

TSE: 2388



**VIA Technologies, Inc.
Annual Report
2002**

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A Vision of Total Connectivity

VIA envisages a world in which everyone can access the information, entertainment, e-commerce and education services on the Internet that are shaping the way we work, communicate and live.

VIA Mission Statement

VIA is committed to improving the quality of life through Total Connectivity by developing innovative computing and communications technologies that enable our customers to build feature-rich PC systems and Internet Appliances that are affordable to everyone.

CHAIRMAN'S STATEMENT



Last year, 2002, was certainly a challenging one for VIA. The relative stagnation of the PC industry is set against a backdrop of prolonged global economic depression, with the impact of terrorist activity and impending military action in the Middle East affecting many areas of the world economy and negatively impacting consumer confidence.

On an industry level, the corporate replacement cycle that was predicted at various times during the year failed to materialize, prompting speculation that 2003 will be the year that older PCs will start failing, when the current trend of upgrading the installed technology base will make less and less economic sense. At the same time, PC components and systems are becoming increasingly commoditized, with margins being squeezed all round.

While the legal activities with Intel involving processors and chipsets undoubtedly had a significant impact on sales, VIA also faced increasing competition from both home and overseas in its principal market, core logic chipsets, and considerable price-cutting in most silicon markets, even in those of relatively new technologies; these factors, added to the macro aspects served to further dampen margins.

Despite all these challenges, however, VIA still managed to turn a profit of NT\$443 million (approximately US\$12.8 million), on sales revenues of NT\$25.12 billion (approx. US\$773 million), down from NT\$ 33.85 billion in 2001. For this respectable performance, I owe an enormous vote of thanks to the staff for their dedication and loyalty, and to the shareholders for their support during these difficult times.

Looking forward to 2003, we are especially encouraged by the amicable settlement on 8th April 2003 between VIA and Intel of the several pending lawsuits around the world, for which we are truly grateful to God. Not only is the cross-patent agreement a win-win situation for both parties, it significantly raises our competitiveness within the industry, lending confidence to employees and shareholders alike that we are now competing on a level playing field.

The changing conditions in the market and the continuing industry uncertainty, while clearly taking a toll on the financial results over the last couple of years, have provided an exciting challenge to the industry's innovators to look beyond traditional markets and market approaches in order to expand the market and add value. VIA has risen to this challenge, expanding our technology base through a process of in-house research and development and strategic acquisition, to adopt a more platform-based approach, and is now in the advantageous position of being able to offer our customers the richest blend of silicon from a single vendor, including processors, chipsets, and networking, connectivity, multimedia solutions.

At the same time, VIA has been keen to explore new market areas and usage models for our technologies. In particular, we have been encouraged by the trend towards extending the PC platform into the home entertainment segment and the SOHO environment, with exciting innovations in system design and application, a trend highlighted by several of our key partners during the successful VIA Technology Forum held in October.

We are especially heartened by the progress of our processor division, which saw growth of over 170% over 2001. 2003 promises to be an even better year, particularly with the burgeoning market for embedded solutions embracing the rapidly growing home entertainment segments, the corporate market and a whole host of specialist applications that require very low power consumption for quiet or fanless operation of small footprint devices. Other markets enjoying mounting success include those requiring highly specific system design such as the industrial and medical fields, as well as the almost limitless applications for information and entertainment systems in the retail and commercial space.

In our core business of chipsets, we are not resting on our laurels. At the time of writing, we have an aggressive roadmap of performance discrete and integrated solutions lined up across all the major processor platforms, including the fastest single channel chipset for both the latest AMD Athlon XP processors and Intel Pentium® 4 processors, as well as an upgrade for the highly acclaimed UniChrome CLE266 chipset with its integrated MPEG-2 decoder that was designed to enhance the digital media performance of native x86 CPUs such as our own VIA C3 processor.

In newer areas, we have seen remarkable growth for our ultra compact, highly integrated VIA EPIA Mini-ITX series of mainboards that have found applications in nearly all aspects of personal, corporate and specialist technologies. From low profile set top boxes to silent servers and even mobile robots, the EPIA has proved itself over and over as a most versatile platform for system design innovation.

Across the spectrum of silicon and platform products, we have considerable grounds for optimism in 2003. Our VIA Audio division, that has been providing the very highest end of the market with audio controllers, is bringing that technology know-how to the onboard and integrated segments, as the quality of PC audio increasingly becomes a deciding factor in the purchase decision. We will help to bring Gigabit Ethernet to more personal and corporate users, just as the new VIA VT8237 South Bridge will drive the latest storage technologies of Serial ATA and RAID into the mainstream market. Also, we look forward to the introduction of high-end discrete and integrated graphics solutions from our S3 Graphics joint venture this year, and similar innovative and strong performing products to add to our rich and varied technology portfolio.

On the corporate side, VIA announced 'Project Canaan' in January 2002, a diversification strategy that saw the major operations streamlined into five key technology business units: Core Logic Chipsets, CPU Business, Graphics, Networking and Optical Storage Solutions, reflecting the transition of VIA from a chipset-focused company to a complete platform provider. Through Project Canaan, VIA has become a stronger, broader-based company, able to focus on both core and emerging markets, and enabling more targeted research and development efforts within each division.

As a result of this strategy, the optical controller device division was spun off in May 2002 as VIA Optical Solution, Inc., and has started generating significant revenues in the last few months. The networking division of VIA was spun off later in the year, and we expect this company to gain a leading position in the industry in the near future.

In conclusion, I would like to thank all our partners for their close cooperation and support, including our strategic alliances with major foundries, and testing and assembly houses, to our customers, and to the technology community at large who continue to support VIA. Finally, I would again like to mention my gratitude to the shareholders, and give my assurance that VIA is set to get these difficult times stronger, more mature and prepared for a good future.



Cher Wang
Chairman

(in NT\$1,000 except EPS)	2002	2001
Sales Revenue	25,121,884	33,848,032
Gross Profit	7,995,520	12,598,313
Pre-Tax Income	370,921	5,516,578
Net Income	443,264	5,324,545
Earnings per Share	0.38	4.53

EXECUTIVE MANAGEMENT

Wenchi Chen

President and CEO



Wenchi Chen is the President and CEO of VIA Technologies, Inc., which he founded in 1987. Prior to establishing VIA, Mr Chen co-founded and was President & CEO of Symphony Laboratories, Inc. He also held positions of Sales & Marketing VP at high tech start-up ULSI and senior architect at Intel. A committed Christian, Mr Chen holds an MSEE degree from National Taiwan University and MSCS from the California Institute of Technology.

Under Mr Chen's leadership, VIA became the world's leading developer of PC core logic chipsets, successfully enabling the industry wide adoption of PC133 and DDR266 SDRAM as the next generation memory standards. Building on the company's strength in core logic chipsets, Mr Chen has expanded the company's technology leadership into low power x86 microprocessors with the acquisition of Cyrix and Centaur, high performance graphics with the S3 Graphics joint venture, as well as networking, communications, connectivity and multimedia chips, and innovative, highly integrated form factors. With a comprehensive portfolio of key building block technologies now in place, VIA can provide its customers with a complete platform for creating today's and tomorrow's PC systems and digital devices.

Tzumu Lin

Senior Vice President, Research and Development



Tzumu Lin received an MSCS and a Ph.D. in Computer Science from the California Institute of Technology. Mr Lin started his career as Design Manager for Silicon Compilers, Inc. and later moved on as Director of Engineering at GCH System, Inc. in charge of IC design. Later with Wenchi Chen, Mr Lin co-founded Symphony Laboratories, Inc. and acted as Vice President of Design and Technology, before moving with Mr Chen to VIA Technologies, Inc. when they sold the company. Mr Lin splits his time between the US and Taiwan, acting as the prime connection between VIA's diverse design teams. With the addition of the Centaur and Cyrix design teams, Mr Lin is overseeing with Glenn Henry the direction of the VIA C3 processor roadmap and future integrated products that incorporate VIA core logic, S3 graphics and VIA C3 processor design.

COMPANY OVERVIEW

VIA is the industry's foremost fabless supplier of core logic chipsets, x86 processors, and a wide range of communications, networking, multimedia, storage and support chips, as well as a leading innovator in complete platform solutions for the PC and digital device market.

Founded in 1987 in California, U.S.A., VIA became an industry leader in the design and development of high performance core logic chipsets, the backbone of all PC systems. Over the past few years VIA has greatly expanded its product portfolio, through a process of strategic corporate and technological alliances and in-house product diversification, to create a broad spectrum of silicon chip solutions that leverage VIA's long-established technology leadership, close industry partnerships and strategic location in the heart of the Greater China manufacturing engine.

Today, VIA has built a global network linking the high-tech centers of Silicon Valley, Texas and Europe with the Greater China IT design and manufacturing engine. The company is headquartered in Taipei, Taiwan, and has facilities in Fremont in California, Austin and Arlington in Texas, Hong Kong and Shenzhen in China, and Cologne in Germany. The Company and its subsidiaries employ over 2,500 people worldwide, mainly comprising a highly skilled and experienced engineering team, complemented by a strong multi-national management team with extensive technical backgrounds.

The proven success of VIA's fabless business model is based upon VIA's close partnerships with the world's leading silicon foundries and packaging and testing houses, that have allowed for the most up-to-date production and testing technologies and ensured guaranteed production while providing the flexibility to ramp up volumes to meet sudden changes in market demand.

Technology Leadership

VIA has established a highly successful track record in technological leadership as a direct result of its focus on state-of-the-art Research and Development. VIA meets the ever-changing demands of the computing and communications markets by anticipating and developing the most appropriate new technologies to satisfy customer needs in terms of functionality, performance and cost-effectiveness. The Company then unites its industry partners, including leading processor, memory and graphics companies, to facilitate - rather than impose - the implementation of these new technologies onto the market.

Staying Ahead of the Industry

VIA has maintained considerable competitive advantage in the market by repeatedly demonstrating the ability to make the right choices for the industry, supported by all the resources and capabilities required to implement them. Strong core competencies in all key related technologies, including core logic, computing, graphics, networking, communications and storage, are backed by strong engineering capabilities and close industry partnerships that facilitate among the fastest product development cycles in the industry. Rapid time-to-market has enabled VIA to be the first to ship with many leading products that have gained early acceptance and thus set the technical and positioning standards for the industry.

Industry Firsts

Key elements in VIA's leading product development strategy is strong support for all the major platforms and the pursuit of technological advancements appropriate for advancing the industry.

- ✓ First chipset provider to promote PC133 SDRAM on both processor platforms.
- ✓ First company to introduce DDR chipsets for the Socket 370, the Socket A and the Intel® Pentium® 4 platforms.
- ✓ First third-party chipset provider to introduce a chipset for AMD's Slot 1 Athlon™ processor and Socket A Athlon™ and Duron™ processors.
- ✓ First third-party chipset provider to launch a DDR chipset for Intel's® Pentium® 4 processor.
- ✓ First third-party chipset provider to launch an integrated graphics chipset with DDR support for the Intel® Pentium® 4 processor.
- ✓ First company to provide integrated chipset support for ATA/133 and USB 2.0 technologies.

Fast Forward

As the dynamic progression of the Internet impacts all of our lives on an ever-increasing scale, so people's connectivity requirements and tastes grow more sophisticated and demanding. In accordance with VIA's Total Connectivity vision, this requires PC systems, information appliances and other digital devices to be increasingly functional, convenient, affordable and environmentally friendly. Through continued dedication to research and development and by anticipating technology trends in the market, VIA strives to develop feature rich yet cost effective technologies that enable OEMs and system builders to meet those needs.

VIA has established a strong product portfolio that includes market-leading performance core logic chipsets, processors able to operate with silent, passive cooling, advanced communications, networking, multimedia and storage chips, and innovative, highly integrated form factors, placing VIA in the exciting position of being able to provide all the key technology elements of today's and tomorrow's digital lifestyle.

information

The Internet offers a world of information to enhance knowledge and promote communication, thereby improving the quality of life. Total Connectivity defines a world where everyone can access this information simply and affordably, and it is our mission to provide the silicon building blocks and platform solutions to help build this world.

entertainment

Entertainment is the driving force behind the development of the Internet, and the PC systems and Information Stations used to access it. Through our Total Connectivity vision, VIA strives to develop innovative and feature rich core logic, communications, and multimedia chips for optimized digital data transfer and enhanced audio and visual capabilities.

education

The exploration of new avenues of knowledge is almost unlimited on the Internet, spreading the reach of education services far beyond the school. VIA's Total Connectivity strategy makes education increasingly accessible to everyone by providing appropriate technologies to enable the development of more affordable PC systems and Information Appliances.

e-commerce

PC systems and connected digital devices form the gateway to the truly global marketplace of products and services available through the Internet. Total Connectivity anticipates everyone having access to this global market, and VIA seeks to facilitate this by developing cost effective computing and communications technologies for OEMs and system builders.

Through driving our Total Connectivity vision, VIA seeks to improve the way we work, communicate and live.

LEGAL DISCLAIMER

Shares of VIA Technologies, Inc. are traded on the Taiwan Stock Exchange (TSE), and all information required by the TSE is published in the original Chinese language version of the Annual Report. The English language version of the Annual Report is provided only as a courtesy to English-speaking investors, and VIA expressly disclaims any responsibility for the content of this translated version in the case of any discrepancy between the Chinese and the English versions.

Financial information has been published in accordance with requirements of the Republic of China Securities and Futures Commission and is presented in conformity with accounting principles generally accepted in the Republic of China. Readers are cautioned that these accounting principles differ in a number of respects from accounting principles generally accepted in the United States of America or other countries.

In addition, the provision of information in this publication is solely for reference purposes only, and should not be relied upon in any respect for making investment decisions. Anything contained in this publication cannot be interpreted as an offer to buy or sell or a solicitation of an offer to buy or sell any securities issued by us or otherwise.

RECENT HISTORY

January 2001 – April 2003

2001

- Jan: Introduction of VIA C3 processor in a box with enhanced product lines
- Feb: Introduction of the second generation VIA C3 processor core, 'Samuel II'
- Mar: Introduction of the ITX motherboard standard to provide a total solution for Information PCs and Internet Appliances
- Apr: Alliance with 3COM to launch the south bridge product, VT8233C, with integrated Ethernet functions
- May: Alliance with Acreo to establish VIA's first wireless communication center in Europe
- June: Introduction of the third generation processor core, 'Ezra', using 0.13 micron manufacturing technology
VIA C3 enters the server market
- July: Introduction of world's first 8+2G fast Ethernet switch controller chip
- Aug: Introduction of the VIA KT266A chipset gaining the performance crown on the AMD platform and taking significant market share
- Sept: Introduction of the VIA VT8233A south bridge, the first to integrate the fastest IDE standard ATA-133 into the south bridge
Introduction of the VIA VT6202 discrete USB2.0 host controller chip
Staging of second VIA Technology Forum, building on the success of the inaugural VTF2000
Launch of VIA Arena technical support and product information portal
Lawsuit filed against Intel on P4 related products
Establishment of the Nari Typhoon fund of NT\$35mn
- Oct: Introduction of the VIA P4M266, the first P4 supported chipset with integrated graphics function
- Nov: Introduction of the revolutionary Mini-ITX form factor reference board
Introduction of the stylish Tablet PC reference design
Launch of VIA Platform Solutions Division (VPSD) to develop innovative mainboard and platform solutions

- Dec: Introduction of the embedded platform solution, VIA Eden Platform
Introduction of the VIA KN266 mobile integrated graphics chipset for the AMD platform supporting DDR266
VIA prevails in full in K7 platform lawsuit brought by Intel, with the withdrawal of the final patent case by Intel

2002

- Jan: Launch of "Project Canaan", core businesses divided into five major business units: Chipset, CPU, Graphics, Networking, and Optical Storage
Introduction of VIA KM266 integrated graphics chipset
Introduction of VIA PN266T ('TwisterDDR') mobile integrated graphics chipset
Introduction of the VIA Rhine VT6105 Ethernet controller chip
- Feb: DDR333 Summit hosted by VIA in Taipei, attracting major memory vendors
Introduction of the VIA KT333 chipset, supporting up to DDR333
- Mar: Introduction of the VIA VT7216 DVD-ROM controller chip, the public launch of VIA into the optical storage market
Introduction of the VIA P4X266 chipset
Introduction of the VIA VT1622 TV-out solution
Introduction of the VIA VT6256 26-port Ethernet switch controller
- Apr: Official introduction of VIA Optical Solution, Inc. (VOS)
Introduction of the VIA EPIA Mini-ITX mainboard series from VPSD
- May: Acquisition of the CDMA division of LSI Logic, entering the wireless communications market
Introduction of VIA VT6307 discrete IEEE 1394 'Firewire' host controller
- Jun: Introduction of VIA C3 processors with speeds up to 1GHz
Introduction of VIA / S3 Graphics CLE266 chipset with UniChrome integrated graphics engine with MPEQ-2 decoder
Introduction of VIA Envy24HT audio controller with up to 24/192 performance
Introduction of S3 Graphics' AlphaChrome discrete graphics solution
Introduction of VIA VT8235 South Bridge, with extended connectivity options

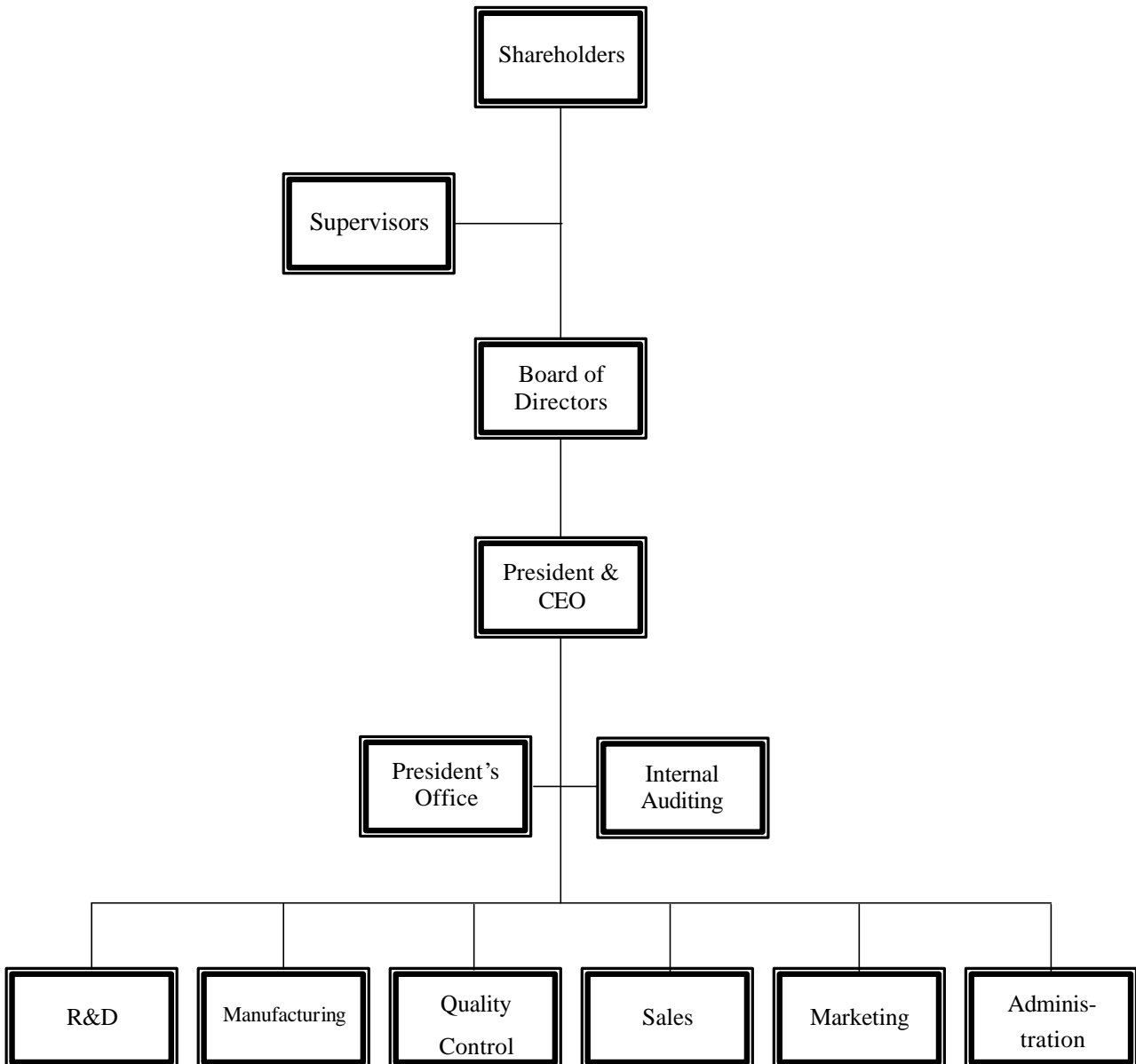
- VIA Tablet PC reference design wins “Best of Computex” award for IA category
- Aug: Introduction of the Wal-Mart US\$199 PC systems by Microtel using VIA C3 processors
Introduction of the VIA KT400 performance chipset for the AMD platform
- Sep: License agreement signed with Kentron Technologies for Quad-Band Memory (QBM) technology
- Oct: Official introduction of VIA Networking, Inc. (VNI)
VIA Technology Forum 2002 attracts record audience in Taipei event and well attended in Beijing
License agreement signed with Ericsson for Bluetooth technology
Acquisition of Freehand DSP AB (Sweden), advancing VIA's wireless communication technology to the next level
VIA embedded products gain integrated support in Microsoft® Windows® XP Embedded Service Pack 1
Introduction of VIA VT1631 LVDS and VIA VT1632 TMDS display interface controllers
- Nov: Introduction of VIA EPIA M-series Mini-ITX mainboards with UniChrome CLE266 chipset, aimed at the growing digital media living room PC market
- Dec: Introduction of VIA Hyperion 4-in-1 driver set
Introduction of VIA Envy24PT audio controller solution, pushing the boundaries of onboard audio quality to up to 8-channel output

2003

- Jan: Introduction of the 7th generation processor core, Nehemiah, with speeds of up to 1GHz and embedded security features
Announcement of S3 Graphics' DeltaChrome discrete graphics solution
Introduction of VIA EPIA V-series Mini-ITX mainboard series; EPIA M-series gains BSP validation from Microsoft
- Feb: Intel appeal to the US Supreme Court regarding K7 platform judgment (December 2001) over-ruled; original judgment in favor of VIA upheld
Introduction of the EPIA M10000 digital media platform with processor speed of 1GHz

- Mar: Introduction of 'Mark' CoreFusion processing platform, heralding the era of the Flat Panel Lifestyle
Introduction of the VIA KT400A performance chipset for the AMD platform supporting DDR400 memory
Introduction of the VIA KN266 mobile integrated graphics chipset
Introduction of VIA VT6240 discrete Serial ATA controller
License agreement signed with Sensaura for advanced sound positioning PC audio technology
VIA acquires the assets of the Wireless Design Center from Acreo, established in May 2001
- Apr: Lawsuit settlement with Intel signing a 10-year multiple generation, multiple product cross license agreement
Introduction of the VIA KM400 integrated graphics chipset
Introduction of the VIA VT6212 advanced USB 2.0 discrete host controller

ORGANIZATION CHART



BOARD OF DIRECTORS, SUPERVISORS, MANAGEMENT & MAJOR SHAREHOLDERS

A) Background Information on Members of the Board of Directors and Supervisors:

As of April 29, 2003

Position	Name	Date Elected/Assumed *	Original Shareholding at Date Elected/Assumed		Current Personal Shareholding		Current Shareholding of Spouse & Children Under 20 Years of Age		Education & Work Experience	Also Serves Currently As	With Spouse or a 1 st - or- 2 nd Degree Relative Acting as a Member of the Board of Directors, Supervisor, or Manager of the Company		
			# of Shares	% Ownership	# of Shares	% Ownership	# of Shares	% Ownership			Position	Name	Relationship
Chairman	Cher Wang	06/22/2001	66,885,980	11.60%	130,572,718	10.96%	0	-	Master, Economics, University of California, Berkeley General Manager, PC Division, Leo Computer Corp.	Chairman, High Tech Computer Corp. Chairman, VIA Optical Solution, Inc. Chairman, VIA Networking, Inc.	Supervisor	Jiao-Wang Yang	Mother-Daughter

Member of the Board of Directors	Wenchi Chen	06/22/2001	12,465,336	2.16%	26,536,335	2.23%	0	-	Master, Computer Science, California Institute of Technology President, Symphony Laboratories, Inc.	Chairman, Xander International Corp. Member of the Board of Directors, VIA Optical Solution, Inc. Member of the Board of Directors, VIA Networking, Inc.	Member of the Board of Directors (Institution Rep.)	Chi-You Chen	Father-Son
Member of the Board of Directors	Tzumu Lin	06/22/2001	11,375,057	1.97%	27,661,163	2.32%	0	-	Ph.D., Computer Science, California Institute of Technology VP of Design Technology, Symphony Laboratories, Inc.	Member of the Board of Directors, VIA Optical Solution, Inc. Member of the Board of Directors, VIA Networking, Inc.	-	-	-
Member of the Board of Directors	Chi-You Chen	06/22/2001	149,386	0.03%	291,600	0.02%	291,600	0.02%	Vice Plant Manager, Lien-Rong Textile Corp.	Member of the Board of Directors, Kun-Chang Investment Corp.	Member of the Board of Directors/President	Wenchi Chen	Father-Son
Member of the Board of Directors	High Tech Computer Corp. Representative: Chu-Ai Chen	06/22/2001	19,839	0.00%	38,725	0.00%	0	-	Bachelor of Commerce, University of California, Berkeley	-	-	-	-

Supervisor	Liwei Investment Corp. Representative: Xiu-Feng Ding	06/22/2001	28,834,572	5.00%	56,285,084	4.72%	0	-	Senior High School	-	-	-	-
Supervisor	Han-You Investment Corp. Representative: Chong-Tien Lin	06/22/2001	190,948	0.03%	111,729	0.01%	0	-	MBA, Santa Clara University Master, Electrical Engineering, University of Florida	President, Han-You Investment Corp.	-	-	-
Supervisor	Bien-Huei Shen	06/22/2001	11,647	0.00%	32,734	0.00%	0	-	Bachelor of Science, Electrical Engineering, National Taiwan University VP, Leo Computer Corp. R&D Manager, Wyse Technology Ltd.	CEO, ASF Co.	-	-	-
Supervisor	Jiao-Wang Yang	06/22/2001	259,608	0.05%	506,753	0.04%	0	-	-	-	Chairman	Cher Wang	Mother-Daughter

* The term of service is three years for all of the above positions.

B) Independence Criteria of Members of the Board of Directors & Supervisors:

Name \ Criteria	Over five years of experience in business, finance, legal or areas required by the Company	Independence Criteria (*)						
		1	2	3	4	5	6	7
Cher Wang	x						x	x
Wenchi Chen	x			x			x	x
Tzumu Lin	x			x	x	x	x	x
Chi-You Chen	x		x				x	x
High Tech Computer Corp.: Chu-Ai Chen	x		x	x	x	x	x	
Liwei Investment Corp.: Xiu-Feng Ding		x	x	x	x	x	x	
Han-You Investment Corp.: Chong-Tien Lin	x	x		x	x	x	x	
Bien-Huei Shen	x	x	x	x			x	x
Jiao-Wang Yang		x	x		x	x	x	x

* List of Independence Criteria:

1. Not an employee of VIA Technologies, Inc. ("the Company"), nor a director, supervisor or employee of its affiliated companies
2. Not a natural person shareholder directly owning more than 1% of the Company's outstanding shares, nor one of the Company's top ten natural person shareholders
3. Not the spouse nor a first-or-second degree relative to any person specified in the two columns on the left
4. Not a director, supervisor or employee of an institution that is one of the Company's top five shareholders or that directly or indirectly owns more than 5% of the Company's outstanding shares
5. Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of certain companies or institutions that have financial or business relationships with the Company
6. Not an owner, partner, director, supervisor, or manager (or the spouse of any of these people) of any sole proprietor, partner, company or institution that provides finance, commerce, legal, or consultation services to the Company or its affiliated companies in the past one year
7. Not an institution or its representative as defined in Article 27 of Company Law

C) Background Information on Management:

As of April 29, 2003

Position	Name	Date Commenced	Personal Shareholding		Current Shareholding of Spouse & Children Under 20 Years of Age		Education & Work Experience	Also Serves Currently As	With Spouse or a 1 st -or-2 nd Degree Relative Acting as a Member of the Board of Directors, Supervisor, or Manager of the Company			Current Year Total Compensation to President & VPs (in NT\$1,000, salaries included)
			# of Shares	% Ownership	# of Shares	% Ownership			Position	Name	Relationship	
President & CEO	Wenchi Chen	09/1992	26,536,335	2.23%	-	-	Master, Computer Science, California Institute of Technology President, Symphony Laboratories, Inc.	Chairman, Xander International Corp. Member of the Board of Directors, VIA Optical Solution, Inc. Member of the Board of Directors, VIA Networking, Inc.	Member of the Board of Directors (Institution Rep.)	Chi-You Chen	Father-Son	13,330,000 (for President and all VPs)

VP	Tzumu Lin	09/1992	27,661,163	2.32%	-	-	Ph.D., Computer Science, California Institute of Technology VP of Design Technology, Symphony Laboratories, Inc.	Member of the Board of Directors, VIA Optical Solution, Inc. Member of the Board of Directors, VIA Networking, Inc.	-	-	-	
VP	Jiin Lai	09/2000	12,634,943	1.06%	583,200	0.05%	Engineer, Symphony Laboratories, Inc.	-	-	-	-	
VP	Shelton Lu	11/2001	230,169	0.02%	-	-	VP, ULSI	-	-	-	-	
VP	Chewei Lin	08/2002	598,573	0.05%	142,876	0.01%	Engineer, Xu-Ching Co. Ltd.	-	-	-	-	
Assistant VP	Miller Chen	11/2001	299,763	0.03%	-	-	VP of Finance, Leo Computer Corp.	-	-	-	-	
Assistant VP	Alan Liao	11/2001	280,716	0.02%	-	-	Engineer, Symphony Laboratories, Inc.	-	-	-	-	
Assistant VP	Hengchen Ho	11/2002	377,111	0.03%	-	-	Engineer, Xu-Ching Co., Ltd.	-	-	-	-	
Assistant VP	Jacob Wu	08/2002	263,040	0.02%	325,462	0.03%	VP of Engineering, Yu-Chang Co., Ltd.	-	-	-	-	
Assistant VP	Peter Wang	03/1995	1,150,261	0.10%	29,537	0.00%	President, Quality Control Management Co., Ltd.	President, VIA-Testing Technologies, Inc.	-	-	-	

Assistant VP	Daniel Lin	11/2001	-	-	-	-	Design Manager, Cirrus Logic, Inc.	-	-	-	-	
Assistant VP	Richard Brown	02/1997	76,376	0.01%	-	-	Assistant VP, Leo Computer Corp.	-	-	-	-	
Assistant VP	Joseph Nee	11/2002	127,993	0.01%	-	-	Engineering Manager, Texas Instruments-Acer, Inc.	-	-	-	-	

D) Investments by Members of the Board of Directors (MBOD), Supervisors, Managers & Major Shareholders:

1. Changes of Shareholding (in VIA) & Shareholding Used as Collaterals

Position(s)	Name	2002		As of April 29, 2003	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shareholding Used as Collaterals	Increase (Decrease) in Shareholding	Increase (Decrease) in Shareholding Used as Collaterals
Chairman*	Cher Wang	23,549,918	0	0	0
MBOD/ President	Wenchi Chen	6,591,798	(8,942,000)	0	0
MBOD/ VP	Tzumu Lin	7,294,472	0	(54,000)	0
MBOD	Chi-You Chen	52,583	0	0	0
MBOD	High Tech Computer Corp.	6,983	0	0	0
Supervisor	Liwei Investment Corp.	10,149,769	(14,578,000)	0	0
Supervisor	Han-You Investment Corp.	(193,787)	0	0	0
Supervisor	Bien-Huei Shen	4,099	0	10,000	0
Supervisor	Jiao-Wang Yang	91,381	0	0	0

* With a shareholding of more than 10%, the Chairman is considered as a major shareholder of the Company.

2. Other Investments by VIA, Its Members of the Board of Directors (MBOD), Supervisors & Managers

As of December 31, 2002

Company Invested*	Investment by VIA		Investment by MBOD, Supervisors and Managers (with Direct or Indirect Control)		Total Investment	
	# of Shares	% Ownership	# of Shares	% Ownership	# of Shares	% Ownership
VIATECH Co., Ltd.	35,715,000	100.00%	0	0.00%	35,715,000	100.00%
VIABASE Co., Ltd.	231,491,000	100.00%	0	0.00%	231,491,000	100.00%
VIA Technologies GmbH	50,000	100.00%	0	0.00%	50,000	100.00%
Premier Development & Investment (B.V.I.) Co., Ltd.	512,000	100.00%	0	0.00%	512,000	100.00%
Linkage Technology Co., Ltd.	10,203,000	100.00%	0	0.00%	10,203,000	100.00%
VIA Networking, Inc.	15,300,000	76.50%	4,700,000	23.50%	20,000,000	100.00%
VIA-Cyrix Technologies, Inc.	199,994,000	99.99%	3,000	0.00%	199,997,000	99.99%
VIA-Testing Technologies, Inc.	99,994,000	99.99%	3,000	0.00%	99,997,000	99.99%
Way-Hao Investment Co., Ltd.	59,994,000	99.99%	3,000	0.01%	59,997,000	99.99%
Lian-Mei Investment Co., Ltd.	59,994,000	99.99%	2,000	0.00%	59,996,000	99.99%
Way-Han Investment Co., Ltd.	49,494,000	99.99%	3,000	0.01%	49,497,000	99.99%
Way-Tung Investment Co., Ltd.	49,494,000	99.99%	3,000	0.01%	49,497,000	99.99%
Way-Mao Investment Co., Ltd.	9,894,000	99.94%	3,000	0.03%	9,897,000	99.94%
Way-Shou Investment Co., Ltd.	9,894,000	99.94%	3,000	0.03%	9,897,000	99.94%
VIA Optical Solution, Inc.	99,931,000	57.10%	56,218,978	32.13%	156,149,978	89.23%
VIA Communications, Inc.	500,000	100.00%	0	0.00%	500,000	100.00%
Way-Lian Technologies, Inc.	2,985,000	15.00%	9,951,000	50.00%	12,936,000	65.00%
S3-VIA, INC.	500	49.90%	0	0.00%	500	49.90%
Openfind Information Technology, Inc.	863,000	7.61%	0	0.00%	863,000	7.61%
Global Communication Technology Corp.	10,107,000	5.32%	11,229,300	5.9%	21,336,300	11.22%
ASE Material, Inc.	8,400,000	3.36%	0	0.00%	8,400,000	3.36%
Day-Shine Technology, Inc.	2,150,000	1.00%	0	0.00%	2,150,000	1.00%
Phoenix Precision Technology Corp.	9,603,000	2.48%	68,686	0.02%	9,671,686	2.50%
Yeh-Chiang Technology Corp.	1,661,000	1.99%	3,529,200	4.23%	5,190,200	6.22%
High Tech Computer Corp.	9,602,000	5.90%	8,708,461	5.35%	18,310,461	11.25%
North America Venture Capital Fund II LP.	1,950,000	3.10%	0	0.00%	1,950,000	3.10%

* Long-term investments

CAPITAL STRUCTURE

A) Capital Stock:

1. Sources of Capital Stock

Month/ Year	Issue Price	Authorized Capital Stock		Accumulated Capital Stock Issued		Sources
		# Shares (1,000)	Amount (NT\$1,000)	# Shares (1,000)	Amount (NT\$1,000)	
09/1992	10	500	5,000	500	5,000	Initial founding
03/1994	10	3,000	30,000	3,000	30,000	Additional \$25mn of capital raised
04/1994	10	5,000	50,000	5,000	50,000	Additional \$20mn of capital raised
12/1994	10	10,000	100,000	10,000	100,000	Additional \$50mn of capital raised
10/1995	10	80,000	800,000	40,000	400,000	Additional \$275mn of capital raised; \$25mn of unappropriated earnings capitalized
07/1996	10	80,000	800,000	50,000	500,000	Additional \$40mn of capital raised; \$60mn of unappropriated earnings capitalized
06/1997	30	80,000	800,000	70,000	700,000	Additional \$50mn of capital raised; \$150mn of unappropriated earnings capitalized
04/1998	10	460,000	4,600,000	177,000	1,770,000	\$980mn of unappropriated earnings capitalized; \$20mn of employee bonus shares issued; \$70mn of reserves capitalized
06/1998	60	460,000	4,600,000	200,000	2,000,000	Additional \$230mn of capital raised
07/1999	10	460,000	4,600,000	324,000	3,240,000	\$1.1bn of unappropriated earnings capitalized; \$40mn of employee bonus shares issued; \$100mn of reserves capitalized
10/1999	150	460,000	4,600,000	376,500	3,765,000	Additional \$525mn of capital raised
07/2000	10	1,100,000	11,000,000	576,750	5,767,500	\$1.506bn of unappropriated earnings capitalized; \$120mn of employee bonus shares issued; \$376.5mn of reserves capitalized
09/2001	10	1,170,000	11,700,000	946,800	9,468,000	\$3.4605bn of unappropriated earnings capitalized; \$240mn of employee bonus shares issued
07/2002	10	1,500,000	15,000,000	1,191,854	11,918,540	\$2.08296bn of unappropriated earnings capitalized; \$367.58mn of employee bonus shares issued

2. Shares Outstanding & Shares Un-issued

Shares Outstanding	Shares Un-issued	Total Authorized Capital Stock
1,191,854,000	308,146,000	1,500,000,000

Notes:

- Type A stock; common shares
- Starting 2002, according to the "Treasury Stock Accounting Principles", VIA considers 15,833,000 shares held by its subsidiaries as VIA's treasury shares.

3. Shareholder Structure

As of April 29, 2003

	Government Institutions	Local Financial Institutions	Other Local Institutions	Individuals	Qualified Foreign Institutional Investors (QFII)	Total
# of Institutions/ Individuals	4	14	241	123,281	320	123,860
# of Shares Held	15,266,419	12,681,480	278,176,799	816,918,543	68,810,759	1,191,854,000
% Ownership	1.28%	1.07%	23.34%	68.53%	5.78%	100%

4. Distribution of Common Stock Ownership

As of April 29, 2003

# of Shares Held	# of Shareholders	Total # of Shares Held	As % of Total
1 - 999	24,783	9,727,084	0.82%
1,000 - 5,000	75,204	165,946,849	13.92%
5,001 - 10,000	13,306	95,909,654	8.05%
10,001 - 15,000	4,400	54,099,231	4.54%
15,001 - 20,000	1,873	33,594,973	2.82%
20,001 - 30,000	1,735	42,537,038	3.57%
30,001 - 50,000	1,233	47,861,574	4.02%
50,001 - 100,000	762	52,974,134	4.44%
100,001 - 200,000	292	40,379,565	3.39%
200,001 - 400,000	138	37,725,011	3.17%
400,001 - 600,000	39	19,339,961	1.62%
600,001 - 800,000	23	16,195,895	1.36%
800,001 - 1,000,000	18	15,886,281	1.33%
1,000,001+	54	559,676,750	46.95%
Total	123,860	1,191,854,000	100.00%

5. Major Shareholders

Major Shareholders	# of Shares Held	% Ownership
Cher Wang	130,572,718	10.96%
Kun-Chang Investment Corp.	66,392,761	5.57%
Liwei Investment Corp.	56,285,084	4.72%
Tzumu Lin	27,661,163	2.32%
Wenchi Chen	26,536,335	2.23%
Mon-Ya Investment Corp.	24,051,198	2.02%
Xuan-De Investment Corp.	22,956,231	1.93%
Yun-Shun Investment Corp.	22,079,161	1.85%
Chung-Hwa Post Co., Ltd.	16,338,728	1.37%
Faith Hope Love Foundation	15,000,000	1.26%

6. Per Share Data & Other Common Stock Ratios

		2001	2002	As of March 31, 2003	
Market Price	Highest	365	156	41	
	Lowest	70	35.5	32.6	
	Average	197.39	94.82	37.66	
Net Worth per Share	Before Appropriation of Earnings	27.77	20.44	19.91	
	After Appropriation of Earnings	26.97	N/A	N/A	
Earnings per Share	Weighted Average Shares Outstanding	946,800,000	1,191,854,000	1,191,854,000	
	EPS	Unadjusted	5.62	0.32	-0.55
		Adjusted	4.63	-	-
Dividends per Share	Cash Dividends		0.80	0.50 (preliminary)	N/A
	Stock Dividends	Dividends from Unappropriated Earnings	2.20	0.22 (preliminary)	N/A
		Dividends from Reserves	-	0.28 (preliminary)	N/A
	Accumulated Unappropriated Dividends		-	-	N/A
Other Ratios	Price/Earnings Ratio		34.11	N/A	N/A
	Price/Dividends Ratio		239.65	N/A	N/A
	Cash Dividends Yield Rate		0.0041	N/A	N/A

7. General Dividend Policy

- a) VIA's general dividend policy is to allocate 30% to 100% of unappropriated earnings to shareholders as dividends. In general, a portion of the dividends will be distributed in the form of shares of stocks, and the rest will be given out as cash. Cash dividends will not exceed 70% of the total dividends distributed.
- b) 10% of the company's annual earnings, after paying taxes and offsetting previous deficit, if any, shall be appropriated as reserve until such reserve equals the amount of common stock. Less than 1% of the remaining balance shall be distributed to directors and supervisors as remunerations, and at least 5% shall be distributed to employees as bonuses. The actual appropriation of retained earnings is proposed by the Board of Directors and is subject to shareholders' approval during the Annual General Meeting (AGM).

8. 2002 Dividend Distribution Plan

NT\$595,927,000 from unappropriated earnings will be given out as cash dividends this year. In addition, NT\$262,207,880 from unappropriated earnings will be capitalized and 26,220,788 new shares will be issued. Moreover, NT\$333,719,120 will be capitalized from the capital reserve and 33,371,912 new shares will be issued. Shareholders will each receive 50 shares of stock dividends (22 shares from unappropriated earnings and 28 shares from capital reserve) and NT\$500 of cash dividends for every 1,000 shares of stock they hold on ex-dividend date.

9. Employee Bonus Shares

The Board of Directors has approved to distribute 19,000,000 shares (for an amount of NT\$190,000,000) of employee bonuses in 2003. This is subject to shareholders' approval during the annual general meeting.

10. Salaries for the Members of the Board of Directors and Supervisors

The Board of Directors has decided not to distribute any salaries, either in the form of shares of stocks or cash, to the members of the Board of Directors and supervisors this year.

B) Convertible Bond:

First Unsecured Corporate Bonds	
Date of Issuance	August 31, 2000
Face Value	NT\$100,000
Issue Price	100% of Face Value
Total Value	NT\$4.3 Billion
Interest Rate	0 %
Term	7 Years, Maturity Date: August 30, 2007
Guarantor	N/A
Trustee	Trust Dept., Bank of Overseas Chinese
Underwriter	Yuanta Core Pacific Securities Co., Ltd.
Legal Counsel	Nancy Chang
Auditors	Min-Shen Young and Bein-Chong Lin, Deloitte & Touche CPA Firm
Repayment	Conversion or redemption; balance shall be paid in full upon due date
Redemption Prior to Maturity	Please visit the TSE website for public statements

Notes:

- a. Once this convertible bond is issued, the Company shall follow the terms specified below:
- Cash dividends shall not exceed 15% of the total capital stock.
 - When issuing preferred shares, the dividend rate calculated with the issue price shall not exceed 200% of the interest rate of the latest convertible bond issued (when no preferred shares were issued).
- b. With the 2003 expected conversion price of NT\$125.9, the largest dilution possible will be 2.87%, which does not represent a significant amount of share dilution.
- c. Please visit the TSE website (<http://mops.tse.com.tw>) for other details in the public statements.

		2001	2002	As of May 20, 2003
Market Price	Highest	123	132	116
	Lowest	98	105	112
	Average	108.60	115.40	113.18
Adjusted Conversion Price	2000/12/28-2001/09/06 NT\$198.16	2001/09/07-2002/09/08 NT\$158.53	2002/09/09-2003/05/20 NT\$125.9	
Date of Issuance & Conversion Price	2000/08/31 NT\$325.31	--	--	

BUSINESS OVERVIEW

A) Current Product Lines:

- a) Core Logic Chipset:
 - Intel Socket 370/478 Compatible Chipsets
 - AMD K7/K8 Compatible Chipsets
- b) Central Processing Unit (CPU):
 - x86 Processors
 - RISC Processor IP
- c) Graphics:
 - High-End Graphics Processor Chips

Chipsets, processors, and graphics products account for approximately 88% of 2002 sales revenue.

- d) Networking:
 - Wired and Wireless LAN Chips, Ethernet Switch Products, Bluetooth, IEEE 1394, 1394B
- e) Multimedia/IA Products
 - TV Encoder/Decoder, High-End Audio Controller/CODEC, LVDS/TMDS Controller Chips
- f) Peripherals
 - I/O Controller Chips, Keyboard Controller Chips, PCMCIA Controller Chips, USB1.1/2.0, SATA/PATA Controller Chips
- g) VIA Platform Solutions Division (VPSD)
 - Mainboards, Eden platform solutions, ITS mainboard standard

B) New Product Research & Development Plans:

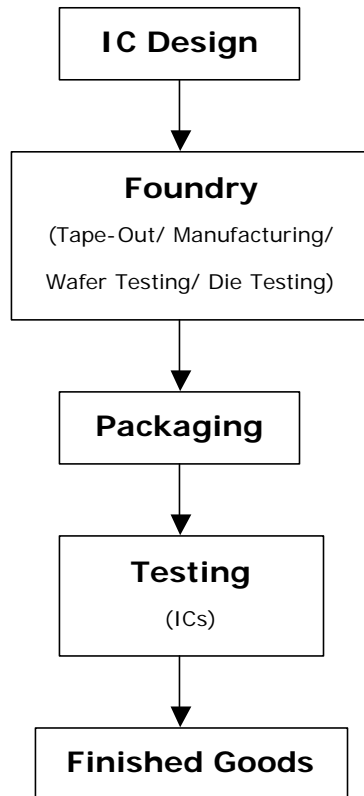
Continued research and development efforts will be made to develop:

- a) more advanced core logic chipsets with more features integrated
- b) low-power x86 processors with higher performance, RISC CPU IP
- c) high-end graphics processor chips
- d) USB2.0 flash drive & 5-in-1 controller chips
- e) PDA chips, multimedia controller chips, HDTV encoders
- f) communications ICs such as GSM, GPRS, WCDMA, CDMA2000 chips, and
- g) other high value-added platform solutions

C) Main Functions of Products:

Product	Main Functions
Core Logic Chipset	Used to link and perform processing functions between the microprocessor, memory, graphic devices and ports that connect to the peripheral devices.
CPU	The brain of a computer -- it controls the operation of the computer, performs arithmetic and logical operations, and decodes and executes instructions.
Graphics	It is usually mounted on a card and connected to the motherboard through an accelerated graphics port, a communications link between the graphics subsystem and the core logic chipset. As technology advances, increasingly the graphics function is incorporated into the core logic chipsets.
Networking	Used to connect the computer to an external network
Peripherals	Includes products such as IDE hard drive controller, keyboard controller, real time clock generator, PCMCIA, USB, IEEE1394 interface etc.

D) Manufacturing Process Flow:



E) Main Wafer/Material Suppliers:

- a) Wafer: TSMC (Taiwan), Chartered (Singapore), Hynix/ Samsung (Korea)
- b) Ceramics Substrate: NTK/ Kyocera (Japan)
- c) Chipset Substrate: ASE Material, Phoenix Precision Technology, IBiden/JCI/Fujitsu (Japan)

F) Top 10 Suppliers:

(Amounts in NT\$1,000)

2001			2002		
Company	\$ Amount	%	Company	\$ Amount	%
A	5,626,558	30.47%	A	4,474,992	32.58%
S3 Graphics Co., Ltd.	4,289,304	23.23%	S3 Graphics Co., Ltd.	4,470,222	32.55%
B	3,596,884	19.48%	B	3,183,795	23.18%
C	2,298,833	12.45%	C	1,765,850	12.86%
Vate Technology Co., Ltd.	667,893	3.62%	E	598,734	4.36%
S3-VIA	587,959	3.18%	D	593,891	4.32%
D	577,267	3.13%	Vate Technology Co., Ltd.	591,572	4.31%
E	527,336	2.86%	Danriver, Inc.	534,441	3.89%
F	340,080	1.84%	Global Advanced Packaging Technology	212,312	1.55%
G	315,913	1.71%	H	169,869	1.24%

G) Top 10 Customers:

(Amounts NT\$1,000)

2001			2002		
Company	\$ Amount	%	Company	\$ Amount	%
A	3,964,047	11.73%	B	4,241,104	16.89%
B	3,614,298	10.69%	A	2,414,042	9.61%
C	2,907,251	8.60%	D	1,912,976	7.62%
D	2,772,572	8.20%	C	1,239,054	4.93%
E	1,559,032	4.61%	F	1,213,773	4.83%
VIA Technologies (HK) Inc., Ltd.	1,106,274	3.27%	J	771,795	3.07%
F	1,094,116	3.24%	K	766,230	3.05%
G	1,032,600	3.05%	Amertek Computer Corp. (Shenzhen)	691,091	2.75%
H	825,453	2.44%	I	543,717	2.16%
I	805,080	2.38%	H	537,271	2.14%

H) Production Data:

(in 1,000)

	2001			2002		
	Capacity*	Unit	\$ Value	Capacity*	Unit	\$ Value
Chipset, CPU and Others	N/A	122,460	22,802,953	N/A	125,978	17,283,818

* VIA is an IC design house and does not own any fabs; therefore, capacity is not applicable here.

I) Shipment Data:

(in 1,000)

	2001				2002			
	Local		Export		Local		Export	
	Unit	\$ Amount	Unit	\$ Amount	Unit	\$ Amount	Unit	\$ Amount
Chipset, CPU and Others	78,011	20,792,589	40,946	13,300,988	69,002	13,632,072	53,882	11,482,172

J) Research and Development:

1. R&D Expenses

(in NT\$1,000)

2001	2002	As of May 20, 2003
2,675,869	3,209,324	762,048

2. Examples of Current R&D Achievements

- * Introduced the ITX motherboard standard to provide a total solution for Information PCs and Internet Appliances
- * Introduced the third generation VIA C3 processor core, 'Ezra', using 0.13 micron technology
- * Introduced world's first 8+2G fast Ethernet switch controller chip
- * Introduced the VIA P4X266, world's first DDR-supported P4 chipset
- * Introduced the VIA KT266A chipset, gaining the performance crown on the AMD platform
- * Introduced the VIA VT8233A, the first south bridge to integrate the fastest IDE standard ATA-133
- * Introduced the VIA VT6202 discrete USB2.0 host controller chip

- * Introduced the VIA Eden Platform for embedded systems
- * Introduced the VIA KN266, mobile integrated graphics chipset for the AMD platform supporting DDR266
- * Introduced CD-ROM and DVD-ROM controller chips, officially entering the optical storage market
- * Introduced the VIA C3 1GHz processor
- * Introduced the VIA Tablet PC reference design, winning "Best of Computex" award for IA category
- * Introduced SATA/RAID/ATA133 IDE controller chips
- * Introduced VIA Envy 24PT, high-end 7.1-channel audio controller solution
- * Introduced 'Mark' CoreFusion processing platform, with processor, north bridge and graphics in one package
- * Introduced the 7th generation processor core, Nehemiah, with speeds starting at 1GHz and embedded security features
- * Introduced the VIA VT8237, world's first south bridge with integrated SATA and RAID

K) Employee Data:

		2001	2002	As of May 20, 2003
Headcount	Direct Labor	69	76	80
	Indirect Labor	1,641	1531	1447
	Total	1,710	1607	1527
Average Years of Age		29.0	30.5	30.7
Average Years of Service		1.53	2.42	2.67
Education Background	Ph.D.	1%	1%	1%
	Master	36%	36%	36%
	College	59%	58%	59%
	Senior High School	4%	4%	4%
	Junior High School or Lower	0%	0%	0%

L) Labor Relations:

VIA's employees are not covered by any collective bargaining agreements. We believe our wages are competitive with other Taiwanese companies in our industry. We consider our relationships with the employees to be good. To date we have not experienced any material labor disputes.

In compliance with ROC law, VIA provides health benefits to its employees under the National Universal Health Plan and the Labor Insurance Plan. We also have a retirement plan covering all regular employees. Benefits under this plan are based on the length of service and average monthly pay for the six months before retirement. We currently contribute on a monthly basis 2% of the aggregate wages of our employees to a retirement fund, which is maintained with the Central Trust of China as required by ROC law.

M) Environmental Matters:

VIA is primarily engaged in the design of integrated circuits, which does not result in the production of a great deal of pollutants. We have not incurred any loss due to environmental problems in the past and believe that we are in compliance with all relevant ROC environmental protection laws. Under applicable ROC laws enacted for the protection of the environment, we are not required to obtain permits for our waste facilities or for waste emission, nor are we required to pay pollution prevention fees or establish an environmental department.

N) Major Contracts Signed:

Type of Contract	Company Name	Effective Period	Main Content
Manufacturing	Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	2000/1/19 - Present	Wafer manufacturing
Testing & Assembly	Siliconware Precision Industries Co., Ltd. (SPIL)	2000/5/15-2004/5/14	IC test & assembly
Testing & Assembly	ASE Inc.	2000/5/19 – Present	IC test & assembly
License Agreement	Intel Corp.	2003/4/7 - Present	Processor & chipset IP licenses
Lawsuit Settlement	Intel Corp.	2003/4/7 – Present	Settlement of prior lawsuit cases filed by both parties

O) Litigations:

- a) Starting September 2001, VIA was involved in legal disputes with Intel regarding intellectual property (IP) rights. Eleven lawsuit cases involving 27 microprocessor and chipset patents were filed globally in the US, UK, Germany, Taiwan and Hong Kong. As of April 7th, 2003, VIA and Intel have settled all pending lawsuit cases, and each company is responsible for its own attorney fees. VIA has not occurred any significant damage as a result of these lawsuit cases.
- b) MediaTek, Inc. filed a lawsuit case against VIA in June, 2002. We believe that the outcome of the case is unlikely to have any significant negative impact on VIA .

MARKET ANALYSIS

A) Geographic Sales Revenue Distribution:

(Amounts in NT\$1,000)

	2000		2001		2002	
	\$ Amount	%	\$ Amount	%	\$ Amount	%
Local	23,496,827	72.3%	22,710,629	61%	13,632,072	54%
Export	8,980,365	27.7%	14,396,470	39%	11,482,172	46%
Total	32,477,192	100%	37,107,099	100%	25,114,244	100%

B) VIA's Competitive Strengths and Challenges Ahead:

a) Competitive Strengths:

- ✓ Increasing applications of computer systems in the IA and consumer electronics space
- ✓ Continued strong support from the Taiwanese government in the IC industry
- ✓ Solid relationships with the upstream foundries as well as with testing and assembly partners
- ✓ Excellent R&D teams with well-established reputation
- ✓ Outstanding sales and marketing network
- ✓ Healthy financial history

b) Challenges:

- ✓ Rapid changes in the technology industry
- ✓ Short product life cycles
- ✓ Average selling price pressure from frequent new product introductions

FINANCIAL INFORMATION

A) Simplified Financial Statements:

1. Balance Sheets

(in NT\$1,000)

		As of March 31, 2003	2002	2001	2000	1999	1998
Current Assets		17,194,217	19,208,740	20,358,531	14,459,980	13,667,408	4,868,071
Long-Term Investments		12,798,286	12,989,183	13,805,290	13,708,852	4,622,804	668,482
Fixed Assets		1,912,234	1,804,852	2,140,770	1,641,606	669,715	411,480
Other Assets		2,280,436	2,288,003	1,951,388	1,223,955	189,805	190,399
Total Assets		23,733,979	36,290,778	38,255,979	31,034,393	19,149,732	6,138,432
Current Liabilities	Before Distribution	5,297,720	6,820,466	7,247,488	5,227,542	4,588,133	1,339,535
	After Distribution*	-	-	8,008,707	5,903,542	4,607,274	1,371,409
Long-Term Liabilities		4,916,917	4,859,288	4,632,168	4,415,280	66,386	92,941
Other Liabilities		236,557	251,767	81,694	69,988	14,220	7,633
Total Liabilities	Before Distribution	10,451,194	11,931,521	11,961,350	9,712,810	4,668,739	1,440,109

	After Distri- bution*	-	-	12,722,569	10,388,810	4,687,880	1,471,983
Capital		11,918,540	11,918,540	9,468,000	5,767,500	3,765,000	2,000,000
Capital Reserve		8,327,836	8,321,260	8,149,924	8,075,272	8,451,770	1,200,149
Retained Earnings	Before Distri- bution	4,572,594	5,218,156	7,999,810	7,201,862	2,305,775	1,498,974
	After Distri- bution*	-	-	7,238,591	6,525,862	2,286,634	1,467,100
Unrealized Loss on Long-Term Investments		(258,367)	(271,923)	(165,238)	(109,872)	-	-
Cumulative Translation Adjustment		807,930	807,778	842,133	386,821	(41,552)	(800)
Treasury Stock		(1,634,554)	(1,634,554)	-	-	-	-
Total Share- holders' Equity	Before Distri- bution	23,733,979	24,359,257	26,294,629	21,321,583	14,480,993	4,698,323
	After Distri- bution*	-	-	25,533,410	20,645,583	14,467,852	4,666,449

* Numbers after distribution only available after the Annual General Meetings

2. Income Statements

(in NT\$1,000)

	As of March 31, 2003	2002	2001	2000	1999	1998
Sales Revenue	5,702,357	25,121,884	33,848,032	30,866,264	11,245,453	5,887,829
Gross Profit	1,286,179	7,986,972	12,598,313	12,878,218	3,872,925	2,269,861
Operating Income (Loss)	(247,484)	2,887,421	7,574,435	9,134,744	2,399,732	1,375,157
Non-Operating Income	154,720	762,299	764,273	593,696	373,678	96,701
Non-Operating Expenses	614,539	3,278,799	2,822,130	3,153,791	703,902	100,561
Pre-Tax Income	(707,303)	370,921	5,516,578	6,574,649	2,069,508	1,371,297
Net Income After Tax	(645,562)	443,264	5,324,545	6,542,656	1,980,296	1,331,004
EPS (NT\$)*	(0.55)	0.38	4.47	5.49	1.91	1.41

* The weighted average numbers of shares outstanding in the previous years have been adjusted because of the additional 245,054,000 shares issued from unappropriated earnings and for employee bonus shares in 2002.

B) Financial Ratios:

		March 31, 2003	2002	2001	2000	1999	1998	
Capital Structure (%)	Debt Ratio	30.57	32.86	31.27	31.30	24.38	23.46	
	LT Funds / Fixed Assets	1,498.29	1,618.89	1,444.66	1,567.79	2,172.17	1,164.40	
Liquidity (%)	Current Ratio	324.56	281.63	280.90	276.61	297.89	363.41	
	Quick Ratio	255.33	212.82	217.01	200.37	242.62	334.71	
	Interest Guaranteed (Times)	-	2.48	24.77	70.53	63.77	163.44	
Operation	A/R Turnover (Times)	5.36	5.46	6.64	8.29	7.35	8.08	
	A/R Turnover (in Days)	68	67	55	44	50	45	
	Inventory Turnover (Times)	5.61	3.82	5.25	6.02	5.52	6.42	
	A/P Turnover (Times)	4.63	3.77	5.97	5.58	3.19	3.42	
	Average Inventory Turnover (in Days)	65	96	70	61	66	57	
	Fixed Assets Turnover (Times)	11.93	13.92	15.81	18.80	16.79	14.31	
	Total Assets Turnover (Times)	0.67	0.69	0.88	0.99	0.59	0.96	
Profitability	Return on Assets (%)	-1.70	1.69	15.87	26.36	15.86	27.86	
	Return on Equity (%)	-2.68	1.75	22.36	36.55	20.65	39.58	
	As % of Capital	Operating Income	-2.08	24.23	80.00	158.38	63.74	68.76
		Pre-Tax Income	-5.93	3.11	58.27	113.99	54.97	68.56
	Net Income / Sales (%)	-12.18	1.76	15.73	21.20	17.61	22.61	
EPS (NT\$)	-0.55	0.38	4.47	5.49	1.91	1.41		
Cash Flow	Cash Flow Ratio (%)	N/A	-	130.05	264.63	-	126.07	
	Cash Flow Adequacy Ratio (%)	N/A	195.77	254.34	180.54	-	235.19	
	Cash Reinvestment Ratio (%)	N/A	-	27.93	52.87	-	34.16	
Leverage	Operating Leverage	N/A	2.40	2.75	4.21	3.99	3.21	
	Financial Leverage	N/A	1.10	1.03	1.01	1.01	1.01	

C) Other Basic Financial Analyses:

1. Balance Sheet Items

(in NT\$1,000)

	2002	2001	YoY	
			\$ Amount	%
Current Assets	19,208,740	20,358,531	(1,149,791)	-5.65%
Fixed Assets	1,804,852	2,140,770	(335,918)	-15.69%
Other Assets	2,288,003	1,951,388	336,615	17.25%
Total Assets	36,290,778	38,255,979	(1,965,201)	-5.14%
Current Liabilities	6,820,466	7,247,488	(427,022)	-5.89%
Long-Term Liabilities	4,859,288	4,632,168	227,120	4.90%
Total Liabilities	11,931,521	11,961,350	(29,829)	-0.25%
Capital	11,918,540	9,468,000	2,450,540	25.88%
Capital Reserves	8,321,260	8,149,924	171,336	2.10%
Retained Earnings	5,218,156	7,999,810	(2,781,654)	-34.77%
Total Shareholders' Equity	24,359,257	26,294,629	(1,935,372)	-7.36%

* In 2002, NT\$2.08296 billion of unappropriated earnings were capitalized and NT\$367.58 million of employee bonus shares were issued; therefore, capital was increased while there was a decline in unappropriated/retained earnings.

2. Income Statements Items

(in NT\$1,000)

	2002		2001		YoY	YoY (%)
	Subtotal	Total	Subtotal	Total		
Sales Revenue	28,229,376		37,107,099		(8,877,723)	
Minus:	(539,661)		(164,710)		(374,951)	
Sales Returns						
Rebates/Allowances	(2,575,471)		(3,152,829)		577,358	
Net Sales Revenue		25,114,244		33,789,560	(8,675,316)	(25.67)
Other Operating Revenues		7,640		58,472	(50,832)	(86.93)
Total Operating Revenue		25,121,884		33,848,032	(8,726,148)	(25.78)
Costs of Operating Revenues		(17,126,364)		(21,249,719)	4,123,355	(19.40)
Gross Profit		7,995,520		12,598,313	(4,602,793)	(36.53)
Unrealized Profit from Intercompany Transactions		(8,548)		-	(8,548)	-
Realized Gross Profit		7,986,972		12,598,313	(4,611,341)	(36.60)
Operating Expenses		(5,099,551)		(5,023,878)	(75,673)	1.51
Operating Income		2,887,421		7,574,435	(4,687,014)	(61.88)
Non-Operating Income		762,299		764,273	(1,974)	(0.26)
Interest Income	132,853		245,603			
Dividend Income	-		1,526			
Gain on Disposal of Property, Plant and Equipment	29,080		229			
Gain on Sale of Investments	514,730		58,840			
Foreign Exchange Gain	-		348,445			
Rental Income	32,817		24,411			
Recovery from Loss on	-		30,172			

Short-Term Investment Devaluation						
Other Non-Operating Income	52,819		55,047			
Non-Operating Expenses		(3,278,799)		(2,822,130)	(456,669)*	16.18
Interest Expense	250,682		232,074			
Investment Loss	2,491,066		2,202,831			
Loss on Disposal of Property, Plant and Equipment	1,529		370			
Loss on Short-Term Investment Devaluation	14,586		-			
Loss on Physical Inventory	10,494		10,839			
Foreign Exchange Loss	34,623		-			
Loss on Inventory Devaluation	456,707		371,321			
Other Losses	19,112		4,695			
Pre-Tax Income		370,921		5,516,578	(5,145,657)	(93.28)
Income Tax Credits (Expenses)		72,343		(192,033)	264,376	(137.67)
Net Income After Tax		443,264		5,324,545	(4,881,281)	(91.68)

* 2002 Non-Operating Expenses increased \$456,669 thousands YoY mainly due to increased losses from VIABASE Co., Ltd. (loss on investment increased \$288,235 thousands, loss on inventory devaluation increased \$85,386 thousands, and interest expense increased \$18,608 thousands).

3. Cash Flow Items

(in NT\$1,000)

Beginning Cash Balance, Jan. 1, 2002	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Cash Balance, Dec. 31, 2003
11,112,886	(2,370,384)	(3,838,699)	(829,047)	4,074,756

- a) Outflow of \$2,370,384 thousands from operating activities: an increase in short-term investment, and a decline in net income and accounts payable
- b) Outflow of \$3,838,699 thousands from investing activities: an increase in unamortized software and IP expenses and investments in overseas subsidiaries
- c) Outflow of \$829,047 thousands from financing activities: cash dividend distributions

Expected 2003 Cash Flows:

(in NT\$1,000)

Beginning Cash Balance, Jan. 1, 2003	Cash Flows from Operating Activities	Cash Flows from Investing & Financing Activities	Ending Cash Balance, Dec. 31, 2003
4,074,756	3,521,927	(3,971,537)	3,625,146

4. Major Capital Expenditure

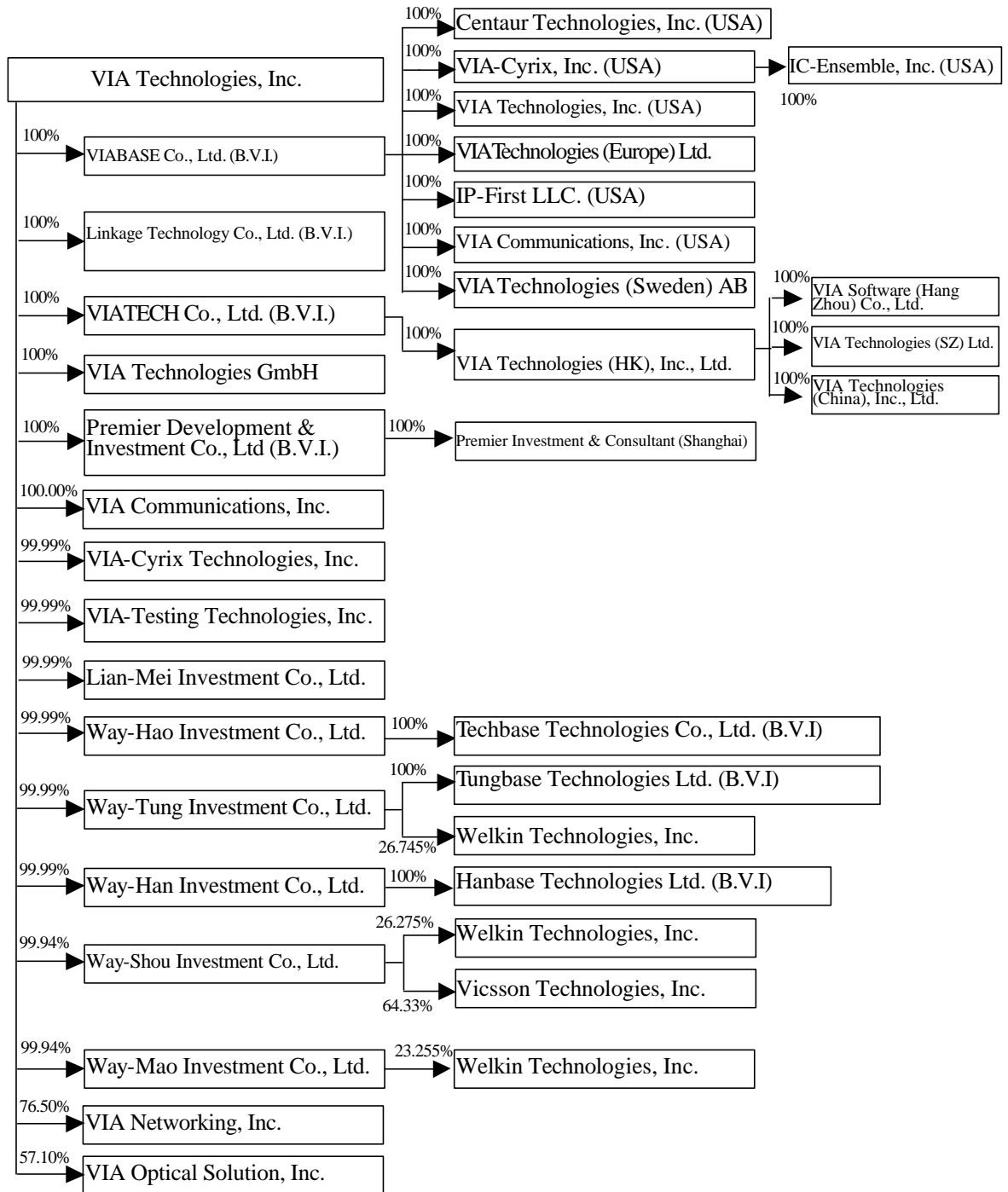
(in NT\$1,000)

Item	Source of Capital	Date of Completion	Amount of Capital Required	Actual Capital Expenditure		
				2000	2001	2002
Purchase of Machines & Equipments	Issuing convertible bonds	12/31/2000	256,785	256,785		
Factory Expansion	(Same as above)	12/31/2000	150,000	150,000		
Factory Expansion	(Same as above)	12/31/2000	820,000	820,000		
Purchase of Machines & Equipments	(Same as above)	12/31/2002	450,000		387,774	62,226
Purchase of Land and Offices	(Same as above)	12/31/2002	666,287		373,255	293,032

* 2003 -2005 capital expenditure plans have not yet been laid out.

RELATED COMPANIES

A) Chart of Related Companies:



B) Basic Information on Related Companies:

(in 1,000)

Company Name	Date Incorporated	Location	Capital	Major Business Operations
Controlling Company :				
VIA Technologies, Inc.	09/21/1992	Hsin-Tien, Taipei, Taiwan	NT\$ 11,918,540	Design, production and sales of semiconductor ICs
Related Companies :				
VIABASE Co., Ltd.	05/03/1999	Tortola, British Virgin Islands	US\$ 231,490,635	Investment in various manufacturing businesses; design and sales of parent company's products
Linkage Technology Co., Ltd.	07/25/2000	Tortola, British Virgin Islands.	NT\$ 8,044,300	
VIATECH Co., Ltd.	08/05/1999	Tortola, British Virgin Islands	US\$ 10,202,856	
VIA Technologies-GmbH	07/07/2000	Germany	NT\$ 354,549	
Premier Development & Investment Co., Ltd.	02/16/2001	Tortola, British Virgin Islands	US\$ 35,714,694	
VIA Communications, Inc.	08/08/2002	Hsin-Tien, Taipei, Taiwan	NT\$ 1,241,086	
VIA-Cyrix Technologies, Inc.	03/21/2000	Taipei, Taiwan	EUR 50,000	
VIA-Testing Technologies, Inc.	10/07/2000	Hsin-Tien, Taipei, Taiwan	NT\$ 1,820	
Lian-Mei Investment Co., Ltd.	10/20/2000	Taipei, Taiwan	US\$ 511,500	
Way-Hao Investment Co., Ltd.	05/11/2000	Taipei, Taiwan	NT\$ 17,775	
			NT\$ 5,000	Investment in various manufacturing businesses; investment in securities trust funds, financial securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses
			NT\$ 2,000,000	Electronic component manufacturing, material wholesale, and information software processing services
			NT\$ 1,000,000	Manufacturing of data processing & storage tools and electronic components; information software and electronic equipment wholesales; information software & processing services and electronic data supply services
			NT\$ 600,000	Manufacturing of electronic components; testing and assembly of ICs such as chipsets
			NT\$ 600,000	Investment in various manufacturing businesses; investment in securities trust funds, financial securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses
			NT\$ 600,000	Investment in various manufacturing businesses; investment in securities trust funds, financial

(in 1,000)

Company Name	Date Incorporated	Location	Capital	Major Business Operations
Way-Tung Investment Co., Ltd.	09/01/1998	Taipei, Taiwan	NT\$ 495,000	securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses; investment in various manufacturing businesses; investment in securities trust funds, financial
Way-Han Investment Co., Ltd.	09/01/1998	Taipei, Taiwan	NT\$ 495,000	securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses; investment in various manufacturing businesses; investment in securities trust funds, financial
Way-Shou Investment Co., Ltd.	05/25/2001	Taipei, Taiwan	NT\$ 99,000	securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses; investment in various manufacturing businesses; investment in securities trust funds, financial
Way-Mao Investment Co., Ltd.	05/25/2001	Taipei, Taiwan	NT\$ 99,000	securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses; investment in various manufacturing businesses; investment in securities trust funds, financial
VIA Networking, Inc.	07/02/2002	Hsin-Tien, Taipei, Taiwan	NT\$ 200,000	securities, insurance, trading, retail, education & entertainment, construction, and cultural businesses; Design, production and sales of networking, computer peripheral, and multimedia controller ICs
VIA Optical Solution, Inc.	01/04/2002	Hsin-Tien, Taipei, Taiwan	NT\$ 1,750,000	Design, production and sales of optical storage controller ICs
Centaur Technologies, Inc.	05/04/1999	Austin, TX, USA	US\$ 1,000 NT\$ 35	Design, production and sales of CPUs
VIA-Cyrix, Inc.	08/26/1999	Richardson, TX, USA	US\$ 1 NT\$ 0.03	Design, production and sales of CPUs
VIA Technologies, Inc. (USA)	03/23/1998	Fremont, CA, USA	US\$ 2,000,000 NT\$ 69,500	Design and sales of PC core logic chipsets
VIA Technologies (Europe) Ltd.	01/05/2001	United Kingdom	£ 100,000 NT\$ 5,570	Sales of computer components in the European markets
IP-First LLC.	06/15/2002	Delaware, USA	US\$ 15,000,000 NT\$ 521,250	Design and production of CPUs; licensing of microprocessor-related IPs
VIA Communications Inc.	06/11/2002	Fremont, CA, USA	US\$ 59,696 NT\$ 2,074	GSM chip design
VIA Technologies (Sweden) AB	08/21/2002	Corporate ID#556628-0300	SEK 100,000 NT\$ 398	Construction of microelectronic products focusing on built-in Digital Signal Processors (DSPs); other

(in 1,000)

Company Name	Date Incorporated	Location	Capital	Major Business Operations
IC Ensemble, Inc.	10/06/2000	Fremont, CA, USA	US\$ 2,000 NT\$ 70	related business activities Design of mixed-signal chips
VIA Technologies (HK) Inc., Ltd.	10/03/1997	Kwun Tong, Hong Kong	HK\$ 84,930,948 NT\$ 378,452	International investments; sales PC core logic chipsets
VIA Software (Han Zhou) Co., Ltd.	06/14/2000	Hang Zhou, China	HK\$ 3,000,000 NT\$ 13,368	Sales of chipset and computer software products
VIA Technologies (SZ) Ltd.	08/10/2000	Guang Dong Province, China	HK\$ 12,000,000 NT\$ 53,472	Sales of processor and chipset products
VIA Technologies (China), Inc., Ltd.	02/16/2001	Beijing, China	HK\$ 50,000,000 NT\$ 222,800	Sales of processor and chipset products
Premier Investment & Consultant (Shanghai) Co., Ltd.	10/14/2001	Shanghai, China	HK\$ 2,896,928 NT\$ 12,162	Investment consulting services
Techbase Technologies Co., Ltd.	07/04/2000	Tortola, British Virgin Islands	US\$ 6,289,022 NT\$ 218,544	Investment in various manufacturing businesses
Tungbase Technologies Ltd.	12/08/1999	Tortola, British Virgin Islands	US\$ 6,157,846 NT\$ 213,985	Investment in various manufacturing businesses
Hanbase Technologies Ltd.	12/08/1999	Tortola, British Virgin Islands	US\$ 6,284,963 NT\$ 218,402	Investment in various manufacturing businesses
Welkin Technologies, Inc.	03/06/1999	Hsin-Chu, Taiwan	NT\$ 200,000	Manufacturing of data processing & storage tools and electronic components; information software and electronic equipment wholesales; information software & processing services and electronic data supply services
Vicsson Technologies, Inc.	07/11/2001	Taipei, Taiwan	NT\$ 30,000	Manufacturing of electronic components; material wholesales

*Foreign Exchange Rates Used: NT\$/US\$: 1/34.75 ; NT\$/HK\$: 1/4.456 ; NT\$/EUR: 1/36.39 ; NT\$/ £: 1/55.70 ; NT\$/SEK: 1/3.98 ; RMB/US\$: 1/8.277.

C) Financial Information on Related Companies:

(in NT\$1,000)

Company Name	Capital	Total Assets	Total Liabilities	Total Shareholders' Equity	Sales Revenue	Operating Income	Net Income After Tax	EPS (NT\$)
Controlling Company :								
VIA Technologies, Inc.	11,918,540	36,290,778	11,931,521	24,359,257	25,121,884	2,887,421	443,264	0.38
Related Companies :								
VIABASE Co., Ltd.	8,044,300	5,756,511	480,576	5,275,935	-	(441,456)	(2,751,254)	(11.88)
Linkage Technology Co., Ltd.	354,549	334,040	5,172	328,868	22,922	(25,615)	(25,506)	(2.50)
VIATECH Co., Ltd.	1,241,086	1,212,660	-	1,121,660	-	(2,702)	(219,594)	(6.15)
VIA Technologies-GmbH	1,820	5,744	2,720	3,024	19,008	1,161	537	10.74
Premier Development & Investment Co., Ltd.	17,775	11,442	197	11,245	-	(3,622)	(3,621)	(7.08)
VIA Communications, Inc.	5,000	4,999	-	4,999	-	-	(1)	-
VIA-Cyrix Technologies, Inc.	2,000,000	1,738,592	10,275	1,728,317	128,721	(3,103)	97,749	0.49
VIA-Testing Technologies, Inc.	1,000,000	1,056,921	37,674	1,019,247	65,790	(40,189)	12,245	0.12
Lian-Mei Investment Co., Ltd.	600,000	314,230	60,347	253,883	210,319	17,625	14,414	0.24
Way-Hao Investment Co., Ltd.	600,000	244,019	80	243,939	90,334	(210,839)	(210,870)	(3.51)
Way-Tung Investment Co., Ltd.	495,000	887,821	4,089	883,732	1,698,794	401,460	397,508	8.03
Way-Han Investment Co., Ltd.	495,000	842,334	140	842,194	1,726,873	385,180	385,180	7.78
Way-Shou Investment Co., Ltd.	99,000	189,695	67,555	122,140	173,394	71,33	5,111	0.52
Way-Mao Investment Co., Ltd.	99,000	202,678	52,960	149,718	187,779	14,900	10,973	1.11

(in NT\$1,000)

Company Name	Capital	Total Assets	Total Liabilities	Total Shareholders' Equity	Sales Revenue	Operating Income	Net Income After Tax	EPS (NT\$)
VIA Networking, Inc.	200,000	483,461	281,491	197,699	159,360	(4,036)	(2,301)	(0.23)
VIA Optical Solution, Inc.	1,750,000	1,887,798	350,844	1,536,954	555,764	(228,406)	(213,046)	(7.53)
Centaur Technologies, Inc.	35	123,552	232,989	(109,437)	277,408	(643,048)	(657,382)	(657,382)
VIA-Cyrix, Inc.	0.03	764,860	236,790	528,070	332,128	(2,097)	14,233	142,328.89
VIA Technologies, Inc. (USA)	69,500	463,552	345,662	117,890	844,592	24,288	9,518	95.18
VIA Technologies (Europe) Ltd.	5,570	1,560	6,133	(4,573)	7,978	382	415	4.15
IP-First LLC.	521,250	364,875	-	364,875	-	(51,769)	(51,769)	-
VIA Communications, Inc.	2,074	27,755	23,633	4,122	66,966	1,980	2,033	-
VIA Technologies (Sweden) AB	398	41,584	8,593	32,991	13,645	397	169	169
IC Ensemble, Inc.	70	33,688	789	32,899	138	(210)	(71)	(35.69)
VIA Technologies (HK), Inc., Ltd.	378,452	352,176	34,486	317,690	61,708	(102,576)	(156,194)	-
VIA Software (Hang Zhou) Co., Ltd.	13,368	18,033	8,257	9,776	29,912	(109)	(40)	-
VIA Technologies (SZ) Ltd.	53,472	58,637	4,152	54,485	46,272	870	845	-
VIA Technologies (China), Inc., Ltd.	222,800	292,389	28,696	263,693	63,762	(54,862)	(54,982)	-
Premier Investment & Consulting (Shanghai) Co., Ltd.	12,162	12,189	911	11,278	-	-	-	-
Techbase Technologies Co., Ltd.	218,544	18,708	-	18,708	-	-	(193,168)	(30.72)
Tungbase Technologies Ltd.	213,985	136,210	-	136,210	-	-	(38,344)	(6.23)

(in NT\$1,000)

Company Name	Capital	Total Assets	Total Liabilities	Total Shareholders' Equity	Sales Revenue	Operating Income	Net Income After Tax	EPS (NT\$)
Hanbase Technologies Ltd.	218,402	139,673	-	139,673	-	-	(38,155)	(6.07)
Welkin Technologies, Inc.	200,000	175,164	5,732	169,432	-	(12,491)	102,581	5.13
Vicsson Technologies, Inc.	30,000	11,516	4,858	6,658	26	(20,815)	(20,729)	(6.91)

**FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT**

VIA TECHNOLOGIES, INC.

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

By Deloitte & Touche

**Deloitte
& Touche**

INDEPENDENT AUDITORS' REPORT



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

We (Deloitte & Touche) have audited the accompanying balance sheets of Via Technologies, Inc. as of December 31, 2002 and 2001, 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, 2002 and 2001, 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, 2002 and 2001 (not accompanied herein) and have issued our report, dated April 2, 2003, expressing an unqualified opinion thereon.

Deloitte & Touche

April 2, 2003

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, 2002 and 2001 are not designed for those who are not informed about accounting principles, procedures and practices in the Republic of China. The standards, procedures and practices utilized in the Republic of China to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

VIA TECHNOLOGIES, INC.

BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

(In Thousands of New Taiwan Dollars)

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

See notes to financial statements.

VIA TECHNOLOGIES, INC.

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

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

See notes to financial statements.

VIA TECHNOLOGIES, INC.

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

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

See notes to financial statements.

VIA TECHNOLOGIES, INC.

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

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

(Continued)

VIA TECHNOLOGIES, INC.

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

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

Decrease (increase) in payable due to acquisition of property, plant and equipment	93,367	(78,120)
	\$	\$
Cash payment	<u>656,229</u>	<u>818,143</u>

(Continued)

VIA TECHNOLOGIES, INC.

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

	2002	2001
PURCHASE OF DEFERRED CHARGES:		
Increase in deferred charges	\$ 712,221	\$ 734,773
Increase in payable due to acquisition of deferred charges	<u>(1,064)</u>	<u>(442,419)</u>
	\$	\$
Cash payment	<u>711,157</u>	<u>292,354</u>
Employees bonuses and directors' remuneration	\$ 3,779	\$ 99,250
Add payable due to bonuses to employees and directors' remuneration, beginning of year	130,370	31,120
Minus payable due to bonuses to employees and directors' remuneration, end of year	<u>(75,975)</u>	<u>(130,370)</u>
	\$ 58,174	\$ -
Cash payment	<u>4</u>	<u>-</u>

(Concluded)

See notes to financial statements.

VIA TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

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

1. ORGANIZATION AND OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

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

Short-Term Investments

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

Allowance for Doubtful Accounts

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

Inventories

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

Long-Term Investments

Investments in companies in which the Company’s ownership interest is 20% or more, or where the company can exercise significant influence, are accounted for under the equity method of accounting. Payment in excess of the proportionate net book value, at the time of investment, of the investee accounted for under the equity method is amortized over five years.

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

Property, Plant and Equipment and Leased-out Assets

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

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

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

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

Employee Retirement Plan

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

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

Deferred Charges

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

Income Tax

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

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

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

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

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

Bonds Payable

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

Treasury Stock

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

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

Revenue Recognition

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

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

Foreign Currency Transactions

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

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

Derivative Financial Instruments

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

Premiums received on short options or paid on long options, which do not qualify as hedges for financial reporting purpose, are included in other current liabilities or other current assets, and are

amortized to current income or expense over the term of the contracts by using average method. Gain or loss from the execution of the foreign currency option contracts are credited to or charged against current income. The option contracts are measured at the balance sheet date using the market value, and gain or loss is credited or charged against current income. Receivables and payables generated from the option contracts shall be offset and the net balance will be included in other current assets and other current liabilities.

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

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

Non-Derivative Financial Instruments

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

3. CASH AND CASH EQUIVALENTS

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

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

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

4. SHORT-TERM INVESTMENTS

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

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

5. ACCOUNTS RECEIVABLE

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

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

6. NOTES AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES

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

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

7. INVENTORIES

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

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

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

8. OTHER CURRENT ASSETS

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

	2002	2001
Income tax refunds receivable	\$ 95,153	\$ 95,153
Business tax refunds receivable	3	-
Other receivable (see Note 22)	53,538	185,719
Deferred income tax asset (see Note 20)	304,740	286,652
Prepaid expenses	355,186	68,749
Stock short sales refundable deposit	225,641	-
Other	6,614	-
	<u>84,571</u>	<u>59,836</u>
Total	<u><u>\$1,125,443</u></u>	<u><u>\$696,109</u></u>

9. LONG-TERM INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

In accordance with SFAS No. 7 and "Regulations Governing the Preparation of Financial Statements of

Public Companies”, the Company prepared consolidated financial statements which included the accounts of the Company and Viabase Co., Ltd. in 2002 and 2001. Other than above consolidated subsidiaries, none of the affiliates, in which the Company’s ownership interest is more than 50%, had their financial statements consolidated with that of the Company because their total assets and total sales, individually, are less than 10% of that of the Company and, in the aggregate are less than 30% of that of the Company.

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

11. LEASED-OUT ASSETS

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

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

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

12. ACCRUED EXPENSES

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

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

13. OTHER CURRENT LIABILITIES

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

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

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

14. CORPORATE BONDS PAYABLE

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

Terms and Conditions of Bonds

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

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

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

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

redeem the bonds at face value.

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

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

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

Provisions for Conversion Rights

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

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

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

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

15. LONG-TERM LIABILITIES

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

	2002	2001
Long-term capital lease liabilities from Taiwan NewTec Financial Corporation for lease of machinery. The amount of capital lease is \$44,008, and principal payments are due in 12 equal installments commencing in October 2001.	\$23,463	\$39,521
Less current portion of long-term capital lease	<u>(11,059)</u>	<u>(12,490)</u>
Long-term liabilities	<u>\$12,404</u>	<u>\$27,031</u>

16. EMPLOYEE PENSION PLAN

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

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

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

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

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

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

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

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

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

17. CAPITAL STOCK

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

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

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

18. TREASURY STOCK

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

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

19. APPROPRIATION OF RETAINED EARNINGS

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

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

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

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

20. INCOME TAX

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

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

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

	2002	2001
Income before income tax	\$ 370,921	\$5,516,578
Add:		
Investment losses on equity-method	2,481,066	2,164,331
Provision for inventory devaluation	420,718	154,044
Unrealized loss on disposal of inventory	35,989	190,910
Unrealized sales allowance	244,975	451,521
Provision for redemption of convertible bonds	241,747	229,688
Loss on short-term investment devaluation	14,586	-
Unrealized foreign exchange gain, beginning of year	32,276	223
Unrealized profit from intercompany transaction	8,548	-
Unrealized gain on disposal of property, plant and equipment	118,388	-
Others	6,265	-
Less:		
Gain on disposal of short-term investments	(514,730)	(59,872)

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

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

	2002	2001
Deferred tax asset:		
	\$ 53,16	\$ 47,72
Unrealized loss on disposal of inventory	1	8
Unrealized provision for inventory devaluation	234,798	129,619
Unrealized sales allowance	61,244	112,880
Unrealized provision for redemption of convertible bonds	136,721	76,284
Unrealized pension cost	19,420	10,339
Unrealized gain on disposal of property, plant and equipment	29,597	-
Investment tax credits	1,741,666	780,438
Others	<u>8,302</u>	<u>72</u>
Total deferred income tax assets	2,284,909	1,157,360
Less allowance for deferred income tax assets	<u>(1,393,333)</u>	<u>(468,219)</u>
Deferred income tax assets, net	891,576	689,141
Deferred income tax assets – current	<u>(355,186)</u>	<u>(286,652)</u>
Deferred income tax assets – noncurrent	<u>\$ 536,390</u>	<u>\$ 402,489</u>

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

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

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

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

21. EARNINGS PER SHARE

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

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

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

Major transactions with related parties are summarized below:

Sales

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

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

Other Operating Revenue

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

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

Leasing - Lessor

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

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

Other Income

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

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

Purchases

Related Party	Years Ended December 31			
	2002		2001	
	Amount	% of Total Net Purchases	Amount	% of Total Net Purchases
S3 Graphics Co., Ltd.	\$4,470,222	32.55	\$6,657,164	36.05
Danriver, Inc.	534,442	3.89	-	-
Via Technologies, Inc. (USA)	93,237	0.68	-	-
S3-Via Inc.	21,339	0.16	587,960	3.18
Via Networking, Inc.	43,543	0.32	-	-
Chander Electronics Corp.	3,309	0.02	38,384	0.21

Others	<u>45,955</u>	<u>0.33</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,212,047</u>	<u>37.95</u>	<u>\$7,283,508</u>	<u>39.44</u>

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

Technical Support and Supervision Agreement

Via Technologies, Inc. (USA)

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

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

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

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

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

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

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

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

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

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

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

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

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

Centaur Technology, Inc.

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

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

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

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

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

Commissions

Chander Electronics Corp.

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

S3 Graphics, Japan K.K.

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

Via Technologies (HK) Inc., Ltd.

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

S3 Graphics Inc.

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

Via Technologies GmbH

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

Via Technologies, Inc. (USA)

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

Via-Cyrix, Inc.

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

Via Technologies (Europe) Ltd.

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

Professional Services

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

Testing Expenses

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

Research and Development Expense

	Years Ended December 31			
	2002		2001	
	Amount	% of Total Research and Development Expenses	Amount	% of Total Research and Development Expenses
Related Party				
Research and development expense:				
S3 Graphics Co., Ltd.	\$ 9,167	0.37	\$ 10,623	0.45
Via-Testing Technologies, Inc.	6,129	0.24	5,429	0.23
Xander International Corp.	3,713	0.15	15,195	0.64
Others	2,918	0.12	6,565	0.27
Total	\$ 21,927	0.88	\$ 37,812	1.59
Sundry purchases:				
Xander International Corp.	\$ 4,880	3.13	\$ 76	0.37
LEO Systems Inc.	2,445	1.57	2,721	1.33
Others	3,951	2.52	1,370	0.67

Total	\$	7.22	\$	2.37
	<u>11,276</u>	<u></u>	<u>4,859</u>	<u></u>

Receivables / Payables

Related Party	December 31			
	2002		2001	
	Amount	% of Total Receivables /Payables	Amount	% of Total Receivables /Payables
Notes and accounts receivable from related parties:				
Ametek Limited	\$ 554,653	11.43	\$ 91,620	1.82
Via Technologies, Inc. (USA)	259,202	5.34	882	0.02
Via-Cyrix, Inc.	125,102	2.58	157,524	3.13
Via Optical Solution, Inc.	55,106	1.14	-	-
Via Networking, Inc.	49,618	1.02	-	-
Danriver, Inc.	27,311	0.56	114,024	2.26
FIC Inc.	18,134	0.37	22,753	0.45
Taider International Corp.	-	-	29,696	0.59
Others	<u>11,839</u>	<u>0.24</u>	<u>8,837</u>	<u>0.18</u>
Total	<u>\$1,100,965</u>	<u>22.68</u>	<u>\$ 425,336</u>	<u>8.45</u>
Notes and accounts payable to related parties:				
S3 Graphics Co., Ltd.	\$ 873,356	18.14	\$1,120,222	26.16
Danriver, Inc.	199,050	4.13	-	-
Via Networking, Inc.	45,720	0.95	-	-
Via-Testing Technologies, Inc.	35,061	0.73	14,974	0.35
S3-Via Inc.	-	-	58,438	1.37
Others	<u>27,732</u>	<u>0.58</u>	<u>3,209</u>	<u>0.07</u>
Total	<u>\$1,180,919</u>	<u>24.53</u>	<u>\$1,196,843</u>	<u>27.95</u>
Other receivables:				
Centaur Technology, Inc.	\$ 89,253	29.29	\$ -	-
Via Networking, Inc.	47,729	15.66	-	-
S3 Graphics Inc.	35,112	11.52	36,281	19.54
Via Optical Solution, Inc.	31,655	10.39	-	-
Via-Cyrix, Inc.	21,625	7.10	-	-
Via Cortech Co., Ltd.	8,713	2.86	36,451	19.63
S3-Via Inc.	224	0.07	29,929	16.11
Viabase Co., Ltd.	-	-	46,416	24.99
Others	<u>33,368</u>	<u>10.95</u>	<u>11,648</u>	<u>6.27</u>
Total	<u>\$ 267,679</u>	<u>87.84</u>	<u>\$ 160,725</u>	<u>86.54</u>

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

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

Property Transactions

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

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

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

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

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

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

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

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

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

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

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

The Company sold part of its computer equipment to LEO systems Inc. in 2002 which amounted to \$200 and recognized \$67 as gain on disposal of property, plant and equipment. The Company sold part of its machinery equipment, research and development equipment and deferred authorization charges to

Via Optical Solution, Inc. in 2002 which amounted to \$1,865, \$20,674 and \$217, respectively. At December 31, 2002, those are still uncollected.

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

23. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

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

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

24. SIGNIFICANT CONTRACTS

Wafer Production Agreement

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

The contents of the agreement are as follows:

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

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

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

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

Patent Agreement

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

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

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

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

25. FINANCIAL INSTRUMENTS

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

Amount of Contract and Credit Risk

Foreign Currency Option Contracts

2002					
Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate
Sell	2002.11.14~2002.11.18	2003.02.27~2003.03.24	USD/NTD	US\$27,000	35.00
2001					
Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate
Sell	2001.02.01~2001.12.19	2002.01.31~2002.10.31	USD/NTD	US\$164,500	34.00~35.20
Buy	2001.12.22~2001.12.19	2002.01.05~2002.02.25	NTD/USD	US\$ 40,000	34.00~35.20

Asset-Swap contract

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

Securities Credit Transactions

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

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

Market Risk

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

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

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

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

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

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

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

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

Purpose and Category of Financial Instrument Held

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

Disclosures of Derivative Instruments in the Financial Statements

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

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

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

Fair Value of Financial Instruments

Derivative Financial Instruments

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

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

Non-derivative Financial Instruments

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

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

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

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

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

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

26. SEGMENT INFORMATION

Industry Segment

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

Foreign Operations

Currently, the Company does not have any foreign operations.

Export Sales

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

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

Dominant Customers Information

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

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

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**VIA TECHNOLOGIES, INC. AND
SUBSIDIARIES**

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



INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and "Guidelines for Certified Public Accountants' Examinations of and Reports on Financial Statements." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

April 2, 2003

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

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

(Expressed in Thousands of New Taiwan Dollars)

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

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

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

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

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

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

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

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

(Continued)

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

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

	616,325	990,140
Decrease (increase) in payable due to acquisition of property, plant and equipment	<u>3,656</u>	<u>(22,161)</u>
Cash payment	<u>\$ 619,981</u>	<u>\$ 967,979</u>

(Continued)

VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

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

(Concluded)