bondholders.

After two years from issuance date, the Company has the option to call redemption of the bonds. In 2003, the Company had redeemed the bonds amounted to \$240,000 at 117.69% of par value and recognized \$1,987 as gain from redeemed convertible bonds.

16. LONG-TERM LIABILITIES

A summary of long-term liabilities at December 31, 2003 and 2002 was as follows:

	2003	2002
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.	\$ 12,957	\$ 23,463
Less current portion of long-term capital lease	<u>(12,957)</u>	<u>(11,059)</u>
Long-term liabilities	<u>\$ -</u>	<u>\$ 12,404</u>

17. 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, 2003 and 2002:

Net periodic pension cost for 2003 and 2002 included the following components:

	2003	2002
Service cost	\$ 55,604	\$ 51,660
Interest cost on projected benefit obligation	7,475	7,339
Amortization on unrecognized net obligation	(10)	(10)
Expected return on plan assets	(2,864)	(2,441)
Amortization on loss of pension	<u>911</u>	<u>1,522</u>
Net periodic pension cost	<u>\$ 61,116</u>	<u>\$ 58,070</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, 2003 and 2002:

	2003	2002
Actuarial present value of benefit obligations - Nonvested benefits	<u>\$(105,723)</u>	<u>\$ (82,958)</u>
Accumulated benefit obligation	(105,723)	(82,958)
Additional benefits based on future salaries	<u>(113,761)</u>	<u>(116,373)</u>
Projected benefit obligation	(219,484)	(199,331)
Plan assets at fair value	<u>86,420</u>	<u>65,076</u>
Funded status	(133,064)	(134,255)
Prior unrecognized net assets not yet recognized in net periodic pension cost	(192)	(203)
Unrecognized loss of pension, net	<u>1,601</u>	<u>43,629</u>
Accrued pension cost	<u>\$(131,655)</u>	<u>\$ (90,829)</u>

The Company had no vested benefits as of December 31, 2003 and 2002.

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

	2003	2002
Weighted-average discount rate	3.25%	3.75%
Assumed rate of increase in future compensation	3.50%	4.00%
Expected rate of return on plan assets	3.25%	3.75%

18. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock at January 1, 2002 amounted to \$9,468,000 divided into 946,800,000 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 employee 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.

In September 2003, the Company declared to distribute stock dividends of \$262,208 and \$333,719 of capital surplus and \$190,000 of employee bonuses to common stock. As a result, the Company's outstanding common stock at December 31, 2001 amounted to \$12,704,467, divided into 1,270,446,700 common shares with a par value of \$10 each.

In 2001 and 2003, the Company was approved by SFC to issue employee stock warrants in accordance with Securities and Exchange Law Article 28.3 within the quantity of 200,000 units granted with the right to purchase the Company's new issued 100 common shares and 20,000,000 units granted with the right to purchase the Company's new issued one common share, respectively. The exercise price is the closing price of the Company's common shares on the employee stock warrants' issuance date or the share's par value, whichever is higher. The warrant holders can exercise the right up to 50% of the granted warrant units no earlier than two years from the granted date. After three years from the granted day the holders can exercise the right up to 75% of the granted warrant units. After four years from the granted date, the warrant holders are eligible to exercise all the warrants owned. The warrant holders should exercise the right within seven years. At December 31, 2003, the Company has issued 200,000 units of the employee stock warrants to the employees. At September 2003, the Company transferred retained earnings and capital surplus to capital stock. After considering the effect of that transfer, the Company has issued 210,000 units of the employee stock warrants to the employees at an exercise price of \$45.22 per unit.

In addition, the Company resolved to issue 20,000,000 units of the employee stock warrants to employees at an exercise price of \$47.70 per unit in January 2004.

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 engages in the programming, designing, manufacturing and selling of semiconductor and PC chipset and is in the development stage of industry 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 recognized the employees bonuses \$190,000 as expenses of 2002, the pro forma earnings per share for the year ended 2002 would be \$0.22. (The original earnings per share is \$0.38.)

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

19. TREASURY STOCK

As of December 31, 2003, the subsidiaries held the Company's common stocks amounted to 16,624,815 shares and the Company proportionately accounted for \$1,634,043. (The original book value amounted to \$1,634,554 and due to the change of ownership interest in investees, the Company proportionately decreased by \$511). The details consisted of the following:

	Shares Held by the Subsidiaries	Book Value	Ownership %	Amount Transfer to Treasury Stock	Market Price
VIA-Cyrix Technologies, Inc.	8,390,037	\$ 772,623	99.99	\$ 772,600	\$ 349,462
Way-Hao Investment Corp.	891,575	93,509	99.99	93,500	37,136
Way-Han Investment Corp.	963,312	99,542	99.99	99,530	40,122
Way-Tung Investment Corp.	860,832	90,290	99.99	90,279	35,855
Lian-Mei Investment Corp.	5,503,175	577,211	99.99	577,153	229,207
Vate Technology Co., Ltd. (Former VIA-Testing Technologies, Inc.)	<u>15,884</u>	<u>1,492</u>	65.73	<u>981</u>	<u>656</u>
Total	<u>16,624,815</u>	<u>\$1,634,667</u>		<u>\$1,634,043</u>	<u>\$ 692,438</u>

At September 15, 2003, the board of directors authorized the repurchase of up to 15,000,000 shares to transfer to employees, at a price ranging from \$33.60 to \$75.70 per share, during the period from September 16, 2003 to November 15, 2003. In addition, when the market price was lower than the minimum repurchase price, the Company was allowed to continue repurchasing the common stock.

In accordance with the Securities and Exchange Law, the common stock that a public company repurchased should not exceed 10% of its total outstanding shares. Additionally, the amount that a public company spent for common stock repurchase should not exceed its retained earnings plus additional paid-in capital and realized capital surplus. At June 30, 2003, the maximum shares of treasury stock that the Company could repurchase was 125,382,000 shares and amounted to \$8,158,535. At December 31, 2003, the Company has repurchased 7,991,000 shares at \$406,606, which meets the regulations of the Securities and Exchange Law.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Expenses \ Year	2003			2002		
	Cost of Revenues	Operating Expenses	Total	Cost of Revenues	Operating Expenses	Total
Personnel expense	\$ 59,905	\$ 1,249,646	\$ 1,309,551	\$ 97,964	\$ 1,411,181	\$ 1,509,145
Salary	48,526	1,063,376	1,111,902	83,825	1,161,523	1,245,348
Insurance	3,947	76,153	80,100	5,168	135,213	140,381
Pension cost	3,145	57,971	61,116	3,947	54,123	58,070
Other	4,287	52,146	56,433	5,024	60,322	65,346
Depreciation	65,353	211,728	277,081	143,087	208,350	351,437
Amortization	58	736,905	736,963	8,447	526,260	534,707

21. INCOME TAX

The income tax returns for the years through 1998 have 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, 2003 and 2002 was computed as follows:

	2003	2002
(Loss) income before income tax	\$(1,681,819)	\$ 370,921
Add:		
Investment losses under equity-method	2,281,455	2,481,066
Loss on long-term investment devaluation	34,029	-
Provision for inventory devaluation	-	420,718
Unrealized loss on disposal inventory	-	35,989
Unrealized sales allowance	213,301	244,975
Provision for redemption of convertible bonds	114,130	241,747
Loss on short-term investment devaluation	-	14,586
Unrealized foreign exchange gain, beginning of year	4,197	32,276
Unrealized profit from intercompany transaction	12,057	8,548
Unrealized gain on disposal of property, plant and equipment	-	118,388
Unrealized foreign exchange loss, end of year	1,204	-
Others	-	6,265
Less:		
Gain on disposal of short-term investments	(398,878)	(514,730)
Unrealized sales allowance, beginning of year	(244,975)	(451,521)
Realized valuation losses on long-term investments	(2,987,924)	(2,297,038)
Unrealized foreign exchange gain, end of year	-	(4,197)
Unrealized loss on disposal of inventory, beginning of	(31,292)	-

	2003	2002
year		
Unrealized gain on disposal of property, plant and equipment	(87,592)	-
Unrealized profit from intercompany transactions, beginning of year	(8,548)	-
Separate taxable interest	(2,296)	-
Recovery from loss on short-term investment devaluation	(426)	-
Realized provision for redemption of convertible bonds	(301,574)	-
Capitalized expenses	(24,524)	-
Others	(9,445)	-
	<u>(3,118,920)</u>	<u>707,993</u>
Subtotal	(3,118,920)	707,993
Less income exempt from tax	-	(478,606)
	<u>(3,118,920)</u>	<u>229,387</u>
Estimated taxable income	(3,118,920)	229,387
Estimated income tax provision (×25%-10)	-	57,337
Unappropriated earnings additional 10% income tax	78,846	221,389
Less investment, research and development tax credits	(39,423)	(139,363)
	<u>39,423</u>	<u>139,363</u>
Current income tax expense	39,423	139,363
Less prepaid and withheld income tax	(6,734)	(7,008)
	<u>32,689</u>	<u>132,355</u>
Income tax payable	<u>\$ 32,689</u>	<u>\$ 132,355</u>

The tax effects of deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2003 and 2002 consisted of the following:

	2003	2002
Deferred tax asset:		
Unrealized loss on disposal of inventory	\$ -	\$ 53,161
Unrealized provision for inventory devaluation	226,975	234,798
Unrealized profit from intercompany transaction	3,014	2,137
Unrealized sales allowance	53,325	61,244
Unrealized provision for redemption of convertible bonds	89,860	136,721
Unrealized pension cost	29,626	19,420
Unrealized gain on disposal of property, plant and equipment	7,699	29,597
Loss carryforward	779,730	-
Investment tax credits	2,399,346	1,741,666
Others	5,523	6,165
	<u>3,595,098</u>	<u>2,284,909</u>
Total deferred income tax assets	3,595,098	2,284,909
Less allowance for deferred income tax assets	(2,616,768)	(1,393,333)
	<u>978,330</u>	<u>891,576</u>
Deferred income tax assets, net	978,330	891,576
Deferred income tax assets, current	(371,264)	(355,186)
	<u>607,066</u>	<u>536,390</u>
Deferred income tax assets, noncurrent	<u>\$ 607,066</u>	<u>\$ 536,390</u>

The income tax benefit for the years ended December 31, 2003 and 2002 consists of the

following:

	2003	2002
Current income tax expense	\$ 39,423	\$ 139,363
Increase in deferred income tax assets	(86,754)	(202,435)
Under (over) estimation of prior year's income tax	<u>16,045</u>	<u>(9,271)</u>
Income tax benefit	<u><u>\$(31,286)</u></u>	<u><u>\$ (72,343)</u></u>

The amounts of investment tax credit and loss carryforward as of December 31, 2003 are as follows:

Expiration Year	Investment Tax Credits	Loss Carryforward
2004	\$ 388,413	\$ -
2005	766,275	-
2006	527,046	-
2007	717,612	-
2008	<u>-</u>	<u>3,118,920</u>
Total	<u><u>\$2,399,346</u></u>	<u><u>\$3,118,920</u></u>

The details of investment tax credit are as follows:

Expiration Year	Item	Balance	Amount	Basis
2004	Machinery	\$ -	\$ 7,538	Statute for Upgrading Industries
	Research and development	388,413	695,432	Statute for Upgrading Industries
	Training	-	1,467	Statute for Upgrading Industries
2005	Research and development	766,275	1,174,100	Statute for Upgrading Industries
	Training	-	2,454	Statute for Upgrading Industries
2006	Research and development	513,046	654,752	Statute for Upgrading Industries
	Training	-	2,395	Statute for Upgrading Industries
	Investments in equity stock	14,000	14,000	Statute for Upgrading Industries
2007	Research and development	542,871	542,871	Statute for Upgrading

Training	1,606	1,606	Industries Statute for Upgrading Industries
Investments in equity stock	173,135	173,135	Industries Statute for Upgrading Industries
Total	<u>\$2,399,346</u>		

The related information for the integrated income tax system as of December 31, 2003 and 2002 is disclosed as follows:

	2003	2002
Balance of imputation credit account	\$ 168,845	\$ 237,479
Unappropriated earnings attributed to years before 1998	21,925	21,925
Unappropriated earnings attributed to 1998 and years after	(275,335)	3,532,498
Expected creditable ratio (including income tax payable of 2003 and 2002) for 2003 and 2002	-	10.74%

22. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share before income tax and after income tax are calculated by dividing net (loss) income before income tax of \$(1,681,819) and \$370,921 net (loss) income after income tax of \$(1,650,533) and \$443,264 by the weighted average number of common shares outstanding of 1,251,675,000 shares and 1,253,882,000 shares during 2003 and 2002, respectively. Earnings per share of 2002 were calculated after giving retroactive effect of the stock dividend distributions in 2003.

The convertible bonds have no dilution effect to the 2003 losses per share. The related information is as follows:

	Amount		Shares (Thousands)	Earnings Per Share	
	Before Tax	After Tax		Before Tax	After Tax
Earnings before dilution					
0% convertible bonds	<u>\$(1,681,919)</u>	<u>\$(1,650,533)</u>	<u>1,251,675</u>	<u>\$(1.34)</u>	<u>\$(1.32)</u>
Anti-dilution effect of convertible bonds	<u>\$ 114,167</u>	<u>\$ 85,625</u>	<u>16,332</u>	<u>\$ 6.99</u>	<u>\$ 5.24</u>

In addition, as of December 31, 2003, the exercise price of \$45.22 per unit was higher than the common stock market price of \$45.21 per share, and the employee stock warrants have no dilution effect to the 2003 loss per share.

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
---------------	-------------------------------

First International Company, 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
VIA Technologies GmbH	A subsidiary of the Company
VIATECH Co., Ltd.	A subsidiary of the Company
Linkage Technology Co., Ltd.	A subsidiary of the Company
Premier Development & Investment Co., Ltd.	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 Technologies, Inc.	A subsidiary of the Company
VIA-Testing Technologies, Inc. (see Note)	A subsidiary of the Company
Vate Technology Co., Ltd. (see Note)	A subsidiary of the Company
Way-Han Investment Corp.	A subsidiary of the Company
Way-Tung Investment Corp.	A subsidiary of the Company
VIA Communication, Inc.	A subsidiary of the Company
VIA Telecom Co., Ltd.	A subsidiary of the Company
Way-Xing Technologies, Inc.	A subsidiary of the Company
Way-Hao Investment Corp.	A subsidiary of the Company
Way-Shuo Investment, Corp.	A subsidiary of the Company
Way-Mao Investment, Corp.	A subsidiary of the Company
Lian-Mei Investment, Corp.	A subsidiary of the Company
VIABASE Co., Ltd.	A subsidiary of the Company
VIA Technologies, Inc. (USA)	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 (Europe) Ltd.	An indirect subsidiary of the Company
VIA Technologies (HK) Inc. Ltd.	An indirect subsidiary of the Company
VIA Technologies (China) Ltd.	An indirect subsidiary of the Company
Welkin Technology Co., Ltd.	An indirect subsidiary of the Company
S3 Graphics Co., Ltd.	An investee under the equity method
VIA Technologies Japan K.K.	An investee under the equity method
S3 Graphics, Inc.	An investee under the equity method
S3-VIA, Inc.	An investee under the equity method
High Tech 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.
Chander Electronics Corp.	Chairman of the board of directors is the Company’s chairman of the Board of directors.
Insight Solution Corp.	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.
Global Advanced Packaging Technology Co., Ltd.	An entity related to the Company
Leo System, Inc.	An entity related to FIC Inc.
Amertek Limited	An entity related to FIC Inc.
Danriver, Inc.	An entity related to FIC Inc.

Note VIA-Testing Technologies, Inc. was merged into Vate Technology Co., Ltd. on November 18, 2003.

Major transactions with related parties are summarized below:

Sales

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Net Sales	Amount	% of Total Net Sales
Amertek Limited	\$ 769,831	4	\$ 863,818	4
VIA Technologies, Inc. (USA)	266,095	1	216,207	1
FIC Inc.	129,278	1	294,684	1
Chander Electronics Corp.	119,987	1	97,866	-
Danriver, Inc.	93,472	-	134,268	1
VIA Networking Technologies, Inc.	72,563	-	66,997	-
VIA Optical Solution, Inc.	20,331	-	500,390	2
Others	8,941	-	85,972	-
Total	<u>\$ 1,480,098</u>	<u>7</u>	<u>\$ 2,260,202</u>	<u>9</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 Technologies, Inc. (USA), and Amertek Limited, which are established at open accounts.

Other Operating Revenue

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Other Operating Revenue	Amount	% of Total Other Operating Revenue
VIA Networking Technologies, Inc.	\$ 13,459	54	\$ -	-
VIA Optical Solution Inc.	10,223	41	3,822	50
Xander International Corp.	129	-	469	6
Total	<u>\$ 23,811</u>	<u>95</u>	<u>\$ 4,291</u>	<u>56</u>

The Company, Xander International Corp., VIA Optical Solution, Inc., and VIA Networking Technologies, Inc. have entered into the technical support and supervision agreement of chipset products effective in July 1999, September 2002 and January 2003, respectively. The technical support revenue accounted based on the agreement was recognized as other operating revenue.

Leasing - Lessor

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Rental Income	Amount	% of Total Rental Income
High Tech Computer Corp.	\$ 16,203	36	\$ 12,857	39
Chander Electronics Corp.	6,228	14	5,742	18
VIA Optical Solution Inc.	6,653	14	2,473	8
Xander International Corp.	6,060	13	5,639	17
VIA Networking Technologies, Inc.	5,942	13	1,486	4
VIA-Testing Technologies, Inc.	818	2	3,465	11
Others	<u>872</u>	<u>2</u>	<u>460</u>	<u>1</u>
Total	<u>\$ 42,776</u>	<u>94</u>	<u>\$ 32,122</u>	<u>98</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			
	2003		2002	
	Amount	% of Total Other Income	Amount	% of Total Other Income
VIA Networking Technologies, Inc.	\$ 62,163	29	\$ -	-
VIA-Testing Technologies, Inc.	10,853	5	6,579	12
High Tech Computer Corp.	5,700	3	-	-
VIA Optical Solution Inc.	3,373	2	-	-
Others	<u>2,443</u>	<u>1</u>	<u>800</u>	<u>2</u>
Total	<u>\$ 84,532</u>	<u>40</u>	<u>\$ 7,379</u>	<u>14</u>

The Company, VIA Optical Solution Inc., VIA Networking Technologies, Inc., High Tech Computer Corp. and VIA-Testing Technologies, Inc. have entered into the management support and supervision agreement. The support revenue accounted based on the agreement was recognized as other income.

Purchases

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Net Purchases	Amount	% of Total Net Purchases
S3 Graphics Co., Ltd.	\$ 980,971	11	\$4,470,222	33
VIA Networking Technologies, Inc.	646,951	7	43,543	-
Danriver, Inc.	248,227	3	534,442	4
Chander Electronics Corp.	7,796	-	3,309	-
VIA-Cyrix Technologies, Inc.	-	-	93,237	1
S3-VIA Inc.	-	-	21,339	-

Others	<u>80,126</u>	<u>1</u>	<u>45,955</u>	<u>-</u>
Total	<u>\$ 1,964,071</u>	<u>22</u>	<u>\$ 5,212,047</u>	<u>38</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., VIA-Cyrix Technologies, Inc., 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 April 1, 1998, under which the Company and VIA Technologies, Inc. (USA) will jointly develop certain chipset products, and the agreement had been amended in 2000, 2002 and 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 July 1, 2002 and shall be terminated on March 31, 2004.

The Company amended the above technical support and supervision agreement of chipset products on April 1, 2003. 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. The Company will pay US\$0.5 for every 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 shall be limited to US\$11,500 per annum.

Term: This agreement became effective on the April 1, 2003 and shall be terminated on March 31, 2004.

The technical service fees the Company shall pay to VIA Technologies, Inc. (USA) were \$396,231 and \$433,606 in 2003 and 2002, respectively. As of December 31, 2003 and 2002, \$365,078 and \$164,689 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 December 1, 1999 and shall be terminated on November 30, 2004.

The Company amended the above technical support and supervision agreement of central processing unit on November 1, 2003. The major provisions of the amendment 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.

Technical Design Fees: Under this agreement the Company shall pay Centaur Technology, Inc. the technical design fees based on service of design on central processing units.

Term: This agreement became effective on the November 1, 2003 and shall be terminated on November 30, 2004.

The technical service fees the Company shall pay to Centaur Technology, Inc. were \$341,980 and \$277,618 in 2003 and 2002, respectively. As of December 31, 2003 and 2002, \$12,572 and \$27,383 are still unpaid, respectively.

Patent Agreement

S3 Graphics Co., Ltd.

The Company and S3 Graphics Co., Ltd. have entered into the patent agreement of graphics chipset products effective on May 1, 2003. The major provisions of the agreement are as follows:

Royalty fees: Under this agreement the Company shall pay the amount computed from quantity of products sold of the Company within 60 days following the end of each calendar quarter.

Term: This agreement became effective on May 1, 2003 and shall be terminated on April 30, 2004. However, it shall be automatically renewed for another calendar year unless terminated by 30 days prior written notice.

The royalty fees the Company shall pay to S3 Graphics Co., Ltd. were \$86,383. As of December 31, 2003, the Company has already paid.

Commissions

The Company has sales commission agreements with related parties below. Those related parties will offer the Company sales support and information of the Company's products.

	2003		2002	
	Amount	Amount Unpaid as of December 31, 2003	Amount	Amount Unpaid as of December 31, 2002
VIA Technologies (HK) Inc.	\$ 53,324	\$ 5,172	\$ 62,743	\$ -
S3 Graphics, Inc.	52,552	1,283	56,909	58,551
VIA Technologies JAPAN K.K.	39,843	1,036	60,165	2,288
VIA Technologies GmbH	27,881	2,903	19,586	-
VIA Technologies (Europe) Ltd.	6,509	-	9,473	665
Chander Electronics Corp.	-	-	692	-
VIA Technologies, Inc. (USA)	-	-	10,325	-
Total	<u>\$180,109</u>	<u>\$10,394</u>	<u>\$219,893</u>	<u>\$61,504</u>

Professional Services

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Professional Services	Amount	% of Total Professional Services
Insight Solution Corp.	\$ 4,963	1	\$ -	-
VIA-Creating Technologies, Inc.	3,800	-	2,671	1
Others	1,147	-	-	-
Total	<u>\$ 9,910</u>	<u>1</u>	<u>\$ 2,671</u>	<u>1</u>

Packaging and Testing Expenses

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Testing Expenses	Amount	% of Total Testing Expenses
Vate Technology Co., Ltd.	\$ 477,022	8	\$ 591,573	20
Global Advanced Packaging Technology, Co., Ltd.	204,130	3	212,313	7
VIA-Testing Technologies, Inc.	91,151	2	66,599	2
Others	-	-	278	-
Total	<u>\$ 772,303</u>	<u>13</u>	<u>\$ 870,763</u>	<u>29</u>

Outsource Manufacturing Costs

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Outsource Manufacturing Costs	Amount	% of Total Outsource Manufacturing Costs
Danriver, Inc.	\$ 10,191	16	\$ -	-
Amertek Limited.	3,256	5	-	-
Chander Electronics Corp.	213	-	322	-
Others	-	-	7	-
Total	<u>\$ 13,660</u>	<u>21</u>	<u>\$ 329</u>	<u>-</u>

Research and Development Expenses

Related Party	Years Ended December 31			
	2003		2002	
	Amount	% of Total Research and Development Expenses	Amount	% of Total Research and Development Expenses
S3 Graphics Co., Ltd.	\$ 100	-	\$ 9,167	1
VIA-Testing Technologies, Inc.	-	-	6,129	-
Xander International Corp.	-	-	3,713	-
Others	704	-	2,918	-
Total	<u>\$ 804</u>	<u>-</u>	<u>\$ 21,927</u>	<u>1</u>

Receivables / Payables

Related Party	December 31			
	2003		2002	
	Amount	% of Total Receivables / Payables	Amount	% of Total Receivables / Payables
Notes and accounts receivable from related parties:				
VIA Technologies, Inc. (USA)	\$ 489,572	14	\$ 259,202	5
Danriver, Inc.	84,964	3	27,311	1
Ametek Limited	41,449	1	554,653	11
FIC Inc.	3,599	-	18,134	1
VIA Networking Technologies, Inc.	133	-	49,618	1
VIA Optical Solution, Inc.	15	-	55,106	1
VIA-Cyrix, Inc.	-	-	125,102	3
Others	15,527	-	11,839	-
Total	<u>\$ 635,259</u>	<u>18</u>	<u>\$ 1,100,965</u>	<u>23</u>

Related Party	December 31			
	2003		2002	
	Amount	% of Total Receivables / Payables	Amount	% of Total Receivables / Payables
Notes and accounts payable to related parties:				
Vate Technology Inc.	\$ 140,383	4	\$ -	-
VIA Networking Technologies, Inc.	110,496	3	45,720	1
Global Advanced Packaging Technology, Co., Ltd.	36,509	1	-	-
S3 Graphics Co., Ltd.	6,379	-	873,356	18
Danriver, Inc.	806	-	199,050	4
VIA-Testing Technologies Inc.	-	-	35,061	1
Others	19,387	-	27,732	1
Total	\$ 313,960	8	\$1,180,919	25
Other receivable:				
S3 Graphics Co., Ltd.	\$ 277,307	56	\$ -	-
Vate Technology Co., Ltd.	82,843	17	-	-
S3 Graphics, Inc.	46,977	9	35,112	12
VIA Networking Technologies, Inc.	28,142	6	47,729	16
VIA Technologies (China) Ltd.	10,773	2	-	-
VIA Optical Solution Inc.	8,546	2	31,655	10
Centaur Technology, Inc.	3,899	1	89,253	29
VIA-Cyrix, Inc.	5	-	21,625	7
Others	4,200	-	42,305	14
Total	\$ 462,692	93	\$ 267,679	88

Other receivables from S3 Graphics Inc., VIA-Cyrix Inc. and Centaur Technology, Inc. are the amounts that the Company paid for property, plant and equipment for S3 Graphics Inc., VIA-Cyrix, Inc. and Centaur Technology, Inc. Other receivables from VIA Optical Solution, Inc., and VIA Networking Technologies Inc. are the amount of sales of property, plant and equipment and sales of deferred authorization charges. Other receivables from Vate Technology Co., Ltd., S3 Graphics Co., Ltd. and VIA Technologies (China) Ltd. are the amount of current account with others.

Related Party	December 31			
	2003		2002	
	Amount	% of Total Receivables / Payables	Amount	% of Total Receivables / Payables
Prepayment for purchase - Vate Technology Co., Ltd.	\$ -	-	\$ 83,754	100
Accrued expenses:				
VIA Technologies, Inc. (USA)	\$ 380,542	39	\$ 176,154	19
Centaur Technology, Inc.	12,572	1	27,383	3
VIA Technologies (HK) Inc.	5,172	1	-	-
VIA Technologies GmbH	2,903	-	-	-
S3 Graphics Inc.	1,273	-	66,488	7
Others	14,862	2	7,773	1
Total	\$ 417,324	43	\$ 277,798	30
Balance payables - Machinery and Equipment:				
VIA-Cyrix, Inc.	\$ 19,152	73	\$ 167,572	87
Insight Solution Corp.	-	-	464	-
Total	\$ 19,152	73	\$ 168,036	87
Guarantee deposits received -				
VIA Optical Solution, Inc.	\$ 2,072	33	\$ 761	21
VIA Networking Technologies, Inc.	1,486	24	1,486	40
Vate Technology Co., Ltd.	1,162	19	-	-
Chander Electronics Corp.	1,050	17	1,050	29
Others	378	6	378	10
Total	\$ 6,148	99	\$ 3,675	100

Property Transactions

The Company acquired part of its computer equipment from LEO Systems Inc. in 2003 and 2002 which amounted to \$2,520 and \$857, respectively.

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

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, 2003 and 2002, the unrealized gain of \$76,242 and \$114,363, respectively, is recorded as unrealized intercompany gain and reduced investment.

The Company acquired part of its computer equipment and furniture and fixtures from Xander International Corp. in 2003 which amounted to \$789 and \$309, respectively..

The Company acquired part of its computer equipment from Insight Solution Corp. in 2003 and 2002 which amounted to \$528 and \$750, respectively. At December 31, 2003 and 2002, \$464 were still unpaid and recognized as balance payable - machinery and equipment.

In 2002, the Company sold part of its lands, buildings and machinery equipment to VIA-Testing Technologies, 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 \$46,334 and \$133,926 are recorded as unrealized intercompany profit under other liabilities at December 31, 2002, respectively.

The Company sold part of its furniture and fixtures and research and development equipment to VIA Optical Solution Inc. in 2003 which amounted to \$60 and \$392, respectively.

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

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, computer equipment research and development equipment, and deferred authorization charges to VIA Networking Technologies, Inc. in 2003 which amounted to \$282, \$221, \$3,954 and \$137, respectively.

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

The Company sold part of its buildings, machinery equipment, computer equipment and research and development equipment to VIA-Testing Technologies, Inc. in 2003 which amounted to \$352, \$3,437 \$106 and \$38, respectively.

The Company had factory buildings acquisition agreement amounted to \$78,302 with Vate Technology Co., Ltd. in October 2002. As of December 31, 2003 and 2002, the Company had paid \$78,333 and \$40,000 and recognized as prepayments on land and buildings, respectively.

24. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

In June 2002, the Company had been accused of infringement by Media Tek, Inc. In September 2003, the American district court judged the Company infringed Media Tek, Inc. and prohibited such products from selling in American areas. The Company considers that such judgment was unfair and had already appealed to the American superior court. In addition, the sales of such products in American areas were less, the Company and the lawyers estimated low probability of contingent loss and the Company did not provide any provision.

In December 2003, the Company's chairman and president were indicted by the Prosecutor for a complaint filed by D-Link regarding the misappropriation of trade secret. D-Link then filed a supplemental civil action against the Company based on the indictment. The criminal case is pending at the Taipei district court since January 2004, and the Company believes the case is a result of a series of miscommunications between the two companies. The Company's attorneys do not believe the outcome is likely to bring any significant financial damage to the Company; thus the Company does not have plans to accrue a fund for damages in advance.

The Company had guaranteed the debt of VIA Networking Technologies, Inc. amounting to \$135,381 at December 31, 2003.

25. 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, 2003. However, it shall be automatically renewed for another calendar year unless terminated by a three-month 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 2003, the Company and the Contractor did not terminate the agreement. Therefore the agreement is renewed automatically until March 26, 2004.

Patent Agreement

On November 24, 1998, the Company has a patent agreement with Intel. On June 30, 2000 and April 8, 2003, 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. Authorization in manufacturing and selling P5/P6 chipsets. b. Except for payment of 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 and chipset etc.	License agreements regarding Pentium 4 CPU and chipset etc.

26. RECLASSIFICATIONS

To conform with the presentation of the financial statement at December 31, 2003, some accounts on the financial statement at December 31, 2002 were reclassified.

27. FINANCIAL INSTRUMENTS

As of December 31, 2003 and 2002, 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

2003					
Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate
Sell	2003.07.07~2003.11.26	2004.01.07~2004.01.28	USD/NTD	US\$11,000	34.40~35.00
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

Asset-Swap Contract

Trade Date	Expiry Date	Swap in Asset	Swap out Asset	2003		2002	
				Amount	Credit Risk	Amount	Credit Risk
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 CB by VIA	-	-	NT\$1,794,800	-

Forward Exchange Contracts

	2003	
	Contract Amount	Credit Risk
Forward exchange contract	US\$ 5,675	\$ -

Securities Credit Transactions

Financial Product	Shares	2002		
		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, 2003 and 2002, foreign exchange loss on foreign currency option amounted to \$31 and \$3,996, 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% to 112.00%.

Forward exchange contracts are for trading purpose, thus such contracts are measured at the balance sheet date using the market value. As of December 31, 2003, foreign exchange gain on forward exchange contracts amounted to \$121.

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

From December 31, 2003 to March 14, 2004, the foreign currency option and forward exchange contract have matured, and resulted in foreign exchange gains amounted to \$691. 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 terminate the contract, it should pay 1% of the contract amount. As a result, no cash flow risk 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 financial assets or other current liabilities. As of December 31, 2003 and 2002, the net balance recorded in other current liabilities was \$31 and \$3,996, respectively. The Company held derivative financial instruments for trading activities at December 31, 2003 and 2002. Net gain (loss) generated from transactions of derivative financial instruments for trading activities for the years ended December 31, 2003 and 2002 amounted to \$3,681 and \$(19,935), respectively, recognized as non-operating income (expense) - foreign exchange gain (loss), net.

As of December 31, 2002, the Assets-Swap contract of the Company recorded in cash in banks was US\$16,005 and NT\$1,846,400. Interest income from transaction of Assets-Swap contract for the years ended December 31, 2003 and 2002 amounted to \$10,870 and \$43,798, respectively.

The receivables and payables generated from forward exchange contract shall be offset, and the net balance will be included in other financial assets, current or other current liabilities. As of December 31, 2003, the net balance recorded in other financial assets, current was \$121. Gain generated from transactions of forward exchange contract for the years ended December 31, 2003 and 2002 amounted to \$16,324 and \$4,160, respectively, recognized as non-operating expense - foreign exchange loss, net.

The initial guarantee from securities credit transactions is measured by market price. As of December 31, 2002, the net refundable deposit from securities credit transactions was amounted to \$6,614, recorded in other financial assets, current. Gain generated from transactions of short sales of stock for the years ended December 31, 2003 and 2002 amounted to \$1,392 and \$399, respectively, recognized as non-operating income - gain on sale of investments.

Fair Value of Financial Instruments

Derivative Financial Instruments

	December 31			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities -				
Foreign currency options	\$	\$ 31	\$ 3,99	\$ 3,996
Assets -				
Short sales of stock refundable deposit	-	-	6,614	6,614
Forward exchange contract	121	121	-	-

The fair value of derivative financial instruments is 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			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$5,750,624	\$5,750,624	\$4,074,756	\$4,074,756
Short-term investments	18,260	18,260	5,868,308	5,868,308
Notes and accounts receivable, net	2,747,665	2,747,665	3,552,581	3,552,581
Notes and accounts receivable from related parties, net	601,807	601,807	1,019,955	1,019,955
Other financial assets, current	624,794	624,794	471,849	471,849
Long-term investments	12,161,908	12,161,908	12,989,183	12,989,183
Other financial assets, noncurrent	12,562	12,562	12,128	11,977
Liabilities:				
Notes and accounts payable	3,475,925	3,475,925	3,632,591	3,632,591
Notes and accounts payable due to related parties	313,960	313,960	1,180,919	1,180,919
Income tax payable	32,689	32,689	132,355	132,355
Accrued expenses	996,727	996,727	932,295	932,295
Other current financial liabilities	597,098	597,098	907,840	907,840
Corporate bonds payable	2,288,239	2,288,239	4,846,884	4,846,884
Long-term loans	12,957	12,957	23,463	23,463
Other financial liabilities	6,237	6,175	3,675	3,629

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.

28. 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, 2003 and 2002 were as follows:

Areas	2003	2002
Hong Kong	\$ 9,797,105	\$ 8,046,070
Singapore	300,442	1,285,637
Japan	207,069	471,942
USA	296,352	694,880
Europe	598,170	505,923
Others	<u>149,272</u>	<u>249,191</u>
Total	<u>\$ 11,348,410</u>	<u>\$ 11,253,643</u>

Dominant Customers Information

Sales to major customer for the years ended December 31, 2003 and 2002 were as follows:

Segment	Customer	2003		2002	
		Amount	% of Total Sales	Amount	% of Total Sales
Chipset	A	\$ 2,442,834	12	\$ 4,092,902	16
Chipset	B	2,243,208	11	-	-
Chipset	C	<u>2,128,940</u>	<u>11</u>	<u>2,414,042</u>	<u>10</u>
Total		<u>\$ 6,814,982</u>	<u>34</u>	<u>\$ 6,506,944</u>	<u>26</u>

* * * * *