

KINPO ELECTRONICS, INC.  
FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT  
AS OF DECEMBER 31, 2005 AND 2004

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KINPO ELECTRONICS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To: BOARD OF DIRECTORS,  
KINPO ELECTRONICS, INC.

We have audited the accompanying balance sheets of KINPO ELECTRONICS, INC. as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. 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 did not audit the financial statements of CAL-COMP ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES and KINGBOLT INTERNATIONAL (SINGAPORE) PTE. LTD. of the year 2004. The Company includes its investments in CAL-COMP ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES and KINGBOLT INTERNATIONAL (SINGAPORE) PTE. LTD. presented under the equity method, amounting to NT\$3,771,890 thousand as of December 31, 2004 and related investment gain of NT\$831,477 thousand for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts of long-term investment included for KINPO ELECTRONICS, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards of Taiwan, R.O.C.. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of KINPO ELECTRONICS, INC. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the year then ended in conformity with Generally Accepted Accounting Principles of Taiwan, R.O.C. and Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

As described in Note 3 and Note 21 of the financial statement, KINPO ELECTRONICS, INC. had adopted the R.O.C. Statements of Financial Accounting Standards No. 35 "Accounting for Asset Impairment" to account for the impairment of its assets for its financial statements effective from January 1, 2005. Such a change in accounting principles resulted in a decrease of NT\$14,548 thousand on long-term investments, fixed assets and other assets as of December 31, 2005 and a decrease of NT\$10,911 thousand on net income for 2005.

KINPO ELECTRONICS, INC. had prepared its consolidated financial statements for the year ended December 31, 2005 and 2004, and we had issued a modified unqualified opinion report on it for your reference.

BDO Taiwan Union & Co.,

February 27, 2006

KINPO ELECTRONICS, INC.  
Balance Sheets  
December 31, 2005 and 2004

Expressed in Thousands of New Taiwan Dollars

Assets	Dec. 31, 2005	%	Dec. 31, 2004	%	Liabilities & Stockholders' Equities	Dec. 31, 2005	%	Dec. 31, 2004	%
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash & Cash Equivalents (Note2,4)	\$15,495	0.07	\$1,723,944	7.83	Short-Term Loans (Note13)	\$367,468	1.69	\$691,003	3.14
Short-Term Investments (Less : Provision on Diminution in Value \$0 & \$14,380) (Note2,5)	78,360	0.36	66,510	0.30	Accounts Payable	24,450	0.11	58,951	0.27
Notes Receivable (Less : Allowance for Doubtful Account \$0 & \$0) (Note2,6)	12,641	0.06	202	0.00	Accounts Payable-Related Parties (Note24)	2,129,647	9.82	1,345,637	6.11
Accounts Receivable (Less : Allowance for Doubtful Account \$21,005 & \$57,089) (Note2,7)	2,850,731	13.14	2,720,074	12.35	Income Tax Payable (Note2,27)	22,385	0.10	7,963	0.04
Accounts Receivable-Related Parties (Less : Allowance for Doubtful Account \$0 & \$0) (Note2,24)	20,195	0.09	16,293	0.07	Accrued Expenses	341,677	1.58	286,879	1.30
Other Accounts Receivable (Less : Allowance for Doubtful Account \$22,735 & \$23,094) (Note2,8)	87,232	0.40	111,450	0.51	Other Accounts Payable	13,708	0.06	50,805	0.23
Other Accounts Receivable-Related Parties (Less : Allowance for Doubtful Account \$0 & \$0) (Note2,24)	50,938	0.24	65,243	0.30	Receipt In Advance	153,392	0.71	140,601	0.64
Inventories (Note2,9)	12,281	0.06	15,134	0.07	Long-Term Liabilities-Current Portion (Note14)	0	0.00	1,000,000	4.54
Prepayments	32,033	0.15	90,596	0.41	Other Current Liabilities	159,359	0.74	88,359	0.40
Deferred Income Tax Assets-Current (Note2,22)	56,874	0.26	105,205	0.48	Sub-Total	<u>3,212,086</u>	<u>14.81</u>	<u>3,670,198</u>	<u>16.67</u>
Other Current Assets	8,779	0.04	10,917	0.05					
Sub-Total	<u>3,225,559</u>	<u>14.87</u>	<u>4,925,568</u>	<u>22.37</u>	<b>Long-Term Liabilities</b>				
					Bonds Payable (Note14)	1,250,000	5.76	1,250,000	5.68
<b>Funds &amp; Investments (Note2,10,21)</b>					Sub-Total	<u>1,250,000</u>	<u>5.76</u>	<u>1,250,000</u>	<u>5.68</u>
Long-Term Investments	17,804,987	82.09	16,401,240	74.49					
Less : Accumulated Impairment	(1,246)	(0.01)	0	0.00	<b>Other Liabilities</b>				
Sub-Total	<u>17,803,741</u>	<u>82.08</u>	<u>16,401,240</u>	<u>74.49</u>	Accrued Pension Liability (Note2,29)	99,328	0.46	71,309	0.32
					Deferred Income Tax Liabilities (Note2,22)	106,778	0.49	307,345	1.40
<b>Fixed Assets (Note2,11,21)</b>					Other Liabilities-Other (Note15)	14,261	0.06	18,823	0.08
Cost :					Sub-Total	<u>220,367</u>	<u>1.01</u>	<u>397,477</u>	<u>1.80</u>
Land	46,522	0.21	45,475	0.21	<b>Total Liabilities</b>	<u>4,682,453</u>	<u>21.58</u>	<u>5,317,675</u>	<u>24.15</u>
Buildings	708,669	3.27	674,367	3.06					
Machinery	31,125	0.14	33,023	0.15	<b>Stockholders' Equities</b>				
Transportation Equipment	7,645	0.04	10,057	0.05	Capital Stock (Note16)	13,651,428	62.93	12,948,027	58.81
Leased Asset-Land	1,439	0.01	2,486	0.01	Common Stock				
Leased Asset-Buildings	48,707	0.22	84,150	0.38	Capital Surplus (Note17)				
Other Equipment	224,849	1.04	218,546	0.99	Premium on Capital Stock	1,527	0.01	389,968	1.77
Total Cost	<u>1,068,956</u>	<u>4.93</u>	<u>1,068,104</u>	<u>4.85</u>	Treasury Stock Transactions	116,424	0.54	12,653	0.06
Less : Accumulated Depreciation	(447,611)	(2.07)	(424,468)	(1.93)	Long-Term Investments	275,592	1.27	269,746	1.23
Less : Accumulated Impairment	(2,906)	(0.01)	0	0.00	Others	2,031	0.01	319	0.00
Prepayments for Equipment	372	0.00	1,779	0.01	Retained Earnings (Note18)				
Total Fixed Assets,Net	<u>618,811</u>	<u>2.85</u>	<u>645,415</u>	<u>2.93</u>	Legal Reserve	1,633,671	7.53	1,455,411	6.61
					Special Reserve	643,979	2.97	207,222	0.94
<b>Other Assets</b>					Unappropriated Retained Earnings	1,720,069	7.93	2,582,718	11.73
Deferred Expenses (Note2)	34,412	0.16	29,528	0.14	Other Adjustments of Stockholders' Equities	(388,250)	(1.79)	(519,156)	(2.36)
Other Assets-Other	19,706	0.09	15,741	0.07	Treasury Stock (Note2,19)	(647,091)	(2.98)	(647,091)	(2.94)
Less : Accumulated Impairment (Note2,21)	(10,396)	(0.05)	0	0.00	Sub-Total	<u>17,009,380</u>	<u>78.42</u>	<u>16,699,817</u>	<u>75.85</u>
Sub-Total	<u>43,722</u>	<u>0.20</u>	<u>45,269</u>	<u>0.21</u>					
					<b>Total Assets</b>	<u>\$21,691,833</u>	<u>100.00</u>	<u>\$22,017,492</u>	<u>100.00</u>
<b>Total Assets</b>	<u>\$21,691,833</u>	<u>100.00</u>	<u>\$22,017,492</u>	<u>100.00</u>	<b>Total Liabilities &amp; Stockholders' Equities</b>	<u>\$21,691,833</u>	<u>100.00</u>	<u>\$22,017,492</u>	<u>100.00</u>

The accompany notes are an integral part of these financial statements

KINPO ELECTRONICS, INC.  
Income Statements  
For the Year Ended December 31, 2005 and 2004

Items	Expressed in Thousands of New Taiwan Dollars			
	Jan.1~Dec.31 2005	%	Jan.1~Dec.31 2004	%
<b>Operating Revenues(Note2)</b>				
Sales Revenues	\$18,042,121	98.23	\$16,320,394	98.21
Less : Sales Returns	(16,932)	(0.09)	(3,890)	(0.02)
Sales Allowances	(12,208)	(0.07)	(18,989)	(0.12)
Service Revenues	284,815	1.55	252,344	1.52
Other Revenues	69,060	0.38	67,891	0.41
Sub-Total	<u>18,366,856</u>	<u>100.00</u>	<u>16,617,750</u>	<u>100.00</u>
<b>Operating Costs (Note2)</b>				
Costs of Goods Sold	(16,007,794)	(87.16)	(14,520,934)	(87.38)
Service Cost	(71,327)	(0.39)	(56,203)	(0.34)
Other Costs	(49,850)	(0.27)	(55,542)	(0.33)
Sub-Total	<u>(16,128,971)</u>	<u>(87.82)</u>	<u>(14,632,679)</u>	<u>(88.05)</u>
Gross Profit (Losses) from Operations	<u>2,237,885</u>	<u>12.18</u>	<u>1,985,071</u>	<u>11.95</u>
Unrealized Gains on Inter-Affiliate Accounts	(3,940)	(0.02)	(6,117)	(0.04)
Realized Gains on Inter-Affiliate Accounts	4,231	0.02	6,833	0.04
<b>Operating Expenses</b>				
Marketing & Selling Expenses	(109,664)	(0.60)	(72,242)	(0.43)
Administrative & General Expenses	(554,949)	(3.02)	(556,476)	(3.35)
Research & Development Expenses	(579,059)	(3.15)	(554,973)	(3.34)
Net Operating Income (Losses)	<u>994,504</u>	<u>5.41</u>	<u>802,096</u>	<u>4.83</u>
<b>Non-operating Revenues</b>				
Interest Income	24,847	0.14	15,065	0.09
Investment Income	190,099	1.04	1,281,194	7.71
Gains on Disposal of Investments	719	0.00	0	0.00
Gains on Recovery of Market Price Decline on Short-Term Investments	14,380	0.08	0	0.00
Gains on Recovery of Market Price Decline on Inventories	16,463	0.09	0	0.00
Miscellaneous Income	73,295	0.40	131,668	0.79
Sub-Total	<u>319,803</u>	<u>1.75</u>	<u>1,427,927</u>	<u>8.59</u>
<b>Non-operating Expenses</b>				
Interest Expenses	(74,052)	(0.40)	(92,574)	(0.56)
Investment Losses	(264,410)	(1.44)	(13,310)	(0.08)
Losses on Disposal of Investments	(2,530)	(0.01)	0	0.00
Exchange Losses	(49,164)	(0.27)	(124,153)	(0.75)
Losses on Inventory Valuation Decline and Obsolescence	0	0.00	(18,658)	(0.11)
Losses on Impairment (Note2,21)	(14,548)	(0.08)	0	0.00
Miscellaneous Expenses	(14,072)	(0.08)	(71,939)	(0.43)
Sub-Total	<u>(418,776)</u>	<u>(2.28)</u>	<u>(320,634)</u>	<u>(1.93)</u>
Income (Losses) from Continuing Operations before Income Taxes	895,531	4.88	1,909,389	11.49
Income Taxes Benefits (Expenses) (Note2,22)	134,463	0.73	(126,789)	(0.76)
Net Income (Losses) from Continuing Operations	<u>1,029,994</u>	<u>5.61</u>	<u>1,782,600</u>	<u>10.73</u>
Net Income (Losses) for the Period	<u>\$1,029,994</u>	<u>5.61</u>	<u>\$1,782,600</u>	<u>10.73</u>
<b>Earnings Per Share : (Note23)</b>				
	<u>Before Taxes</u>	<u>After Taxes</u>	<u>Before Taxes</u>	<u>After Taxes</u>
Net Income (Losses) from Continuing Operations	<u>\$0.68</u>	<u>\$0.78</u>	<u>\$1.44</u>	<u>\$1.35</u>
Net Income (Losses) for the Period	<u>\$0.68</u>	<u>\$0.78</u>	<u>\$1.44</u>	<u>\$1.35</u>
<b>Pro-forma as if amounts, assuming subsidiaries' shareholdings of the Company were not treated as treasury stock :</b>				
Income (Losses) from Continuing Operations before Income Taxes	<u>\$924,553</u>		<u>\$1,936,261</u>	
Net Income (Losses) for the Period	<u>\$1,059,016</u>		<u>\$1,809,472</u>	
<b>Earnings Per Share :</b>				
	<u>Before Taxes</u>	<u>After Taxes</u>	<u>Before Taxes</u>	<u>After Taxes</u>
Net Income (Losses) for the Period	<u>\$0.68</u>	<u>\$0.78</u>	<u>\$1.42</u>	<u>\$1.33</u>

The accompany notes are an integral part of these financial statements

KINPO ELECTRONICS, INC.  
Statements of Changes In Stockholders' Equity  
For the Year Ended December 31, 2005 and 2004

Summary	Expressed in Thousands of New Taiwan Dollars									
	Capital Stock		Retained Earnings			Accumulated Translation Adjustments	Unrealized Losses on Price Decline on Long-Term Investments	Net Loss of Unrecognized Pension Cost	Treasury Stock	Total
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings					
Balance on January 1, 2004	\$11,914,839	\$743,677	\$1,210,996	\$315,128	\$2,877,835	\$102,583	(\$208,096)	(\$46,439)	(\$647,091)	\$16,263,432
Appropriations of Net Income for the Year 2003										
Legal Reserve			244,415		(244,415)					0
Special Reserve				55,271	(55,271)					0
Cash Dividends					(834,039)					(834,039)
Remuneration Paid to Directors & Supervisors					(43,995)					(43,995)
Employees Bonus					(29,987)					(29,987)
Special Reserve Transferred Back				(163,177)	163,177					0
Stock Dividends	953,187				(953,187)					0
Stock Dividends from Current Period Employees Bonus	80,000				(80,000)					0
Subsidiary Company Receiving the Parent Company's Cash Dividends		26,872								26,872
Investee's Net Loss of Unrecognized Pension Cost								(6,615)		(6,615)
Change in Percentage of Investment Adjustments		(252)								(252)
Investee's Capital Surplus Adjustments		(97,611)								(97,611)
Accumulated Translation Adjustments						(341,590)				(341,590)
Unrealized Loss on Price Decline on Long-Term Investments							(19,280)			(19,280)
Net Income after Tax for the Year 2004					1,782,600					1,782,600
Net Loss of Unrecognized Pension Cost								281		281
Round up (down) to the Nearest Thousand Dollars	1									1
Balance on January 1, 2005	\$12,948,027	\$672,686	\$1,455,411	\$207,222	\$2,582,718	(\$239,007)	(\$227,376)	(\$52,773)	(\$647,091)	\$16,699,817
Appropriations of Net Income for the Year 2004										
Legal Reserve			178,260		(178,260)					0
Special Reserve				492,028	(492,028)					0
Cash Dividends					(906,362)					(906,362)
Remuneration Paid to Directors & Supervisors					(32,087)					(32,087)
Employees Bonus					(24,217)					(24,217)
Special Reserve Transferred Back				(55,271)	55,271					0
Stock Dividends	258,961				(258,961)					0
Stock Dividends from Capital Surplus	388,441	(388,441)								0
Stock Dividends from Current Period Employees Bonus	56,000				(56,000)					0
Subsidiary Company Receiving the Parent Company's Cash Dividends		29,021								29,021
Capital Surplus from Unpaid Cash Dividends over 5 Years		1,712								1,712
Investee's Net Loss of Unrecognized Pension Cost								(1,488)		(1,488)
Change in Percentage of Investment Adjustments		36,301								36,301
Investee's Capital Surplus Adjustments		44,295								44,295
Accumulated Translation Adjustments						137,120				137,120
Unrealized Loss on Price Decline on Long-Term Investments							18,600			18,600
Net Income after Tax for the Year 2005					1,029,994					1,029,994
Net Loss of Unrecognized Pension Cost								(23,326)		(23,326)
Round up (down) to the Nearest Thousand Dollars	(1)				1					0
Balance on December 31, 2005	\$13,651,428	\$395,574	\$1,633,671	\$643,979	\$1,720,069	(\$101,887)	(\$208,776)	(\$77,587)	(\$647,091)	\$17,009,380

The accompany notes are an integral part of these financial statements

KINPO ELECTRONICS, INC.  
Statements of Cash Flows  
For the Year Ended December 31, 2005 and 2004

Expressed in Thousands of New Taiwan Dollars

Items	Jan.1-Dec.31 2005	Jan.1-Dec.31 2004
<b>Cash Flows from Operating Activities :</b>		
Net Income for the Period	\$1,029,994	\$1,782,600
<b>Adjustments :</b>		
Losses on Doubtful Accounts	7,245	39,970
Gains on Recovery of Doubtful Accounts	(359)	0
Depreciation Expenses	30,446	37,409
Expenses Transferred from Fixed Assets	5,134	7,638
Expenses Transferred from Deferred Assets	17,552	25,575
Expenses Transferred from Other Assets-Other	9,056	9,056
Gains (Losses) on Disposal of Long-Term Investments	(719)	0
Gains on Recovery of Market Price Decline on Short-Term Investments	(14,380)	0
Losses on Market Price Decline on Short-Term Investments	0	1,351
Gains on Recovery of Market Price Decline on Inventories	(16,463)	0
Losses on Disposal of Obsolete Assets	1,468	2,732
Losses on Market Price Decline of Inventories	0	18,658
Gains on Disposal of Assets	(5,220)	(6,602)
Realized Sales Profits	(4,231)	(6,833)
Unrealized Sales Profits	3,940	6,117
Investment Losses (Gains) Recognized by the Equity Method in Excess of Cash Dividends Received	772,172	(433,001)
Realized Losses on Market Price Decline on Long-Term Investments	49,045	0
Losses on Capital Decrease of Investee Companies	135,603	11,959
Losses on Impairment	14,548	0
Foreign Exchange Effects	43,060	108,215
Decrease (Increase) in Short-Term Investments	2,530	0
Decrease (Increase) in Notes Receivable	(12,438)	1,048
Decrease (Increase) in Accounts Receivable	(95,024)	(397,166)
Decrease (Increase) in Accounts Receivable-Related Parties	(3,902)	(4,036)
Decrease (Increase) in Other Accounts Receivable	18,951	91,315
Decrease (Increase) in Other Accounts Receivable-Related Parties	14,305	5,245
Decrease (Increase) in Inventories	19,316	16,872
Decrease (Increase) in Prepayments	58,563	(3,426)
Decrease (Increase) in Forward Exchange Receivable	644,720	1,771,344
Decrease (Increase) in Other Current Assets	50,468	47,191
Decrease (Increase) in Accounts Overdue	(42,877)	300
Increase (Decrease) in Accounts Payable	(34,501)	(8,674)
Increase (Decrease) in Accounts Payable-Related Parties	784,009	351,497
Increase (Decrease) in Income Tax Payable	14,421	7,963
Increase (Decrease) in Accrued Expenses	54,798	(70,506)
Increase (Decrease) in Other Accounts Payable	(37,097)	38,544
Increase (Decrease) in Receipt in Advance	12,791	14,715
Increase (Decrease) in Forward Exchange Payable	(639,094)	(1,739,854)
Increase (Decrease) in Other Current Liabilities	72,712	(46,642)
Increase (Decrease) in Accrued Pension Liabilities	4,694	12,976
Increase (Decrease) in Deferred Income Tax Liabilities-Non-current	(200,567)	78,989
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<u>2,764,669</u>	<u>1,772,539</u>
<b>Cash Flows from Investing Activities</b>		
Refund of Capital Decrease on Long-Term Investments	0	150,000
Acquisitions of Long-Term Investments	(2,102,582)	(1,144,049)
Proceeds from Disposal of Long-Term Investments	6,583	373,895
Proceeds from Disposal of Fixed Assets	3,108	6,853
Acquisitions of Fixed Assets	(15,551)	(28,515)
Decrease (Increase) in Deferred Expenses	(22,437)	(13,578)
Decrease (Increase) in Other Assets-Others	(13,021)	(9,007)
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<u>(2,143,900)</u>	<u>(664,401)</u>
<b>Cash Flows from Financing Activities</b>		
Increase (Decrease) in Short-Term Loans	(323,535)	244,872
Increase (Decrease) in Long-Term Loans	(1,000,000)	0
Increase (Decrease) in Other Liability-Others	43	1,526
Remuneration Paid to Directors and Supervisors	(32,087)	(43,995)
Employee Bonus paid	(24,217)	(29,987)
Cash Dividends Paid	(906,362)	(834,039)
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>	<u>(2,286,158)</u>	<u>(661,623)</u>
Foreign Exchange Effects	(43,060)	(108,215)
Increase (Decrease) in Cash & Cash Equivalents	(1,708,449)	338,300
Cash & Cash Equivalents at the Beginning of Period	1,723,944	1,385,644
<b>Cash &amp; Cash Equivalents at the End of Period</b>	<u>\$15,495</u>	<u>\$1,723,944</u>
<b>Notes to Statements of Cash Flows</b>		
Interest Expenses Paid	\$106,462	\$92,108
Interest Expenses (Excluding Interest Capitalized)	<u>\$106,462</u>	<u>\$92,108</u>
Income Taxes Paid	<u>\$3,352</u>	<u>\$2,810</u>
<b>Noncash Financing Activities</b>		
Current Portion of Long-Term Liabilities	<u>\$0</u>	<u>\$ 1,000,000</u>

The accompany notes are an integral part of these financial statements

KINPO ELECTRONICS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Expressed in Thousand Dollars unless Otherwise Stated)

1. ORGANIZATION AND BUSINESS

Kinpo Electronics, Inc. (hereafter named the Company), was established on April 24, 1973 according to R.O.C.'s Company Law. The main operating business was engaged in manufacturing, assembling, and purchasing and selling consuming electronic products. Afterwards, the Company expanded its business to manufacturing, assembling, and purchasing and selling computer and peripheral computer equipments, wire / wireless communication equipments, satellite communication equipments, digital image products, etc. As approval for list by Taiwan Securities and Futures Commission on November 7, 1989, the Company ran its business toward multiple and international direction. As of December 31, 2005, the number of employees was 979.

2. SIGNIFICANT ACCOUNTING POLICIES AND MEASUREMENT BASIS

The financial statements of the Company are prepared in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and Generally Accepted Accounting Principles of R.O.C. The summary of significant accounting policies and measurement basis are described as below:

(1) Current and Non-current Assets and Liabilities

Current assets are those expecting to be realized within 12 months from the balance sheet date or are realized, available for sale or consumed in the normal course of operating cycle. Current liabilities are obligations due on demand within 12 months from the balance sheet date or are expecting to be settled in the normal course of operating cycle. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

(2) Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both:

- A. readily convertible to a known amount of cash.
- B. near to their maturity and where changes in interest rates shall have insignificant influence.

### (3) Short-Term Investments

Beneficiary certificates are recorded at cost when acquired and stated at the lower of cost or market value on the balance sheet date. The cost of beneficiary certificates sold is determined by weighted-average cost method. Losses on devaluation of market securities are recognized as non-operating expenses of current period when the cost is higher than the market value.

### (4) Allowance for Doubtful Account

Allowance for doubtful account on notes receivable, accounts receivable, overdue receivables and other receivables is determined by aging analysis of outstanding balances of such accounts as well as the past experience of the Company.

### (5) Inventory

Inventories are recorded at cost when purchased, and followed the perpetual inventory system. Weighted-average cost method is used for determining costs of inventories. In addition, the LCM (lower of cost or market value) is applied at the end of the period and using gross amount method when comparing cost and market value in which the market value represents replacement cost or net realizable value.

Inventories that are defective, damaged or obsolete are stated at net realizable value.

### (6) Long-Term Investments

1. Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method.
2. Under the equity method, unrealized gains or losses from intercompany transactions shall be eliminated. The difference between the acquisition cost of the long-term investment and the proportional equity of the Investee company should be amortized by the fact which cause the difference, except for permanent assets (e.g. land). In cases of unanalyzable causes, the 5 to 20 year straight-line method is used.
3. When an investee company's shareholders' equity changes, the investor company shall be increase or decrease in proportion to the long-term equity investment book value, as an investment income (losses) or capital surplus.

4. If an investee company stock is traded in the open market, the investor company shall use the lower of cost or market value method to evaluate the long-term investment in equity securities. If it is not applicable, the securities shall be evaluated by cost method. If there is evidence that the stock price has declined and is unlikely to recover, then any losses due to the decline in the stock price of long-term investment shall be recognized in the current period. And, the cost of the long-term investment shall be reduced to the market price that has been evaluated.
5. The cost of investments sold is determined on the weighted-average basis.
6. Investees in which the Company, directly or indirectly, holds more than 50% of voting rights or controls more than half of the members of board of directors, by whom the investee is controlled, are consolidated into the Company's financial statement at mid-year ended and year ended.

(7) Fixed Assets, Leased Assets and Idle Assets

Fixed assets, leased assets and idle assets are stated at cost when acquired. Material improvements, additions, and renewals, which can extend an asset's economic life or increase its value, are capitalized when incurred. The expenditures relating to regular maintenance and repair are treated as an expense for the period.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

The cost of fixed assets, leased assets or idle assets and accumulated depreciation is written off upon retirement or disposal. Any gain or loss from disposal of assets is recorded as a non-operating income or losses when incurred.

The Company uses the straight-line method to depreciate fixed assets and leased assets. The Company follows the "Estimate Life of Fixed Assets Table" published by the Government of R.O.C. to determine the assets' useful life.

Subsequent to the end of its estimated useful life, if they are still in use, depreciation is determined according to their residual value and new estimated remaining useful life.

(8) Interest Capitalization

The accounting treatments of interest capitalization follow the Statements of Financial Accounting Standards No. 3, "Capitalization of Interest Cost". Interest incurred during the construction of a fixed asset is capitalized and depreciated accordingly.

(9) Deferred Assets

Deferred assets are amortized over the economic useful life by straight-line method.

(10) Pension Plan

- A. For employees under defined benefit pension plans, net pension costs are recorded based on actuarial calculations. Net pension costs included current service cost, interest cost, expected return on plan assets and amortization of unrecognized transitional net benefit obligations and profits/losses of pension fund assets. For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts.
- B. The Company has followed the requirements prescribed in the Statements of Financial Accounting Standards No.18, entitled "Accounting for Pensions". Based on the actuarial report, the Company had recognized the net pension fund costs and accrued pension liabilities and disclosed the related information.

(11) Translation of Foreign Currency Transaction and Statements

A. Translation of Foreign Currency Transaction

The Company records all transactions in New Taiwan Dollars. In accordance with the Statements of Financial Accounting Standards No. 14, all foreign currency transactions (except forward contracts) are recorded in New Taiwan Dollars using the spot rate on the transaction date. All assets and liabilities stated in foreign currencies are converted into New Taiwan Dollars at the exchange rate on the balance sheet date. Any gain or loss resulting from the translation is recognized as a non-operating gain or loss except for long-term equity investments for which such a gain or loss is reported as "Cumulative Translation Adjustments" in the section of stockholders' equity.

## B. Translation of Foreign Subsidiaries' Statements

A foreign subsidiary's financial statements accounted for by the equity method are converted into New Taiwan Dollars as follows: All assets and liabilities denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rate ruling on the balance sheet date. Stockholders' equity items are translated based on the historical rate except the beginning balance of Retained Earnings which was taken directly from the post-translation balance for the last year. Income statement items are translated based on the weighted-average exchange rate for the year. Differences arising from conversion are reported as "Cumulative Translation Adjustments" in the section of stockholders' equity as a separate item.

In the case that a foreign currency is not the functional currency of a foreign subsidiary, items involving such a foreign currency are first converted into the functional currency before they are further converted into New Taiwan Dollars. As such re-measurements affect the cash flows of a foreign subsidiary, any difference due to the re-measurement is treated as an exchange gain or loss of the current period.

### (12) Treasury Stock

1. Issued shares that have been redeemed or bought back by the Company are deemed as treasury stock and the cost on the disbursement shall be debited in the account of "treasury stock". Based on the nature of the stocks (common stock or preferred stock), the book value of the treasury stock should be calculated independently with the weighted-average method.
2. As the Company write-off the treasury stock, it should be credited "treasury stock", and debited "additional paid-in capital in excess of par value" and "capital stock" according to the percentage of "treasury stock" in the equity. As the book value of treasury stock was over the amount of par value plus additional paid-in capital in excess of par value, the difference shall be offset the additional paid-in capital resulting from the same treasury stock, and the deficiency shall be debited "retained earnings". Otherwise, if it was under the amount of par value and paid-in capital in excess of par value, the difference shall be credited "additional paid-in capital" resulting from the same treasury stock.

3. The common stock of the Company that was held by its subsidiary is treated as treasury stock according to No.30 of the Statements of Financial Accounting Standards of Taiwan R.O.C..

(13) Derivative Financial Products Transaction

1. Transactions on forward exchange contracts are translated into New Taiwan Dollars based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. At the year-end, the assets and liabilities of the forward exchange contracts are restated at the prevailing exchange rate, and resulting gains or losses are credited or charged to current income. The offset value of receivables and payables of the forward exchange contracts is represented as an asset or a liability in the balance sheet. The exchange gains or losses resulting from the settlement of the forward exchange contracts are credited or charged to current income in the year of settlement.
2. The premium for an option contract is recorded at cost, and is adjusted by market value as of the balance sheet date. Any gain or loss is included in the current earnings.
3. The amounts receivable or payable under the interest rate swap contract resulting from the difference in the interest rates are included in the current earnings at the balance sheet dates and at settlement dates.

(14) Income Tax Expense

The Company adopted the provision of the Statements of Financial Accounting Standards No. 22, "Accounting for Income Taxes," for interperiod and intraperiod tax allocations. Temporary differences of pretax amount that give rise to taxable amounts in the future period are classified as deferred tax liabilities and temporary differences of pretax amount give rise to deductible amount are classified as deferred tax assets. Furthermore, reduce deferred tax asset by a valuation of allowance if some portion or all of the deferred tax assets will not be realized.

The Company adopted the provision of the Statements of Financial Accounting Standards No.12, "Accounting for Income Tax Deduction" in dealing with the deductible income tax. The deductible income tax resulting from the expenditure on purchase of equipment and technique, R&D, education training, and investment in equity shall use the current recognition method.

Income tax adjustments for prior years due to estimated changes are accounted for income tax expenses for the current period.

An extra 10% of income tax that is imposed on unappropriated retained earnings is accounted for as part of income tax expenses for the resolving period of Stockholders' Meeting.

(15) Recognition of Revenue and Expense

Revenue is recognized at the time of all or most of the process completed, indicating that revenue has been realized or realizable, and the fair value is measured in accordance with what the reasonable assurance of collectibility received or receivable sale. Costs incurred in a particular period should be matched with the revenues earned during the same period. Expense is recognized when it incurs based on accrual basis.

(16) Capital Expenditure And Revenue Expenditure

Expenditure is capitalized and amortized over its useful life if it can benefit more than one period and is material; otherwise, it is expensed immediately when incurred.

(17) Impairment of Assets

The company recognized and reversed the impairment loss of assets in accordance with the Statements of Financial Accounting Standards No.35 "Accounting for Asset Impairment". Whenever the carrying amount of an individual assets and cash-generating units exceeds its recoverable amount, the difference is to be recognized as impairment loss in the current period.

(18) Use of accounting estimates

Preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

### 3. CHANGES IN ACCOUNTING PRINCIPLE AND ITS EFFECTS:

As described in Note 21 of the financial statement, the Company had adopted the R.O.C. Statements of Financial Accounting Standards No. 35 "Accounting for Asset Impairment" to account for the impairment of its assets for its financial statements effective from January 1, 2005. Such a change in accounting principles resulted in a decrease of NT\$14,548 thousand on long-term investments, fixed assets and other assets as of December 31, 2005 and a decrease of NT\$10,911 thousand on net income for 2005.

### 4. CASH AND CASH EQUIVALENTS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Cash on Hand	\$712	\$351
Petty Cash	340	340
Bank Deposit	6,888	5,547
Certificates of Deposit	7,555	1,679,102
Cash Equivalents	0	38,604
Total	<u>\$15,495</u>	<u>\$1,723,944</u>

Cash Equivalents include short-term bonds with original maturity of three months or less. In 2004, the ranges of interest rate were 1%.

### 5. SHORT-TERM INVESTMENTS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Beneficiary Certificates	\$78,360	\$80,890
Less: Provision for Decline in Value of Marketable Securities	(0)	(14,380)
Total	<u>\$78,360</u>	<u>\$66,510</u>

### 6. NOTES RECEIVABLE

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Notes Receivable	\$11,476	\$188
Other Notes Receivable	1,165	14
Less: Allowance for Doubtful Accounts	(0)	(0)
Notes Receivable-Net	<u>\$12,641</u>	<u>\$202</u>

## 7. ACCOUNTS RECEIVABLE

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Accounts Receivable	\$2,871,736	\$2,777,163
Less: Allowance for Doubtful Accounts	(21,005)	(57,089)
Accounts Receivable-Net	<u>\$2,850,731</u>	<u>\$2,720,074</u>

## 8. OTHER ACCOUNTS RECEIVABLE

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Interest Receivable	\$2,810	\$3,544
Receivable from Molds	88,553	105,826
Taxes Refund Receivable	1,994	988
Forward Exchange Receivable-Net	0	5,626
Other Receivable	16,610	18,560
Less: Allowance for Doubtful Accounts	(22,735)	(23,094)
Total	<u>\$87,232</u>	<u>\$111,450</u>

## 9. INVENTORIES--NET

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Raw Materials	\$864	\$24,694
Outside Raw Materials	3,628	12,468
Work in Process	0	488
Finished Goods	1,231	1,127
Inventory in Transit	7,016	74
Sub-total	12,739	38,851
Less: Provision for Decline in Value of Inventory	(458)	(23,717)
Total	<u>\$12,281</u>	<u>\$15,134</u>
Insurance Amounts	<u>\$27,000</u>	<u>\$27,000</u>

As of December 31, 2005 and 2004, none of the inventory was pledged or provided as collateral for bank loans.

## 10. LONG-TERM INVESTMENTS

### (1) Long-Term Equity Investments

	December 31, 2005		December 31, 2004	
	Book Amount	% of Ownership	Book Amount	% of Ownership
<b>A. Equity Method</b>				
Cal-Comp Electronics (Thailand) Public Company Limited	\$3,819,188	42.85%	\$3,664,618	48.07%
Kingbolt International (Singapore) Pte. Ltd.	255,041	100.00%	316,761	100.00%
Forward International Ltd.	627,816	100.00%	603,894	100.00%
Kinpo International Ltd.	2,498,649	100.00%	2,478,834	100.00%
Kinpo Holding Ltd.	7,229	100.00%	41,809	100.00%
Jipo Investment Co., Ltd.	97,765	100.00%	177,625	100.00%
Fong Power Co., Ltd.	7,364	98.80%	6,491	98.80%
Compower International Technology Co., Ltd.	25,438	90.00%	25,002	90.00%
SaveCom International Inc.	13,860	79.98%	82,758	79.98%
JStream Technologies, Inc.	56,650	62.94%	68,108	62.94%
QSAN Technology, Inc.	43,635	54.26%	57,936	54.26%
Lipo Holding Co., Ltd.	48,961	51.00%	117,414	50.00%
Crownpo Technology Inc.	(3,530)	45.73%	3,573	41.94%
VIBO Telecom Inc.	4,296,346	33.39%	3,007,651	34.37%
Acbel Polytech Inc.	1,777,344	24.08%	1,794,140	24.81%
Mingo Telecom Inc.	0	2.14%	0	10.40%
Sub-Total	13,571,756		12,446,614	
Add (Less) : Cumulative Translation Adjustments	(101,887)		(239,007)	
	<u>13,469,869</u>		<u>12,207,607</u>	
<b>B. Cost Method or Lower of Cost or Market Value Method</b>				
Compal Electronics, Inc.	\$1,038,698	4.18%	1,038,698	4.16%
BAO-TEK Industrial Materials Ltd.	130,082	14.72%	130,082	14.72%
Teleport Access Services, Inc.	159,100	10.06%	159,100	10.06%
Sinonar Corp.	49,019	8.18%	105,580	8.18%
Allied Circuit Co., Ltd.	139,257	14.09%	201,378	10.18%
Toppoly Optoelectronics Corp.	1,467,599	3.81%	1,248,105	3.71%
Taiwan Fixed Network Co., Ltd.	350,000	0.54%	350,000	0.54%
International Semiconductor Technology Ltd.	180,000	4.26%	180,000	4.29%
Technology Partner VI Venture Capital Corp.	120,000	3.56%	120,000	3.56%
Others(individual investment amounts not exceed 1 billion)	701,325	—	582,930	—
Sub-Total	<u>4,335,080</u>		<u>4,115,873</u>	

C. Prepayment for Long-Term Investment		
G.T.P. PARTNER I. CORP.	0	77,760
INTERGRAFX HOLDING LTD.	38	0
Sub-Total	<u>38</u>	<u>77,760</u>
Less: Impairment Loss	<u>(1,246)</u>	<u>(0)</u>
Grand Total, Net	<u>\$17,803,741</u>	<u>\$16,401,240</u>

(2) Investment gains and losses recognized from the above investments under the equity method are as follows:

<u>Investee Company</u>	<u>Year 2005</u>	<u>Year 2004</u>
Cal-Comp Electronics (Thailand) Public Company Limited	\$553,941	\$831,612
Forward International Ltd.	20,814	390
Kinpo International Ltd.	(123,240)	181,931
Kinpo Holding Ltd.	(35,229)	(42,043)
Jipo Investment Co., Ltd.	(85,514)	16,611
SaveCom International Inc.	(68,898)	(9,298)
JStream Technologies, Inc.	(11,458)	(11,592)
QSAN Technology, Inc.	(14,301)	(1,064)
Lipo Holding Co., Ltd.	(69,732)	(22,571)
Crownpo Technology Inc.	(51,369)	(59,481)
VIBO Telecom Inc.	(305,275)	(217,022)
Acbel Polytech Inc.	113,468	334,528
Others	(2,969)	(381)
Total	<u>\$(79,762)</u>	<u>\$1,001,620</u>

(3) The proportional gains or losses on investments except this in Fong Power Co., Ltd. accounted for by the equity method are recognized based on the investees' audited financial statements. As the paid-in capital of Fong Power is less than \$30,000 thousand and also its operating revenues is less than \$50,000 thousand or less than 10 percent of the Company's operating revenues, audit is not required for its financial statements.

(4) Please refer to Note 21 for impairment losses of long-term investments for the year 2005.

(5) Cal-Comp Electronics (Thailand) Public Company Limited declared cash dividend in 2005 and 2004. The Company received the dividend in accordance with the percentage of combined shareholdings in the amount of NT\$433,378 thousand and NT\$443,244 thousand, respectively. Besides, in the second quarter of the year 2005, Cal-Comp Electronics (Thailand) Public Company Limited announced a stock split and the split ratio is 1:10, which resulted the Company's shareholdings increasing 1,399,647,393 common shares.

- (6) Kingbolt International (Singapore) Pte. Ltd. declared cash dividend in 2005. The Company received the dividend in accordance with the percentage of shareholdings in the amount of NT\$120,982 thousand.
- (7) In the fourth quarter of the year 2005, the Company participated Kinpo International Ltd. in capital increase by cash and acquired 4,250,000 common shares with US\$1 per share in the amount of US\$4,250 thousand. (Equivalent to NT\$143,055 thousand)
- (8) In the fourth quarter of the year 2005, the Company participated Kinpo Holding Ltd. in capital increase by cash and acquired 20,599 common shares with US\$1 per share in the amount of US\$21 thousand. (Equivalent to NT\$649 thousand)
- (9) In the third quarter of the year 2005, the Company participated Lipo Holding Co.,Ltd. in capital increase by acquisition of market shares of 400 common shares in the amount of NT\$ 1,279 thousand.
- (10) In the second quarter of the year 2005, the Company participated Crownpo Technology Inc. in capital increase by cash and acquired 5,595,386 common shares in the amount of NT\$55,954 thousand.
- (11) In the first and fourth quarter of the year 2005, the Company participated VIBO Telecom Inc. in capital increase by cash and acquisition of market shares of 157,140,897 common shares in the amount of NT\$1,568,609 thousand.
- (12) Acbel Polytech Inc. declared cash dividend in 2005 and 2004. The Company received the dividend in accordance with the percentage of shareholdings in the amount of NT\$196,393 thousand and NT\$185,878 thousand, respectively.
- (13) In the second quarter of the year 2005, MinGo Telecom Inc. decreased capital and capital increase by cash that resulting the Company's shareholdings reducing 1,196,000 common share in the amount of NT\$11,960 thousand. Consequently, the percentage of combined shareholdings increased to 65.15%, the equity method was appropriately applied instead of the cost method.
- (14) In the third quarter of the year 2005, Sinonar Corp. divided up its operating department by establishing a new company "Ta-Feng Utility Inc." and decreased capital which resulting the company's shareholdings reducing 3,680,426 common shares in the amount of NT\$56,560 thousand. The Company consequently received 2,862,553 common shares of Ta-Feng Utility Inc.

- (15) In the second quarter of the year 2005, Allied Circuit Co., Ltd. decreased capital and capital increase by cash, resulting the Company's shareholdings reducing 6,110,281 common shares in the amount of NT\$109,843 thousand. Besides, the Company participated Allied Circuit Co., Ltd. in increasing capital by cash and acquired 4,772,101 common shares in the amount of NT\$47,721 thousand.
- (16) In the second quarter of the year 2005, the Company participated Toppoly Optoelectronics Corp. Technology Inc. in capital increase by cash and acquired 21,949,386 common shares in the amount of NT\$219,494 thousand.
- (17) In the first quarter of the year 2005, the Company sold Pchome Online Inc. 251,000 common shares in the amount of NT\$6,583 thousand and the disposal gain was NT\$719 thousand.
- (18) In the fourth quarter of the year 2005, the Company participated SWENC Technology Co., Ltd. in capital increase by cash and acquired 1,098,400 common shares in the amount of NT\$ 10,984 thousand.
- (19) In the second quarter of the year 2005, Helios Semiconductors, Inc. decreased capital and capital increase by cash that resulting the Company's shareholdings reducing 1,380,000 common shares in the amount of NT\$13,800 thousand. Besides, the Company participated Helios Semiconductors, Inc. in increasing capital by cash and acquired 480,000 common shares in the amount of NT\$4,800 thousand.
- (20) In the fourth quarter of the year 2005, the Company recognized fully investment loss on reduction of long-term equity investments of CAPITAL SPIRIT CONSULTANTS LIMITED SAMOA based on conservatism principle after carefully evaluating its going-concern doubt, having hardly possibility of recoverable investment costs.
- (21) In the fourth quarter of the year 2005, the Company recognized fully investment loss on reduction of long-term equity investments of INTERGRAFX, INC. based on conservatism principle after carefully evaluating its going-concern doubt, having hardly possibility of recoverable investment costs.
- (22) In the second quarter of the year 2005, the Company participated Wisepal Technologies, Inc. in capital increase by cash and acquired 2,000,000 common shares in the amount of NT\$ 30,000 thousand.
- (23) In the third quarter of the year 2005, the Company participated Aonvision Technology Inc. in capital increase by cash and acquired 2,000,000 common shares in the amount of NT\$ 20,000 thousand.

- (24) In the fourth quarter of the year 2005, the Company prepaid INTERGRAFEX HOLDING LTD. common stock for US\$1,000, equivalent to NT\$39 thousand.
- (25) In the first quarter of the year 2004, the Company sold 34,000,000 common shares of Toppoly Optoelectronics Corp. to Jipo Investment Co., Ltd. in the amount of NT\$373,895 thousand and the disposal loss was NT\$8,605 thousand. The losses from these parent-subsidiary downstream transactions are deferred in accordance with Generally Accepted Accounting Principles of Taiwan, please refer to Note 24.
- (26) In the year of 2005 and 2004, the Company received cash dividend from long-term investment accounted for by cost method in the amount of NT\$190,099 thousand and NT\$279,574 thousand, respectively.

#### 11. FIXED ASSETS

<u>Accumulated Depreciation</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Buildings	\$239,550	\$206,638
Machinery	25,184	26,658
Transportation Equipment	3,956	5,354
Leased Assets - Buildings	20,665	34,573
Other Equipment	158,256	151,245
Total	<u>\$447,611</u>	<u>\$424,468</u>
Insurance Amount	<u>\$815,013</u>	<u>\$849,009</u>
Capitalized Interest Amount	<u>\$0</u>	<u>\$0</u>
<u>Accumulated Impairment</u>	<u>December 31, 2005</u>	
Machinery	\$577	
Transportation Equipment	23	
Other Equipment	2,306	
Total	<u>\$2,906</u>	

Please refer to Note 21 for impairment losses of fixed assets for the year 2005.

## 12. Non-current Notes & Accounts Receivable

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Overdue Receivables	\$56,767	\$14,380
Less: Allowance for Doubtful Account	(56,767)	(14,380)
Total	<u>\$0</u>	<u>\$0</u>

Overdue Receivables is reclassification of the Receivables, and in the end of year evaluate its collectability to determine the allowance for doubtful account.

## 13. SHORT-TERM LOANS

<u>Content</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Credit Loans	\$372,711	\$700,616
Add: Provision of (Gains) or Losses on Exchange	(5,243)	(9,613)
Total	<u>\$367,468</u>	<u>\$691,003</u>
Interest Rates Range	<u>1.62%~2.63%</u>	<u>2.6%~2.8%</u>

## 14. BONDS PAYABLE

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
The First Domestic Secured Bonds in 2000	\$0	\$1,000,000
The First Domestic Secured Bonds in 2002	1,250,000	1,250,000
Sub-Total	\$1,250,000	\$2,250,000
Less: Bonds Payable Current portion	(0)	(1,000,000)
Total	<u>\$1,250,000</u>	<u>\$1,250,000</u>

Please refer to Note 29 for the conditions and terms of domestic secured bonds.

## 15. Other Liabilities-Other

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Deferred Credits	\$12,604	\$17,208
Guarantee deposit received	1,657	1,615
Total	<u>\$14,261</u>	<u>\$18,823</u>

Deferred Credits occurred as unrealized profits on disposal of fixed assets resulting from down-stream transactions between the Company and its subsidiaries.

#### 16. CAPITAL STOCK

- (1) The Company common stock with NT\$10 par per share, as of December 31, 2005 and 2004, issued 1,365,142,791 and 1,294,802,659 outstanding shares, respectively.
- (2) On May 31, 2005, the shareholders' meeting resolved to distribute stock dividends from retained earnings NT\$258,961 thousand, capital surplus NT\$388,441 thousand and employee bonus NT\$56,000 thousand, respectively. The Securities & Futures Commission approved the new issue. The ex-dividend basis date is July 15, 2005.
- (3) On May 27, 2004, the shareholders' meeting resolved to distribute stock dividends from retained earnings NT\$953,187 thousand and employee bonus NT\$80,000 thousand, respectively. The Securities & Futures Commission approved the new issue. The ex-dividend basis date is July 6, 2004.

#### 17. CAPITAL SURPLUS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Premium of Convertible Bond	\$1,527	\$389,968
Conversion		
Treasury Stock Transactions	116,424	12,653
Long-Term Investments by Equity	275,592	269,746
Method		
Dividend Unpaid over five years	<u>2,031</u>	<u>319</u>
Total	<u>\$395,574</u>	<u>\$672,686</u>

Capital surplus can only be used for deficits offset or capital increase. Capital surplus deriving from premium on paid-in capital can be transferred to capital once a year, and the transferring amount plus that from donated surplus shall not exceed 10% of capital of Parent company. The additional paid-in capital in excess of par value can be transfer into capital account in the next following years as approved by the register authority.

## 18. RETAINED EARNINGS

### (1) Legal Reserve

Pursuant to the Company Law, 10% of annual net income after tax must be appropriated as legal reserve until the total amount of legal reserve equals to total paid-in capital. This legal reserve can only be used to offset deficit or to increase capital, but not for cash dividends. However, when legal reserve reaches 50% of total paid-in capital, a maximum of half of its amount can be transferred to capital under the approval of stockholders' meeting.

### (2) Dividends Policy

Net income of the Company should be deducted of income tax obligations, offset accumulated deficits, deducted of legal reserve at 10% of net income, deducted of remuneration for directors and supervisors at 2% of balance, deducted of 5% employee's bonus, deducted of special reserve, and added to by unappropriated retained earning according to the board of director resolutions or government requirement. The remaining balance maybe distributed as dividends and bonuses upon the approval of the shareholders' meeting.

Among the above mentioned dividends, the proportion of stock dividends maybe within 10% to 100% of the total dividends, and the cash dividend may be within 0% to 90% of the total dividends. However, when the dividends is less than NT\$0.5, the dividends should be pay out in cash only.

### (3) Information of the Company Employees' Bonus and Remuneration of Directors and Supervisors are as following:

- (a) Up to the day of auditors' report, the resolution for distributing earnings of 2005 is not yet passed.
- (b) The details of actual appropriation of retained earnings for employees' bonus and remuneration of directors and supervisors in 2004 are listed as following:

<u>Item</u>	<u>Duly passed by Board of Directors' Meeting</u>	<u>Resolution of Stockholders' Meeting</u>
Remuneration of Directors & Supervisors	\$32,087	\$32,087
Cash dividends of employees	24,217	24,217
Stock dividends of employees	56,000	56,000
Shares of stock dividends of employees	5,600,000shares	5,600,000shares
Percentage of outstanding shares	0.43%	0.43%
Basic EPS after income tax before retroactive adjustments	1.42	1.42
Pro Forma Basic EPS after income tax (Note)	1.33	1.33

(Note: Remuneration of Directors & Supervisors and employees' bonus are regarded as current year's expense of pro forma information.)

- (c) Regarding information of the Board of Directors' Meeting and Stockholders' Meeting, please refer to the website of "Market Observation Post System of Taiwan Stock Exchange Corporation".
- (4) According to SFC's regulations, as a listed company assigns distributed earnings, the company should set aside legal reserves by law, in addition, based on Security Exchange Law, the company should also appropriate a special reserve whose amount would be the same with the net debits of other adjustments of stockholders' equities on balance sheet date (ex: unrealized valuation losses on long-term investment, accumulated translation adjustments, etc.). The special reserves cannot be used for dividend distributions till the mentioned account's recovery in the future year.
- (5) As of December 31, 2005 and 2004, the information of unappropriated retained earnings and Imputation Credit Account are as follows:

	December 31, 2005	December 31, 2004
(a) Balance of Imputation Credit Account	\$61,235	\$21,370
	2005(Actuality)	2004(Actuality)
(b) Taxes Deductible Ratio	0.95%	2.96%

Estimated Taxes Deductible Ratio of 2005 is 5.63%.

	December 31, 2005	December 31, 2004
(c) Unappropriated Retained Earnings		
Prior to the Year 1998	\$235,253	\$235,253
After the Year 1998	1,484,816	2,347,465
Total	\$1,720,069	\$2,582,718

## 19. TREASURY STOCK

- (1) The movements of treasury stock during the year 2005 and 2004: None.
- (2) The shareholdings owned by subsidiary company (Jipo Investment Co., Ltd.) in the year 2005 and 2004 are listed as follows:

2005										
Beginning of the Year			Acquisition		Sold			The End of the Year		
Market					Sale			Market		
Shares	Cost	Price	Shares	Cost	Shares	Cost	Price	Shares	Cost	Price
41,459,631	\$781,975	\$561,778	0	0	0	0	0	43,532,612	\$781,975	\$605,103
(Note)										

2004										
Beginning of the Year			Acquisition		Sold			The End of the Year		
Market					Sale			Market		
Shares	Cost	Price	Shares	Cost	Shares	Cost	Price	Shares	Cost	Price
38,388,548	\$781,975	\$745,544	0	0	0	0	0	41,459,631	\$781,975	\$561,778
(Note)										

(Note: The difference between the beginning balance and the end balance referred to stock dividend.)

(3) According to the Security Exchange Law, the subsidiary that holds the treasury stocks of the parent company is entitled to exercise the rights of a stockholder exclusive of voting right in respect of such shares.

(4) According to SFC(89) Tai-Tsai-Cheng(1)-05044 regulated by Security & Futures Commission on November 22, 2000, the issued shares donated, redeemed or bought back by the company will be stated in the treasury stock of equity deduction within its balance sheets. However, in the circumstances that the treasury stocks owned by subsidiaries, when the market value of the stock lower than the book value, the difference in proportion to the Parent Company's holding ratio, should be set aside as a special reserve. If the value recovers in the future, then the recovering amount in proportion to the Parent Company's holding ratio could be reversed back from special reserve to retained earnings.

## 20. The personnel, depreciation, depletion and amortization expense

The personnel, depreciation, depletion and amortization expense of the Company are summarized by function as follows:

Function Nature	2005			2004		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Personnel Expense						
Salary expense	71,263	710,078	781,341	51,965	628,575	680,540
Labor/Health Insurance expense	—	49,457	49,457	—	43,342	43,342
Pension expense	—	45,032	45,032	—	40,167	40,167
Others expense	—	55,238	55,238	—	55,016	55,016
Depreciation expense (Note)	1,052	30,446	31,498	1,610	37,409	39,019
Depletion expense	—	—	—	—	—	—
Amortization expense	—	—	—	—	—	—

Note: In the year 2005 and 2004, depreciation expense on operating cost including lease cost in the amount of NT\$1,052 thousand and NT\$1,610 thousand.

## 21. LOSSES OF IMPAIRMENT

For the year 2005:

ITEM	Accounted in the portion of Income Statement	Accounted in the portion of Stockholder's Equity
Losses of impairment-Long- Term Investments	\$1,246	--
Losses of impairment-Machinery	577	--
Losses of impairment - Transportation Equipment	23	--
Losses of impairment - Other Equipment	2,306	--
Losses of impairment - Deferred Expenses	6,382	--
Losses of impairment - Other Assets-Other	4,014	--
Total	\$14,548	--

(1) Impairment losses of long- term investment for the year 2005, which in total of NT\$1,246 thousand, were result from the recoverable amount of investees accounted being less than its carrying amount.

(2) Impairment losses of fixed assets, deferred expenses and other assets-other for the year 2005, which in total of NT \$13,302 thousand, were result from the production line relocation to the overseas subsidiary companies and anticipated future cash inflow reduction of these assets led the recoverable amount being less than its carrying amount.

## 22. INCOME TAX EXPENSE

(1) According to the Statements of Financial Accounting Standards No. 22, "Accounting for Income Taxes", the interperiod and intraperiod income taxes allocations in detail are as follows:

A. Deferred tax assets and liabilities for the year ended of 2005 and 2004 are summarized as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
(A) Total Deferred Tax Liabilities	\$602,075	\$617,681
(B) Total Deferred Tax Assets	552,171	\$415,541
(C) Deferred Tax Assets Valuation Allowance	\$0	\$0
(D) Temporary Differences		
a. Unrealized Gains on Disposal of Fixed Assets from downstream Transactions	\$12,470	\$16,784
b. Unrealized Impairment Losses	\$13,302	\$0
c. Unrealized Exchange Losses	\$6,104	\$15,938
d. Investment Income	\$2,408,298	\$2,470,725
e. Investment Losses	\$1,719,421	\$1,083,544
f. Realized Losses on Value Decline on Long-Term Investments	\$229,865	\$134,826
g. Employee Benefits	\$13,600	\$16,638
h. Unrealized Allowance for doubtful account	\$71,183	\$66,483
i. Unrealized Business Losses	\$4,398	\$4,398
j. Unrealized Expense	\$13,333	\$24,742
k. Others	\$2,993	\$1,224
l. Investment Tax Credit	\$30,504	\$74,397
B. Deferred Tax Assets – Current	\$56,874	\$105,205
Deferred Tax Liabilities – Current	(0)	(0)
Net Offset Balance of Deferred Tax Assets (Liabilities) - Current	<u>\$56,874</u>	<u>\$105,205</u>
C. Deferred Tax Assets – Non-current	\$495,297	\$310,336
Deferred Tax Liabilities – Non-current	(602,075)	(617,681)
Net Offset Balance of Deferred Tax Assets (Liabilities) – Non-current	<u>(\$106,778)</u>	<u>(\$307,345)</u>

(2) The estimated income taxes for the year of 2005 and 2004 are as follows:

	2005	2004
Income before Taxes	\$895,531	\$1,909,389
Adjustments		
Permanent Differences	(201,944)	(276,805)
Timing Differences	154,951	(899,749)
Taxable Income	848,538	732,835
Times: Taxes Rate; Less: Accumulated Difference	25%— 10	25%— 10
Sub-Total	212,124	183,199
Add: Extra 10% Income Tax on Unappropriated Retained Earnings	0	0
Less: Tax Credit	(186,388)	(172,425)
Income Taxes Payable	25,736	10,774
Add: Adjustments due to Under (Over) Provision	(7,963)	2,551
Less: Deferred Income Taxes Expenses (Benefits)	(152,236)	113,464
Estimated Income Taxes Expenses (Benefits)	(134,463)	\$126,789

(3)A. Income tax returns of the Company have been assessed by the tax authority up to 2002, except 2000 and 2001 were still indeterminate.

B. Income tax returns of the year 1999 have been assessed by the tax authority and the Company needed to pay additional tax in the amount of NT\$14,013 thousand, however, the Company appealed for reassessment.

(4)The Company was approved under "Regulations for Encouraging Foreign Profit-Seeking Enterprises to Establish International Logistic and Distribution Center in Taiwan" from Industrial Development Bureau of MOEA that the Company is allow to file tax the way listed under this program.

(5) Income tax credits of the Company are listed as follows:

Regulations	Credit Item	Total Deductible Amount	Outstanding Amount	Last Year for Tax Credit
Statute for Upgrading Industries-Article 6	Investment research and development expenditure	\$160,675	\$30,504	2009

## 23. EARNINGS PER SHARE

	2005		2004	
	Pre-Tax	After-Tax	Pre-Tax	After-Tax
Net Income after Income Taxes (A)	\$895,531	\$1,029,994	\$1,909,389	\$1,782,600
Weighted Average Outstanding Shares (B)	1,321,610,179	1,321,610,179	1,253,343,028	1,253,343,028
Weighted Average Outstanding Shares After Retroactive Adjustments (C)	1,321,610,179	1,321,610,179	1,321,610,179	1,321,610,179
Earnings Per Share before Retroactive Adjustment (A)/(B)	\$0.68	\$0.78	\$1.52	\$1.42
Earnings Per Share after Retroactive Adjustments (A)/(C)	\$0.68	\$0.78	\$1.44	\$1.33

Pro Forma as if amounts, assuming subsidiaries' shareholdings of the Company were not treated as treasury stock:

Net Income after Income Taxes (D)	\$924,553	\$1,059,016	\$1,936,261	\$1,809,472
Weighted Average Outstanding Shares	1,365,142,791	1,365,142,791	1,294,802,659	1,294,802,659
Weighted Average Outstanding Shares After Retroactive Adjustments (E)	1,365,142,791	1,365,142,791	1,365,142,791	1,365,142,791
Earnings Per Share after Retroactive Adjustment (D)/(E)	\$0.68	\$0.78	\$1.42	\$1.33

## 24. RELATED PARTY TRANSACTIONS

### (1) Related Party Accounts

<u>Name of the Related Parties</u>	<u>Relationship with the Company</u>
Cal-Comp Electronics (Thailand) Public Company Limited	Investee company accounted for by equity method
Forward International Ltd.	Investee company accounted for by equity method

Kinpo International Ltd.	Investee company accounted for by equity method
Jipo Investment Co., Ltd.	Investee company accounted for by equity method
JStream Technologies, Inc.	Investee company accounted for by equity method
Crownpo Technology Inc.	Investee company accounted for by equity method
Cal-Comp Electronics & Communications Co.,Ltd.	Subsidiary of investee company accounted for by equity method
Compower International Ltd.	Subsidiary of investee company accounted for by equity method
Logistar International Holding Co., Ltd.	Subsidiary of investee company accounted for by equity method
Tung-Wan Kai-Bao Co., Ltd.	Subsidiary of investee company accounted for by equity method
Liz Electronics (Kunshan) Co.,Ltd.	Subsidiary of investee company accounted for by equity method
Compal Electronics, Inc.	Investee company accounted for by cost method

## (2) Major Transactions Involving Related Parties

### A. Accounts Payable

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Kinpo International Ltd.	\$1,908,602	89.62%	\$945,153	70.24%
Logistar International Holding Co., Ltd.	129,785	6.09%	195,800	14.55%
Cal-Comp Electronics (Thailand) Public Company Limited	90,908	4.27%	203,845	15.15%
Others	352	0.02%	839	0.06%
Total	<u>\$2,129,647</u>		<u>\$1,345,637</u>	

### B. Accounts Receivable

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
JStream Technologies, Inc	\$10,482	51.90%	\$0	-
Tung-Wan Kai-Bao Co. Ltd	7,572	37.49%	11,604	71.22%
Others	2,141	10.61%	4,689	28.78%
Total	<u>\$20,195</u>		<u>\$16,293</u>	

C. Other Accounts Receivable

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Kinpo International Ltd.	\$46,270	90.84%	\$64,955	99.56%
Others	4,668	9.16%	288	0.44%
Total	<u>\$50,938</u>		<u>\$65,243</u>	

D. Other Accrued Expense

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Kinpo International Ltd.	\$12,352	3.62%	\$2,422	0.84%
Cal-Comp Electronics (Thailand) Public Company Limited	0	-	680	0.24%
Others	419	0.12%	0	-
Total	<u>\$12,771</u>		<u>\$3,102</u>	

E. Advance Receipts

	Dec. 31, 2005		Dec. 31, 2004	
	Amount	%	Amount	%
Forward International Ltd.	\$96,028	62.60%	\$93,301	66.36%
Others	64	0.04%	50	0.04%
Total	<u>\$96,092</u>		<u>\$93,351</u>	

F. Sales

In 2005 and 2004, the amounts of the Company sold goods to related-parties are as below:

	2005		2004	
	Amount	% of Total Net Sales	Amount	% of Total Net Sales
JStream Technologies, Inc	\$97,426	0.54%	\$0	-
Tung-Wan Kai-Bao Co., Ltd.	11,243	0.06%	22,368	0.14%
Compal Electronics, Inc.	3,000	0.02%	4,280	0.03%
Others	8	0.00%	0	-
Total	<u>\$111,677</u>		<u>\$26,648</u>	

## G. Purchases

	2005		2004	
	Amount	% of Total Purchases	Amount	% of Total Purchases
Kinpo International Ltd.	\$12,172,746	76.00%	\$10,643,298	73.20%
Logistar International Holding Co., Ltd.	1,758,968	10.98%	2,174,364	14.95%
Cal-Comp Electronics (Thailand) Public Company Limited	1,949,037	12.17%	1,519,820	10.45%
Total	\$15,880,751		\$14,337,482	

The purchase cost of triangle trade above is determined from 75%~100% of the sales price upon an agreement among the Company, Cal-Comp Electronics (Thailand) Public Company Limited, Kinpo International Ltd. and Logistar International Holding Co., Ltd. Payments were made on the next month after purchases.

## H. Property Transactions

	2005		2004	
	Item	Book Value	Item	Book Value
Kinpo International Ltd.	Equipment & Molds	\$29,381	Equipment & Molds	\$20,413
Jipo Investment Co.,Ltd.	Stock	0	Stock	382,500
JStream Technologies, Inc.	Software	0	Software	3,255
Others	Equipment & Molds	449	Equipment & Molds	732
Total		\$29,830		\$406,900

- (1) In the year of 2005 and 2004, the Company sold assets to the subsidiaries with selling prices of NT\$30,418 thousand and NT\$26,618 thousand and disposal gains of NT\$588 thousand and NT\$2,218 thousand, respectively. The gains from these parent-subsidiary downstream transactions are deferred in accordance with Generally Accepted Accounting Principles of Taiwan, and the gains or losses are recognized by amortizing the useful life.
- (2) In the first half year of 2004, the Company sold stock to Jipo investment Co.,Ltd. with selling prices of NT\$373,895 thousand, and the disposal loss was NT\$8,605 thousand. The losses from these parent-subsidiary downstream transactions are deferred in accordance with Generally Accepted Accounting Principles of Taiwan.

### I. Service Revenues

	2005		2004	
	Amount	%	Amount	%
Cal-Comp Electronics & Communications Co., Ltd.	\$12,176	4.28%	\$12,019	4.76%
Compower International Ltd.	2,236	0.79%	3,442	1.36%
Others	918	0.32%	847	0.34%
Total	<u>\$15,330</u>		<u>\$16,308</u>	

### J. Operating Lease

	Location	2005	2004
		Rental Income	Rental Income
Crownpo Technology Inc.	Office Building at Sec. 5, Nanking E. Rd.	\$3,769	\$3,857
Others	Office Building at Sec. 5, Nanking E. Rd.	1,839	1,935
Total		<u>\$5,608</u>	<u>\$5,792</u>

Rental Income is based on the market price and is received on a monthly basis.

### K. Endorsements and Guarantee

Please refer to Note 26 for the balances and details of endorsement and guarantee made by the Company for the related parties.

### L. Other Revenues and Expenses

	2005		2004	
	Amount	%	Amount	%
(A) Operating Expense				
Cal-Comp Electronics (Thailand) Public Company Limited	\$6,344	0.51%	\$0	—
Cal-Comp Electronics & Communications Co., Ltd.	318	0.03%	7,499	0.63%
Others	8,106	0.65%	9,074	0.77%
Total	<u>\$14,768</u>		<u>\$16,573</u>	
(B) Miscellaneous Income				
Compal Electronics, Inc.	\$7,166	9.78%	\$12,331	9.37%
Others	1,842	2.51%	1,612	1.22%
Total	<u>\$9,008</u>		<u>\$13,943</u>	

## 25. PLEDGED ASSETS

<u>Item</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Long-Term Investment--Compal Electronics, Inc.	\$0	\$667,242

Pledged or mortgage assets are expressed in book value, please refer to Note 29.

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2005 and 2004, endorsements issued for related parties due to business transactions are as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Forward International Ltd.	US\$ 0	US\$ 5,000
Kinpo International Ltd.	US\$141,187	US\$ 48,500
	NT\$ 0	NT\$ 150,000
Liz Electronics (Kunshan) Co.,Ltd.	US\$ 1000	US\$ 1,000
Compower International Ltd.	US\$ 500	US\$ 1,100

(2) As of December 31, 2005, guarantee notes issued by the Company for loan, commercial paper and bonds are NT\$8,214 million and US\$66 million.

(3) As of December 31, 2005, Compal Electronics, Inc. together with the Company issued declaration to the lending bank related to loan agreements to VIBO Telecom Inc.(hereinafter called "VIBO"), the declaration was as follows:

A. Before the VIBO become listed company, the portion of its shares held by Compal Electronics, Inc., Kinpo Electronics, Inc. and its affiliate Companies (hereinafter called "Compal/ Kinpo Groups") should maintain no less than 40% of the total outstanding shares of VIBO if its total amount of real capital stocks and additional paid in capital reached up to NT\$10 billions, and no less than 30% of the total outstanding shares if its total amount of real capital stocks and additional paid in capital reached up to NT\$15 billions.

B. Only when a strategy partner is to invest in VIBO and approved by more than half of the lending banks which have not receiving the remaining recompense, the lending bank would agree on reducing the above proportion of shareholdings.

C. When VIBO in the process of applying its stocks listing on OTC Markets, "Compal/ Kinpo Groups" has to maintain the maximum portion of shareholdings of VIBO which is required by Taiwan Stock Exchange Corporation or Securities and Futures Commission or related authority departments.

D. For the duration of the loan agreement, "Compal/ Kinpo Groups" should control or occupy jointly at least 30% of directors seats after deducting the independent directors seats of VIBO.

E. If VIBO fails to implement its obligation of principle and interest payments under the agreement with the lending bank, "Compal/ Kinpo Groups" will take any necessary action including but not limit to increasing capital by cash or other feasible plans to enable VIBO obtaining the essential capitals to implement the obligation.

(4) The Company had received the resolution from China International Economic And Trade Arbitration Commission- Shanghai Branch that Hui-Ton Company asked for arbitration for the defect of Company's ADSL products in July 2005. The Company disagreed with the arbitrage resolution and appealed to dissolve the reduction to the court in early 2005. In Sep. 26, 2005, the Company reached an settlement with Hui-Ton Company and withdrew the appeal.

27. SIGNIFICANT DISASTER LOSSES: NONE.

28. SUBSEQUENT EVENTS: NONE.

29. OTHER SIGNIFICANT EVENTS

(1) INFORMATION OF BONDS

A. The Company has issued first domestic secured bonds on October 15, 2002, and its requirements are as follows:

(A) Total issued amount: NT\$1,250,000 thousand.

(B) Par value: NT\$1,000 thousand (by unregistered method).

(C) Issued price: Full issued with par value.

(D) Coupon rate: 3.5% × Range/Total.

(E) Term date: October 15, 2002 to October 15, 2007.

(F) Payment of principal: Single principal payment when expired.

(G) Payment of interest: Pay annually according to coupon rate.

(H) Method of Guarantee: Guaranteed by Bank.

Note 1: The Company has entered into NT\$1,250,000 thousand Interest Rate Swap Transaction Agreement with BNP DARIBAS. The contract is for a period of 5 years, maturing in October 15, 2007. At the maturity date, the Company is required to pay interest to the bank at a fixed rate of 2.435% and the bank is required to pay interest to the Company at  $3.5\% \times \text{Range} / \text{Total}$  (Note 2).

Note 2: "Range" means, in respect of a Calculation Period, the number of days in the relevant Range Period that Libor is equal to or greater than zero and equal to or less than High Limit.

"Range Period" means, in respect of a Calculation Period, the period from and including the day that is two Business Days preceding the first day of such Calculation Period to but excluding the day that is two Business Days preceding the last day of such Calculation Period.

B. The Company pay off the first domestic secured bonds in the amount of NT\$1 billion on Jun. 7, 2005 and take back the collateralized 92,100 thousand common shares of Compal Electronics, Inc.

## (2) DISCLOSURES OF PENSION INFORMATION

A. The Company has a defined benefit plan under the Labor Standards Law for those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same company after July 1, 2005 and have chosen to be subject to the pension plan under the Labor Standards Law. Employee Pension Fund contributed by the Company is 5% of monthly salary. As of December 31, 2005 and 2004, in accordance with above-mentioned plan, the Company recognized the pension cost amounted to NT\$34,731 thousand and NT\$40,167 thousand, respectively. The balance of pension fund at Central China Trust amounted to NT\$283,191 thousand and NT\$270,201 thousand, respectively.

B. From July 1, 2005, the company contributes on a monthly basis not less than 6% of the employee's monthly salaries to the Labor Pension Fund by contributing into the individual pension fund accounts at the bureau of Labor Insurance for those employees who are subject to Labor Pension Act. As of December 31, 2005, in accordance with the above-mentioned act, the company recognized Labor Pension Expenses amounted to NT\$10,301 thousand.

C. The pension fund information is disclosed as follows:

1. Net Pension Cost:

	<u>2005</u>	<u>2004</u>
(1) Service Cost	\$17,977	\$21,232
(2) Interest Cost	16,052	16,592
(3) Actual Return on Pension Fund Assets	(3,983)	(3,250)
(4) Profits/Losses of Pension Fund Assets	(2,949)	(6,772)
(5) Amortization	7,634	12,365
(6) Losses (gains) on diminution or settlement	0	0
(7) Net Pension Fund Costs	<u>\$34,731</u>	<u>\$40,167</u>

2. Pension Fund Status:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
(1) Vested Benefit Obligations	(\$116,291)	(\$135,419)
(2) Non-Vested Benefit Obligations	(271,064)	(210,726)
(3) Accumulated Benefit Obligations	(387,355)	(346,145)
(4) Additional Benefits Based on Future Salaries	(104,729)	(123,772)
(5) Projected Benefit Obligations	(492,084)	(469,917)
(6) Plan Assets at Fair Value	288,028	274,836
(7) Funded Status=(5) + (6)	(204,056)	(195,081)
(8) Unrecognized Transitional Net Benefit Obligations	0	0
(9) Unrecognized Prior Service Costs	0	0
(10) Unrecognized Gains and Losses	173,417	169,135
(11) Additional Minimum Pension Liability	(68,689)	(45,363)
(12) (Accrued Pension Liabilities)/Prepaid Pension Cost=(7) + (8) + (9) + (10) + (11)	(\$99,328)	(\$71,309)
(13) Vested Benefit	<u>(\$436,191)</u>	<u>(\$387,631)</u>

3. Actuarial Assumptions

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Discount Rate	3.50%	3.50%
Rate of Increase Compensation	2.00%	2.00%
Expected Return on Plan Assets	2.50%	2.50%

### (3) FINANCIAL DERIVATIVE

A. As of Dec. 31, 2005 and 2004, unexpired derivative contracts held by the Company are summarized as follows:

#### (A) Forward Exchange Contract and Foreign Currency Option Contract

(Unit: thousand dollars)

As of December 31, 2005: None.

Financial Derivative	December 31, 2004				
	Par Value, Contract Amount, Nominal Value	Maturity Date	Contract Rate	Fair Value	Gain (Loss) Recognized
Forward Exchange Contract-Sell	US 20,000	In one year	US:NT 1:32.195~ 32.277	638,340	4,060

(B) Interest Rate Swap Contract: Please Refer to Note 29-(1)-A.

#### B. Credit Risk

The amount of credit risk is the positive fair value less the general agreement of delivery-net on the date of the balance sheet. If the other party breaches the contract, then there will be a loss for the Company. Since the Company only deals with well-credited banks, the risk of having a high credit risk is low.

#### C. Market Price Risk

The Company was engaged in forward exchange contract, foreign currency options, and interest rate swap in order to hedge the risk of interest rate change and foreign currency exchange rate fluctuation. Since the two counterbalance each other, therefore, the risk of market price is low.

#### D. Liquidity Risk

The estimated cash flow in and out of the engagement of the company in forward contract and foreign currency options are listed on the following chart. The Company estimated itself to have enough working capital to manage the problem, thus there's no financing risk. The Company is also able to calculate the loss and gain with the bank by the date the contract ends, and pay with net amount. Finally since the exchange rate for the financial derivative is certain, the risk of having high liquidity is low.

(Unit: thousand dollars)

December 31, 2005			
<u>Financial Derivative</u>	<u>Term</u>	<u>Cash flow out</u>	<u>Cash flow in</u>
Forward Exchange Contract - Sell	Year 2005	US 20,000	NT 644,720

The cash flow requirements of the Company's interest rate swap contracts are limited to the net differences between the contracted floating rate and fixed rate at the maturity date.

#### E. Category, Goal and the Strategy of How to Achieve the Goal of Holding Financial Derivative

The main reason for the Company to hold financial derivatives is to avoid foreign currency claim and the risk of fluctuation on the exchange rate, not for trading purpose. The goal is to avoid most of the market price risk and the Company evaluates financial derivative regularly.

#### F. As of December 31, 2005 and 2004, unexpired forward exchange contract for the Company is as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Forward Exchange Receivable	\$0	\$644,720
Forward Exchange Payable	(0)	(638,340)
Forward Exchange (Premium) Discount	(0)	(754)
Forward Exchange Receivable (Payable)-Net	<u>\$0</u>	<u>\$5,626</u>

#### (4) THE FAIR VALUE OF FINANCIAL INSTRUMENTS

As of December 31, 2005 and 2004, the book values of non-derivative financial instruments showed on the balance sheet approximated to their fair values except stated below:

Item	December 31, 2005		December 31, 2004	
	Book Value	Fair Value	Book Value	Fair Value
Long-Term Investment	\$17,803,741	\$22,791,677	\$16,401,240	\$22,060,666

Methods and assumptions used by the Company to evaluate the fair value of the financial instruments is as follows:

1. The fair value of short-term financial product is evaluated based on the book value listed on balance sheet, because this type of products are due in a short period of time, thus the book value should be a reasonable estimate for its fair value. This method applies to cash and cash equivalents; notes and accounts receivable; other accounts receivable; other current asset; guarantee deposits paid; short-term loans; short-term notes; notes and accounts payable; accrued expenses; other accounts payable and other current liabilities.
2. If there is a market price for the marketable securities, then its fair value is its market price: The basis for evaluating stocks of listed company is based on the average of the closing price in the open market of the last fiscal month; open-end funds, however, is evaluated based on the net worth of the fund on balance sheet date.
3. If there is open market for the long-term investment, then the fair value will be the market value. When a market price is not available, the fair value will be evaluated basically on net worth showed in the balance sheet prepared by management. Since there was no evidence supporting the investment value had declined, then the book value was used for market value.
4. The fair value of bonds payable is evaluated by the discounted present value of the future cash flow.

#### (5) PRESENTATION OF FINANCIAL STATEMENTS

- A. The Company has adopted the provision of SFC, which treated the transactions of selling raw materials to its subsidiary companies for processing and then selling out to third parties as one transaction.
- B. Certain items in financial statements in the year ended of 2004 have been reclassified to be comparable with those in the financial statements in the year ended of 2005.

## 29. DISCLOSURES OF POSTSCRIPT EVENTS

### (1) Information of Significant Transactions

No.	Items	Table
1	Financing activities provided to others.	None
2	Endorsement provided to others.	Table 1
3	Holds marketable securities at year-end	Table 2
4	Bought-in / sold-out marketable securities during the period exceeding NTD 100 million or 20% paid-in capital.	Table 3
5	Acquisitions of real estate whose amounts are greater than NTD 100 million or 20% paid-in capital.	None
6	Disposal of real estate whose amount are greater than NTD 100 million or 20% paid-in capital.	None
7	Transactions with related parties whose amounts are greater than NTD 100 million or 20% paid-in capital.	Table 4
8	Receivable due from related parties whose amount are greater than NTD 100 million or 20% paid-in capital.	None
9	Financial derivative.	Refer to Note 29

### (2) Information of Investees

No.	Items	Table
1	Financing activities provided to others.	Table 5
2	Endorsement provided to others.	None
3	Holds marketable securities at year-end	Table 6
4	Bought-in / sold-out marketable securities during the period exceeding NTD 100 million or 20% paid-in capital.	Table 7
5	Acquisitions of real estate whose amounts are greater than NTD 100 million or 20% paid-in capital.	Table 8
6	Disposal of real estate whose amount are greater than NTD 100 million or 20% paid-in capital.	None
7	Transactions with related parties whose amounts are greater than NTD 100 million or 20% paid-in capital.	Table 9
8	Receivable due from related parties whose amount are greater than NTD 100 million or 20% paid-in capital.	Table 10
9	Financial derivative.	Table 11
10	The information of investees.	Table 12

### (3) Information of Investment on Mainland China: Table 13.

### 30. SEGMENTED FINANCIAL INFORMATION

#### (1) Financial Information by Industry:

The Company manufactures and sells electronic communication products. No disclosure is required for an entity operating in a single industry.

#### (2) Geographic Financial Information: No Foreign Operating Site.

#### (3) Export Sales Information:

As of Dec. 31, 2005 and 2004, the total export sales of the Company were NT\$17,989,487 thousand and NT\$16,285,064 thousand, respectively. Please see below for details.

<u>Area</u>	<u>2005</u>	<u>2004</u>
Asia	\$4,253,545	\$3,449,673
America	8,905,835	8,418,767
Europe	4,806,807	4,394,764
Others	23,300	21,860
Total	<u>\$17,989,487</u>	<u>\$16,285,064</u>

#### (4) Disclosures by Major Customers

Customers that provided revenues exceeding 10% of the Company's total revenues in 2005 and 2004 are as follows:

<u>2005</u>			<u>2004</u>		
<u>Customers</u>	<u>Amount</u>	<u>% of Total Revenues</u>	<u>Customers</u>	<u>Amount</u>	<u>% of Total Revenues</u>
H01	\$6,790,157	36.97%	H01	\$6,610,803	39.78%
MGN	4,326,000	23.55%	MGN	2,694,536	16.21%
CSO	1,864,397	10.15%	CSO	1,398,307	8.41%
Total	<u>\$12,980,554</u>		Total	<u>\$10,703,646</u>	

Table 1 Endorsement provided to others

Number (Note 1)	Name of the company which provided endorsement to others	Name of the counter party which received the endorsement		Endorsement limit to each entity (Note 3)	Maximum endorsement amount in this period	Ending endorsement amount at the end of this period	Amounts of endorsement which provided by certain property	The ratio of accumulated endorsement amount to net worth of the latest financial statements	Maximum limit of endorsement (Note 3)
		Name	Relationship with the Company (Note 2)						
0	Kinpo Electronics, Inc.	Forward International Ltd.	2		\$164,250 (US5,000)	\$0	—	-	
0	Kinpo Electronics, Inc.	Kinpo International Ltd and Kinpo China (Consolidated).	2		NT\$150,000 \$4,637,993 (US141,187)	NT\$0 \$4,637,993 (US141,187)	—	27.27%	
0	Kinpo Electronics, Inc.	Compower International Ltd.	2		\$36,135 (US1,100)	\$16,425 (US 500)	—	0.10%	
0	Kinpo Electronics, Inc.	Liz Electronics (Kunshan) Co., Ltd.	2		\$32,850 (US1,000)	\$32,850 (US1,000)	—	0.19%	

Note 1: The column of number should be filled in as follows:

- (1) The Issuer is 0.
- (2) Investees should be numbered sequentially from 1.

Note 2: There are five types of the relationship with the Company listed as follows:

- (1) Company with business relationship.
- (2) Subsidiary company.
- (3) Parent company.
- (4) The co-insured company according to the regulations of construction contracts.
- (5) The company that received the endorsement based on the proportional percentage of ownership of each investors.

Note 3: The calculation method of the maximum limit amounts are as follows:

- (1) Accumulated endorsement provided to other companies can not exceed the Company's net worth. (On December 31, 2005, the net worth is NT\$17,009,380 thousand)
- (2) An endorsement provided to any single entity can not exceed 65% of the maximum amount referred to in the preceding paragraph.

Table 2 Marketable securities held at year-end

Name of the company which held marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year-end				Note
				Number of shares	Book value (Note 2)	Percentage	Market value (Note 1)	
Kinpo Electronics, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited / Stock	Investee accounted for by equity method	Long-term Investment	1,555,163,770	\$3,710,379	42.85%	Baht 3.75	
Kinpo Electronics, Inc.	Kingbolt International (Singapore) Pte. Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	12,000,000	196,394	100.00%	US 0.50	
Kinpo Electronics, Inc.	Forward International Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	67,000	643,758	100.00%	9,378.70	
Kinpo Electronics, Inc.	Kinpo International Ltd. and Kinpo China (Consolidated) / Stock	Investee accounted for by equity method	Long-term Investment	67,550,000	2,621,102	100.00%	RMB 9.53	
Kinpo Electronics, Inc.	Kinpo Holding Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	5,920,599	10,290	100.00%	US 0.05	
Kinpo Electronics, Inc.	Jipo Investment Co., Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	99,000,000	97,998	100.00%	7.10	
Kinpo Electronics, Inc.	Fong Power Co., Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	494,000	7,364	98.80%	14.91	
Kinpo Electronics, Inc.	Compower International Technology Co., Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	1,801,800	23,914	90.00%	13.27	
Kinpo Electronics, Inc.	SaveCom International Inc. / Stock	Investee accounted for by equity method	Long-term Investment	72,884,736	13,860	79.98%	0.19	
Kinpo Electronics, Inc.	JStream Technologies, Inc. / Stock	Investee accounted for by equity method	Long-term Investment	7,395,000	56,650	62.94%	6.79	
Kinpo Electronics, Inc.	OSAN Technology, Inc. / Stock	Investee accounted for by equity method	Long-term Investment	4,775,000	43,635	54.26%	6.89	
Kinpo Electronics, Inc.	Lipo Holding Co., LTD. / Stock	Investee accounted for by equity method	Long-term Investment	20,400	39,725	51.00%	US 59.28	
Kinpo Electronics, Inc.	Crownpo Technology Inc. / Stock	Investee accounted for by equity method	Long-term Investment	16,919,473	179	45.73	0.01	
Kinpo Electronics, Inc.	VIBO Telecom Inc. / Stock	Investee accounted for by equity method	Long-term Investment	500,805,888	4,296,346	33.39%	8.55	

Table 2-1 Marketable securities held at year-end

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value (Note 2)	Percentage	Market value (Note 1)	
Kinpo Electronics, Inc.	Acbel Polytech Inc. / Stock	Investee accounted for by equity method	Long-term Investment	112,052,257	1,780,921	24.08%	17.80	
Kinpo Electronics, Inc.	MinGo Telecom Inc. / stock	Investee accounted for by equity method	Long-term Investment	104,000	0	2.14%	—	
Kinpo Electronics, Inc.	Compal Electronics, Inc. / Stock	Investee accounted for by cost method	Long-term Investment	149,071,523	1,038,698	4.18%	30.30	Provided 92,100,000 shares as collaterals, Book Value NT\$667,242 thousand.
Kinpo Electronics, Inc.	First Taiwan Investment & Development Co. / Stock	Investee accounted for by cost method	Long-term Investment	1,500,000	15,000	5.00%	7.4	
Kinpo Electronics, Inc.	First Taiwan Venture Capital Co. / Stock	Investee accounted for by cost method	Long-term Investment	5,041,296	37,625	7.73%	6.92	
Kinpo Electronics, Inc.	Norm Pacific Automation Corp. / Stock	Investee accounted for by cost method	Long-term Investment	330,889	3,309	1.65%	3.28	
Kinpo Electronics, Inc.	BAO-TEK Industrial Materials Ltd. / Stock	Investee accounted for by cost method	Long-term Investment	24,415,654	130,082	14.72%	6.68	
Kinpo Electronics, Inc.	Teleport Access Services, Inc. / Stock	Investee accounted for by cost method	Long-term Investment	8,420,000	159,100	10.06%	12.82	
Kinpo Electronics, Inc.	Sinonar Corp. / Stock	Investee accounted for by cost method	Long-term Investment	3,189,702	49,019	8.18%	13.32	
Kinpo Electronics, Inc.	Taiwan Micropag Crop. / Stock	Investee accounted for by cost method	Long-term Investment	1,196,886	12,956	1.85%	8.83	
Kinpo Electronics, Inc.	Allied Circuit Co., Ltd. / Stock	Investee accounted for by cost method	Long-term Investment	9,864,002	139,257	14.09%	10.80	
Kinpo Electronics, Inc.	FR Venture Capital Inc. / Stock	Investee accounted for by cost method	Long-term Investment	5,000,000	50,000	15.63%	6.09	
Kinpo Electronics, Inc.	Toppoly Optoelectronics Corp. / Stock	Investee accounted for by cost method	Long-term Investment	132,920,729	1,467,599	3.81%	8.15	
Kinpo Electronics, Inc.	PC home Ventures Inc. / Stock	Investee accounted for by cost method	Long-term Investment	2,720,000	27,200	6.06%	7.52	

Table 2-2 Marketable securities held at year-end

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value (Note 2)	Percentage	Market value (Note 1)	
Kinpo Electronics, Inc.	PC home Online Inc. / Stock	Investee accounted for by cost method	Long-term Investment	1,040,133	23,548	1.85%	52.03	
Kinpo Electronics, Inc.	Taiwan Fixed Network Co., Ltd. / Stock	Investee accounted for by cost method	Long-term Investment	35,000,000	350,000	0.54%	10.79	
Kinpo Electronics, Inc.	PK Venture Capital Corp. / Stock	Investee accounted for by cost method	Long-term Investment	5,000,000	50,000	3.33%	9.05	
Kinpo Electronics, Inc.	International Semiconductor Technology Ltd. / Stock	Investee accounted for by cost method	Long-term Investment	11,198,680	180,000	4.26%	35.65	
Kinpo Electronics, Inc.	Global Strategic Investment Inc. / Stock	Investee accounted for by cost method	Long-term Investment	3,000,000	97,017	3.77%	US 0.79	
Kinpo Electronics, Inc.	Land Port Capital Investment Company / Stock	Investee accounted for by cost method	Long-term Investment	3,000,000	30,000	14.93%	8.49	
Kinpo Electronics, Inc.	Prudence Venture Investment Corporation / Stock	Investee accounted for by cost method	Long-term Investment	2,000,000	20,000	1.00%	9.16	
Kinpo Electronics, Inc.	SWENC Technology Co., Ltd. / Stock	Investee accounted for by cost method	Long-term Investment	5,835,400	70,724	9.87%	5.42	
Kinpo Electronics, Inc.	Helios Semiconductors, Inc. / Stock	Investee accounted for by cost method	Long-term Investment	1,100,000	11,000	8.43%	7.50	
Kinpo Electronics, Inc.	Hi-Sincerity Corp. / Stock	Investee accounted for by cost method	Long-term Investment	4,305,000	61,500	9.94%	9.65	
Kinpo Electronics, Inc.	Puritron Technology Inc./ Stock	Investee accounted for by cost method	Long-term Investment	577,200	7,125	3.85%	11.00	
Kinpo Electronics, Inc.	Technology Partner VI Venture Capital Corp. / Stock	Investee accounted for by cost method	Long-term Investment	12,000,000	120,000	3.56%	9.99	
Kinpo Electronics, Inc.	G.T.P. PARTNER I. CORP. / Stock	Investee accounted for by cost method	Long-term Investment	2,400,000	77,760	6.30%	US 1.00	

Table 2-3 Marketable securities held at year-end

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value (Note 2)	Percentage	Market value (Note 1)	
Kinpo Electronics, Inc	Wisepal Technologies, Inc. / Stock	Investee accounted for by cost method	Long-term Investment	2,000,000	30,000	6.52%	9.21	
Kinpo Electronics, Inc	Aonvision Technology Inc. / Stock	Investee accounted for by cost method	Long-term Investment	2,000,000	20,000	12.50%	6.33	
Kinpo Electronics, Inc	Ta-Feng Utility Inc. / Stock	Investee accounted for by cost method	Long-term Investment	2,862,553	56,561	8.18%	12.49	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term investment	133,678.8	890	—	10.07	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	2,791,366.9	17,470	—	4.60	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	1,000,000	10,000	—	8.20	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	1,000,000	10,000	—	14.65	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	1,000,000	10,000	—	5.93	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	1,000,000	10,000	—	17.05	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	1,000,000	10,000	—	14.71	
Kinpo Electronics, Inc.	Beneficiary Certificates	—	Short-term Investment	1,000,000	10,000	—	9.75	

Note 1: Regulations of market value are as follows:

- (1) Open market value: It means the average daily closing market price of the last month in the accounting period, as for open fund, the market value means the net asset value of that fund as of the balance sheet date.
  - (2) Non-open market value: Please fill in net worth per share only.
- 2: Book value refers to the book value without the deduction of the allowance for evaluation of loss on market value (Including Accumulated Translation Adjustments).
  3. The investments that the Company has recognized 100% realized losses are not listing in the Table.

Table 3 Marketable securities bought-in/sold-out during the period exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of transaction	The category and name of marketable securities	Recorded accounts in the book	Name of the counter party	Relationship	Beginning		Bought-in		Sold-out				Ending	
					Number of shares	Amount	Number of shares / Units	Amount	Number of shares	Sale price	Book cost	Gain (Loss) on disposal of marketable securities	Number of shares / Units	Amount
Kinpo Electronics, Inc.	Toppoly Optoelectronics Corp. / Stock	Long-term Investment	Capital Increment	Investees accounted for by cost method	110,971,343	1,248,105	21,949,386	219,494	—	—	—	—	132,920,729	1,467,599
Kinpo Electronics, Inc.	Kinpo International Ltd. and Kinpo China (Consolidated)/ Stock	Long-term Investment	Capital Increment	Investees accounted for by equity method	63,300,000	2,462,852	4,250,000	143,055	—	—	—	—	67,550,000	2,621,102 (Note1)
Kinpo Electronics, Inc.	VIBO Telecom Inc./ Stock	Long-term Investment	Capital Increment/ Outside stockholder	Investees accounted for by equity method	343,664,991	3,007,650	157,140,897	1,568,609	—	—	—	—	500,805,888	4,296,346 (Note1)
Kinpo Electronics, Inc.	Government Bonds	Cash Equivalents	—	—	0	38,604	—	4,537,734	—	4,577,475	4,576,338	1,137	—	0

Note 1: The ending amount included recognition of investment income (loss) and capital surplus adjustments (Including Accumulated Translation Adjustments).

Table 4 The related parties transactions exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of transaction	The counter party	Relationship	Transaction condition				Comparison to other regular transaction		Notes and accounts receivable (payable)		Note
			(Sales) Purchases	Amount	Percentage to total purchases (Sales)	Credit term	Unit price (Note)	Credit term	Balance	Percentage to total notes and accounts receivable (payable)	
Kinpo Electronics, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Investee accounted for by equity method	Purchases	\$1,949,037	12.17%	About 1 month	Note 1	About 1 month	(90,908)	(4.27%)	
Kinpo Electronics, Inc.	Kinpo International Ltd. and Kinpo China (Consolidated)	Investee accounted for by equity method	Purchases	12,172,746	76.00%	About 1 month	Note 1	About 1 month	(1,908,602)	(89.62%)	
Kinpo Electronics, Inc.	Logistar International Holding Co., Ltd.	Subsidiary of Investee accounted for by equity method	Purchases	1,758,968	10.98%	About 1 month	Note 1	About 1 month	(129,785)	(6.09%)	

Note 1 The purchase cost of above is determined from 75%- 100% of sales price upon an agreement among the Company, Cal-Comp Electronics (Thailand) Public Company Limited, Kinpo International Ltd. and Logistar International Holding Co., Ltd. Payments were made on the next month after purchases.

**Table 5 Financing activities provided to others**

Number (Note 1)	Name of the company which provided financing activities to others	Name of the counter party which received the financing activities	Recorded accounts in the book	Maximum amount in this period	Ending balance at the end of this period	Interest rates range	Nature of the financing (Note 2)	Amounts for business transactions	Purpose for financing activities	Allowance for doubtful accounts provided	Collaterals		Individual financing limit (Note 3)	Maximum limit of financing activities
											Nature	Value		
1	Compower International Ltd.	Beijing Compower Xuntong Electronics Technology Co., Ltd.	Accounts Receivable-Related Parties	US 1,500	US 1,500	—	2	—	Working Capital	—	—	—	—	(Note 4)
2	Cal-Comp Electronics (Thailand) Public Company Limited	Shy Feng Enterprise (Thailand) Co., Ltd.	Advance Payment For Raw Materials	Bath 95,000	Bath 95,000	7%	1	—	Working Capital	—	—	—	—	(Note 5)
3	Logistar International Holding Co., Ltd.	Wise Sigma International Holding Co., Ltd.	Accounts Receivable-Related Parties	US 1,750	US 1,750	2%	1	—	Working Capital	—	—	—	—	(Note 6)
4	Cal-Comp Electronics (Suzhou) Co., Ltd.	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Accounts Receivable-Related Parties	Rmb 10,600	Rmb 0	—	2	—	Working Capital	—	—	—	—	(Note 7)
5	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Cal-Comp Electronics (Suzhou) Co., Ltd.	Accounts Receivable-Related Parties	Rmb 56,605	Rmb 0	—	2	—	Working Capital	—	—	—	—	(Note 8)

Note 1: The column of number should be filled in as follows:

- (1) The Issuer is 0.
- (2) Investees should be numbered sequentially from 1.

Note 2: Loan that the column of the number should be filled in as follow:

- (1) Parties that have business affairs with the Company.
- (2) Parties that need short-term financing.

Note 3: Credit and limitation of specific individual

- (1) Loan for non-related corporations:
  - A. Parties that have business affairs with the subsidiaries: shall not exceed 10% of loan limitation of parties that have business affairs with the subsidiaries described below.
  - B. Parties that need short-term financing: Shall not exceed 10% of loan limitation of parties that need short-term financing described below.
- (2) Loan for related corporations:
  - A. Parties that have business affairs with the subsidiaries: Shall not exceed the subsidiaries' net worth.

B. Parties that need short-term financing: Shall not exceed 40% of the subsidiaries' net worth.

Note 4: Loan and limitation

- (1) Parties that have business affairs with the subsidiaries: Shall not exceed the subsidiaries' net worth
- (2) Parties that need short-term financing: Shall not exceed 40% of the subsidiaries' net worth (The net worth of Compower International Ltd. was US\$7,500 thousand at transaction date).
- (3) Parties meet the above two criterions shall not exceed the subsidiaries' net worth.

Note 5: Loan and limitation

- (1) Parties that have business affairs with the subsidiaries: Shall not exceed the subsidiaries' net worth (Net worth of Cal-Comp Electronics (Thailand ) Public Co., Ltd. was Bath 10,322,187 thousand as of December 31, 2005).
- (2) Parties that need short-term financing: Shall not exceed 40% of the subsidiaries' net worth.
- (3) Parties meet the above two criterions shall not exceed the subsidiaries' net worth.

Note 6: Loan limitation

- (1) Parties that have business affairs with the subsidiaries: Shall not exceed the subsidiaries' net worth (The net worth of Logistar International Holding Co., Ltd .was US\$2,736 thousand as of December 31, 2005).
- (2) Parties that need short-term financing: Shall not exceed 40% of the subsidiaries' net worth.
- (3) Parties meet the above two criterions shall not exceed the subsidiaries' net worth.

Note 7: Loan and limitation

- (1) Parties that have business affairs with the subsidiaries: Shall not exceed the subsidiaries' net worth.
- (2) Parties that need short-term financing: Shall not exceed 40% of the subsidiaries' net worth. (The net worth of Cal-Comp Electronics (Suzhou) Co., Ltd. was Rmb \$142,917 thousand as of December 31, 2005).
- (3) Parties meet the above two criterions shall not exceed the subsidiaries' net worth.

Note 8: Loan and limitation

- (1) Parties that have business affairs with the subsidiaries: Shall not exceed the subsidiaries' net worth.
- (2) Parties that need short-term financing: Shall not exceed 40% of the subsidiaries' net worth. (The net worth of Cal-Comp Optical Electronics (Suzhou) Co., Ltd. was Rmb \$285,745 thousand as of December 31, 2005).
- (3) Parties meet the above two criterions shall not exceed the subsidiaries' net worth.

**Table 6 Marketable securities held at year-end**

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value	Percentage	Market value (Note)	
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	50,000	Baht 112,409	100%	US 54.73	
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics (Suzhou) Co., Ltd.	Investee accounted for by equity method	Long-term Investment	—	Baht 715,246	100%	—	
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Investee accounted for by equity method	Long-term Investment	—	Baht 1,454,808	100%	—	
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics & Communications Co.,Ltd. /Stock	Investee accounted for by equity method	Long-term Investment	6,992,078	Baht 112.541	100%	NT 12.89	
Cal-Comp Electronics (Thailand) Public Company Limited	Telian Corporation / Stock	Investee accounted for by equity method	Long-term Investment	159,728	Baht 2,663	23.87%	KR 411.68	
Cal-Comp Electronics (Thailand) Public Company Limited	INX JAPAN INTERNATIONAL INC./Stock	Investee accounted for by cost method	Long-term Investment	200	Baht 3,645	19.98%	—	
Cal-Comp Electronics (Thailand) Public Company Limited	Afreey Inc. / Stock	Investee accounted for by cost method	Long-term Investment	4,800,000	Baht 0	6.90%	—	
Cal-Comp Electronics (Thailand) Public Company Limited	Wide Telecom, Inc. / Stock	Investee accounted for by cost method	Long-term Investment	315,275	Baht 23,367	2.06%	KR 2,277.86	
Logistar International Holding Co., Ltd.	WISE SIGMA INTERNATIONAL HOLDING CO., LTD. /Stock	Investee accounted for by equity method	Long-term Investment	2,250,000	US 0	45.00%	—	
Logistar International Holding Co., Ltd.	POWER DIGITAL COMMUNICATION CO., LTD. / Stock	Investee accounted for by cost method	Long-term Investment	750,000	US 667	1.90%	—	
Logistar International Holding Co., Ltd.	BC2L/ Stock	Investee accounted for by cost method	Long-term Investment	35,000	US 500	7.00%	—	

Table 6-1 Marketable securities held at year-end

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value	Percentage	Market value (Note)	
Kingbolt International (Singapore) Pte. Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited / Stock	Investee accounted for by equity method	Long-term Investment	241,930,000	US 5,885	6.66%	Baht 3.75	
FORWARD INTERNATIONAL LTD.	Overseas Beneficiary Certificates	-	Long-term Investment	23,962,554	362,100	-	US 0.42	
Kinpo International Ltd.	Kinpo Electronics (Shanghai) Co., Ltd.	Investee accounted for by equity method	Long-term Investment	-	RMB 10,082	100%	-	
Kinpo International Ltd.	Kinpo Electronics (Beijing) Co., Ltd.	Investee accounted for by equity method	Long-term Investment	-	RMB 3,900	100%	-	
Kinpo International Ltd.	Kingbolt (H.K.) Ltd. / Stock	Investee accounted for by equity method	Long-term Investment	350,000	RMB (28)	100%	-	
Kinpo International Ltd.	Tung-Wan Kai-Bao Co., Ltd.	Investee accounted for by equity method	Long-term Investment	-	RMB 7,044	100%	-	
Kinpo Holding Ltd.	Compower International Limited/ Stock	Investee accounted for by equity method	Long-term Investment	6,018,000	US 315	51.00%	US 0.05	
Compower International Limited	Beijing Compower Huntong Electronics Technology Co., Ltd.	Investee accounted for by equity method	Long-term Investment	-	US (2,303)	100%	-	
Jipo Investment Co., Ltd.	Kinpo Electronics, Inc. / Stock	Parent Company	Long-term Investment	43,532,612	781,975	3.19%	13.90	
Jipo Investment co., Ltd.	MinGo Telecom Inc. / Stock	Investee accounted for by equity method	Long-term Investment	3,056,000	(76,765)	63.01%	-	
Jipo Investment Co., Ltd.	Acbel Polytech Inc. / Stock	Investee accounted for by equity method	Long-term investment	7,294,224	106,421	1.57%	17.80	
Jipo Investment Co., Ltd.	QSAN Technology, Inc. / Stock	Investee accounted for by equity method	Long-term investment	100,000	729	1.14%	6.89	
Jipo Investment Co., Ltd.	VIBO Telecom Inc./ Stock	Investee accounted for by equity method	Long-term investment	1,582,000	13,748	0.11%	8.55	
Jipo Investment Co., Ltd.	Toppoly Optoelectronics Corp. / Stock	Investee accounted for by cost method	Long-term Investment	34,000,000	374,000	0.97%	8.15	
Compower International Technology Co., Ltd.	Compower International Technology (Hong Kong) Limited / Stock	Investee accounted for by equity method	Long-term Investment	12,787,500	19,628	100%	HK 0.36	
SaveCom International Inc.	Nap Communication Inc./ Stock	Investee accounted for by equity method	Long-term Investment	2,000,000	70,035	100%	28.74	
SaveCom International Inc.	Yihusn Co., Ltd./Stock	Investee accounted for by equity method	Long-term Investment	1,657,495	95	77.09%	0.06	

Table 6-2 Marketable securities held at year-end

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value	Percentage	Market value (Note )	
SaveCom International Inc.	Savecom International Holding Inc. / Stock	Investee accounted for by equity method	Long-term Investment	2,000,000	(49,901)	100%	—	
SaveCom International Inc.	CGS International Inc./Stock	—	Short-term Investment	46,629	195	—	4.18	
Nap Communication Inc.	Yihusn Co., Ltd./Stock	Investee accounted for by equity method	Long -term Investment	492,506	1,423	22.91%	0.06	
Nap Communication Inc.	Taiwan-CA. Com Inc./Stock	Investee accounted for by cost method	Long -term Investment	500,000	1,180	1.43%	0.06	
SaveCom International Holding Inc.	SaveCom International USA Inc./stock	Investee accounted for by equity method	Long-term Investment	3,000,000	(51,534)	100%	—	
Lipo Holding Co., Ltd.	Liz Electronics (Kunshan) Co., Ltd.	Investee accounted for by equity method	Long-term Investment	—	US 3,018	80%	—	
Jstream Technologies, Inc.	Beneficiary Certificates	-	Short-term Investment	500,000	5,000	—	10.05	
QSAN Technology, Inc.	Beneficiary Certificates	-	Short-term Investment	452,929	5,013	—	11.18	
QSAN Technology, Inc.	Beneficiary Certificates	-	Short-term Investment	621,722	9,000	—	14.66	
QSAN Technology, Inc.	Beneficiary Certificates	-	Short-term Investment	134,542	2,000	—	15.01	
QSAN Technology, Inc.	Beneficiary Certificates	-	Short-term Investment	234,351	3,000	—	12.92	
MinGo Telecom Inc.	Jing-Tong Technology Inc./Stock	-	Long-term Investment	779,700	2,339	51.98%	—	
MinGo Telecom Inc.	Uwin Inc. /Stock	-	Long-term Investment	3,500	67	1%	—	
MinGo Telecom Inc.	FIC Global, Inc./Stock	-	Short-term Investment	152	13	—	4.16	
MinGo Telecom Inc.	China United Trust & Investment Co. / Stock	-	Short-term Investment	399	22	—	3.71	
MinGo Telecom Inc.	Dynamic Precision Industry Corp./ Stock	-	Short-term Investment	444	12	—	12.90	
MinGo Telecom Inc.	DataFab Systems Inc. / Stock	-	Short-term Investment	837	0	—	12.31	

Table 6-3 Marketable securities held at year-end

Name of the company which hold marketable securities at year-end	Category and name of marketable securities	The relationship between the issuer of the marketable securities and the company	Recorded accounts in the book	At the year end				Note
				Number of shares	Book value	Percentage	Market value (Note )	
MinGo Telecom Inc.	Tecnew Electronic Engineering Co., Ltd. / Stock	-	Short-term Investment	85	2	—	—	
MinGo Telecom Inc.	MasterLink Securities Crop. / Stock	-	Short-term Investment	33,000	990	—	12.36	

Note 1: Regulations of market value are as follows:

(1) Open market value: It means the average daily closing market price of the last month in the accounting period, as for open fund, the market value means the net asset value of that fund as of the balance sheet date.

(2) Non-open market value: Please fill in net worth per share only.

2: Book value refers to the book value without the deduction of the allowance for evaluation of loss on market value(Including Accumulated Translation Adjustments).

Table 7 Marketable securities bought-in/sold-out during the period exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of transaction	The category and name of marketable securities	Recorded accounts in the book	Name of the counter party	Relationship	Beginning		Bought-in		Sold-out				Ending		
					Number of shares	Amount	Number of shares / Units	Amount	Number of shares	Sale price	Book cost	Gain (Loss) on disposal of marketable securities	Number of shares / Units	Amount	
Kinpo International Ltd.	Kinpo Electronics (China) Co., Ltd.	Long-term Investment	Capital Increment	Investees accounted for by equity method	—	US 50,750	—	US 4,250	—	—	—	—	—	—	US 55,000

Table 8 Acquisitions of real estate exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of transaction	Name of real estate	Transaction date	Transaction Amount	Payment Terms	Name of the counter party	Relationship	Previous transferred information, if the company of transaction is related party				Sale decision reference	Acquisition purpose and reference condition	Other agreements
							proprietor	Relationship	Transferred Date	Amount			
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Plant	2005	Rmb25,769	Installment Payment	The Company	—	—	—	—	—	Market and appraised report	Business Purpose	—

Table 9 The related parties transactions exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of transaction	The counter party	Relationship	Transaction condition				Comparison to other regular transaction		Notes and accounts receivable (payable)		Note
			(Sales) Purchases	Amount	Percentage to total purchases (Sales)	Credit term	Unit price	Credit term	Balance	Percentage to total notes and accounts receivable (payable)	
Cal-Comp Electronics (Thailand) Public Company Limited	Kinpo Electronics, Inc.	Parent Company	Sales	Baht 2,453,921 (note)	6.45%	The same as regular transaction	The same as regular transaction	The same as regular transaction	Baht 82,727	0.81%	
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	Subsidiary	Sales	Baht 22,375,201	58.84%	The same as regular transaction	The same as regular transaction	30 days	Baht 6,106,232	59.90%	
Cal-Comp Electronics (Thailand) Public Company Limited	Kinpo International Ltd. And Kinpo China (Consolidated)	Affiliate Company	Sales	Baht 277,243	0.73%	The same as regular transaction	The same as regular transaction	The same as regular transaction	Baht 10,082	0.10%	
Logistar International Holding Co., Ltd.	Kinpo Electronics, Inc.	Parent Company	Sales	US 54,766	5.23%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US 3,955	2.25%	
Logistar International Holding Co., Ltd.	Telian Corporation	Affiliate Company	Sales	US 19,969	1.91%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US 10,302	5.85%	
Logistar International Holding Co., Ltd.	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Affiliate Company	Sales	US 14,347	1.37%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US 11,150	6.33%	
Logistar International Holding Co., Ltd.	Cal-Comp Electronics (Suzhou) Co., Ltd.	Affiliate Company	Sales	US 3,724	0.36%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US 13	0.01%	
Logistar International Holding Co., Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Parent Company	Purchases	US 557,117	54.25%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US (149,228)	71.45%	
Logistar International Holding Co., Ltd.	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Affiliate Company	Purchases	US 264,373	25.74%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US (27,441)	13.14%	
Logistar International Holding Co., Ltd.	Cal-Comp Electronics (Suzhou) Co., Ltd.	Affiliate Company	Purchases	US 77,789	7.57%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US (12,665)	6.06%	
Logistar International Holding Co., Ltd.	Kinpo International Ltd. And Kinpo China (Consolidated)	Affiliate Company	Purchases	US 102,151	9.95%	The same as regular transaction	The same as regular transaction	The same as regular transaction	US (0)	--	

Table 9-1 The related parties transactions exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of transaction	The counter party	Relationship	Transaction condition				Comparison to other regular transaction		Notes and accounts receivable (payable)		Note
			(Sales) Purchases	Amount	Percentage to total purchases (Sales)	Credit term	Unit price	Credit term	Balance	Percentage to total notes and accounts receivable (payable)	
Cal-Comp Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliate Company	Sales	RMB 609,670	66.91%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB 100,412	69.99%	
Cal-Comp Electronics (Suzhou) Co., Ltd.	Wide Telecom, Inc.	Affiliate Company	Sales	RMB 64,682	7.10%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB 28,682	19.99%	
Cal-Comp Electronics (Suzhou) Co., Ltd.	Leading Tham Technology Ltd.	Affiliate Company	Sales	RMB 38,493	4.22%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB 0	—	
Cal-Comp Electronics (Suzhou) Co., Ltd.	Wide Telecom, Inc.	Affiliate Company	Sales	RMB 69,530	8.00%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB (378)	0.37%	
Cal-Comp Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliate Company	Purchases	RMB 29,553	3.00%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB (107)	0.11%	
Cal-Comp Electronics (Suzhou) Co., Ltd.	Telian Corporation	Affiliate Company	Purchases	RMB 25,800	3.00%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB (4,625)	4.54%	
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliate Company	Sales	RMB 2,163,572	99.85%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB 221,693	98.93%	
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliate Company	Purchases	RMB 116,040	6.00%	The same as regular transaction	The same as regular transaction	The same as regular transaction	RMB (90,153)	21.68%	
Kinpo International Ltd. And Kinpo China (Consolidated)	Kinpo Electronics, Inc.	Parent Company	Sales	RMB 3,098,449 (note)	46.21%	90 days	The same as regular transaction	The same as regular transaction	RMB 466,165	21.07%	
Kinpo International Ltd. And Kinpo China (Consolidated)	Cal-Comp Electronics (Thailand) Public Company Limited	Affiliate Company	Purchases	RMB 55,265	1.79%	90 days	The same as regular transaction	The same as regular transaction	RMB (502)	0.046%	
Kinpo International Ltd. And Kinpo China (Consolidated)	Logistar International Holding Co., Ltd.	Affiliate Company	Sales	RMB 837,380	21.63%	945days	The same as regular transaction	The same as regular transaction	RMB 57,464	4.80%	

Note: The amounts were different from those of Parent Company due to timing difference. Besides, Parent Company adjusted its trading amounts with subsidiaries according to the rules of SFC.

Table 10 Receivable due from related parties exceeding NT\$100,000,000 or 20% of the Company's paid-in capital

The company of receivable due in the book	The counter party	Relationship	Balance of receivable due from related parties	Turnover rate	Overdue receivable		Subsequent collection amount	Allowance for doubtful accounts provided
					Amount	Current condition		
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	Subsidiary	Baht 6,106,232	3.41	—	—	—	—
Logistar International Holding Co., Ltd.	Kinpo Electronics, Inc.	Parent Company	US 3,955	10.62	—	—	—	—
Logistar International Holding Co., Ltd.	Telian Corporation	Affiliate Company	US 10,302	1.64	—	—	—	—
Logistar International Holding Co., Ltd.	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Affiliate Company	US 11,150	2.54	—	—	—	—
Cal-Comp Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliate Company	RMB 100,412	11.47	—	—	—	—
Cal-Comp Electronics (Suzhou) Co., Ltd.	WideTelecom, Inc.	Affiliate Company	RMB 28,682	2.65	—	—	—	—
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Logistar International Holding Co., Ltd.	Affiliate Company	RMB 221,693	8.97	—	—	—	—
Kinpo International Ltd. And Kinpo China (Consolidated)	Kinpo Electronics, Inc.	Parent Company	RMB 466,165	35.24	—	—	—	—
Kinpo International Ltd. And Kinpo China (Consolidated)	Logistar International Holding Co., Ltd.	Affiliate Company	RMB 57,464	45.52	—	—	—	—

Table 11 The Information of Financial Derivatives

1. As of Dec. 31, 2005, unexpired derivative contracts held by the Investee not for trading purpose are summarized as follows:

A. Forward Exchange Contract

(Unit : Thousand Dollars)

December 31, 2005					
Financial Derivative	Par Value, Contract Amount, Nominal Value	Trade Company	Contract Rate	Fair Value	Gain (Loss) Recognized
Forward Exchange Contract-Sell	US 20,000	Logisar International Holding Co., Ltd.	US:Baht 1:38.68	Baht 773,600	Baht (30)
Forward Exchange Contract-Sell	US 45,000	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	US:RMB 1:7.8462~8.0508	RMB 359,107	Baht 4,156
Forward Exchange Contract-Buy	US 20,000	Cal-Comp Electronics (Thailand) Public Company Limited	US:Baht 1:38.627~38.63	Baht 772,570	Baht (2,009)
Forward Exchange Contract-Buy	US 45,000	Logisar International Holding Co., Ltd.	US:RMB 1:7.824~8.0035	RMB 355,093	RMB (1,107)
Forward Exchange Contract-Buy	JPY 122,728	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	JPY:RMB 1:0.07	RMB 8,642	Baht (187)

B. Option Contract

(Unit : Thousand Dollars)

December 31, 2005					
Financial Derivative	Par Value, Contract Amount, Nominal Value	Trade Company	Contract Rate	Fair Value	Gain (Loss) Recognized
Sell USD Call Option	US 95,980	Logisar International Holding Co., Ltd.	US:Baht 1:40.40~40.60	US 0	US 0
Buy USD Call Option	US 95,980	Logisar International Holding Co., Ltd.	US:Baht 1:40.40~40.60	US 0	US 0

### C. Interest Rate Swap

Cal-Comp Electronics (Thailand) Public Company Limited has entered into Interest Rate Swap Transaction Agreements with a local bank for principal totaling USD 40 million. The contracts are for a period of 5 years, maturing in June 2009 with the condition stipulated in the agreements. At each of the maturity dates, which occur every 3 months, the Company is required to pay interest to the bank based on the rate stipulated in the agreements and the bank is required to pay interest to the Company at 3-month LIBOR of the lasted maturity date. The agreements contain other conditions.

2. As of Dec. 31, 2005, unexpired derivative contracts held by the Investee for trading purpose are summarized as follows:

#### Option Contract

( Unit : Thousand Dollars )

December 31, 2005					
Financial Derivative	Par Value, Contract Amount, Nominal Value	Trade Company	Contract Rate	Fair Value	Gain (Loss) Recognized
Sell USD Put Option	US 85,,000	Logisar International Holding Co., Ltd.	US:Baht 1:39.50~40.10	US (89)	US (89)
Sell USD Call Option	US 409,400	Logisar International Holding Co., Ltd.	US:Baht 1:39.45~41.50 US:JPY 1:111.30~112.30	US (9,680)	US (11,325)
Sell USD Call Option	US 103,700	Cal-Comp Electronics (Thailand) Public Company Limited	US:Baht 1:39.50~40.02	US (3,744)	US (3,744)

### D. Credit Risk

The amount of Credit risk is the positive fair value less the General Agreement of Delivery-Net on the date of the balance sheet. If the other party breaches the contract, then there will be a loss for the company. Since company only deals with well-credited banks, the risk of having a high credit risk is low.

#### E. Market Price Risk

The company was engaged in forward exchange contract, foreign currency options, and interest rate swap in order to hedge the risk of interest rate change and foreign currency exchange rate fluctuation. Since the two counterbalance each other, therefore, the risk of market price is low.

#### F. Liquidity Risk

The company was engaged in forward exchange contract, foreign currency options, and interest rate swap. The company estimated itself to have enough working capital to manage the problem, thus there's no financing risk. The company is also able to calculate the loss and gain with the bank by the date the contract ends, and pay with net amount. Finally since the exchange rate for the financial derivative is certain, the risk of having high liquidity is low.

#### G. Category, Goal and the Strategy of how to achieve the goal of holding Financial Derivative

The main reason for the company to hold Financial Derivatives is to avoid foreign currency claim and the risk of fluctuation on the exchange rate, not for trading purpose. The goal is to avoid most of the market price risk.

Table 12 The information of Investee Company

Name of the company	Name of Investee	Address	Major business items	Amount of original investment		Condition of ending holding			Net income of the investee	Investment income (loss) recognized by the company	The relationship between the investee and the company
				Ending of this term	Ending of last term	Number of shares	Percentage	Book Value			
Kinpo Electronics, Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Thailand	Manufacturing and sales of computer peripherals and IT products	\$1,474,373	\$1,474,373	1555,163,770	42.85%	\$3,651,872	\$929,576	\$553,941 (Note1)	Subsidiary
Kinpo Electronics, Inc.	Kingbolt International (Singapore) Pte. Ltd.	Singapore	Reinvestment on domestic and overseas business, purchases and sales of marketable securities, manufacturing and sales of calculators and all types of electronic products	216,098	216,098	12,000,000	100.00%	196,394	918	918	Subsidiary
Kinpo Electronics, Inc.	Forward International Ltd.	B.V.I.	Reinvestment on domestic and overseas business, sales, import and export of all types of electronics communication products	634,731	634,731	67,000	100.00%	628,373	20,814	20,814	Subsidiary
Kinpo Electronics, Inc.	Kinpo International Ltd. And Kinpo China (Consolidated)	B.V.I.	Reinvestment on domestic and overseas business	2,163,779	2,020,724	67,550,000	100.00%	2,621,102	(123,240)	(123,240)	Subsidiary
Kinpo Electronics, Inc.	Kinpo Holding Ltd.	B.V.I.	Reinvestment on domestic and overseas business	194,239	193,590	5,920,599	100.00%	10,290	(35,229)	(35,229)	Subsidiary
Kinpo Electronics, Inc.	Jipo Investment Inc.	Taipei	General Investment	990,000	990,000	99,000,000	100.00%	97,998	(56,493)	(85,514)	Subsidiary
Kinpo Electronics, Inc.	Fong Power co., Inc.	Taipei	Sales, import and export of calculators and fax machine	4,940	4,940	494,000	98.80%	7,364	884	873	Subsidiary
Kinpo Electronics, Inc.	Compower International Technology Co., Ltd.	Taipei	Retails, import and export of office equipments and information software	74,159	74,159	1,801,800	90.00%	23,914	484	435	Subsidiary
Kinpo Electronics, Inc.	SaveCom International Inc.	Taipei	Import and export of all kinds of cable and wireless telecommunication business and products, communication system planning and settlement, and technique consulting service	403,387	403,387	72,884,736	79.98%	13,860	(86,144)	(68,898)	Subsidiary

Table 12-1 The information of Investee Company

Name of the company	Name of Investee	Address	Major business items	Amount of original investment		Condition of ending holding			Net income of the investee	Investment income (loss) recognized by the company	The relationship between the investee and the company
				Ending of this term	Ending of last term	Number of shares	Percentage	Book Value			
Kinpo Electronics, Inc.	JStream Technologies, Inc.	Shin-Chu	Manufacturing and sales of wireless broadband multimedia communication products.	79,700	79,700	7,395,000	62.94%	\$56,650	(14,968)	(11,458)	Subsidiary
Kinpo Electronics, Inc.	QSAN Technology, Inc.	Taipei	Manufacturing and sales of RAID controller, RAID system and disk array products.	59,000	59,000	4,775,000	54.26%	43,635	(21,280)	(14,301)	Subsidiary
Kinpo Electronics, Inc.	Lipo Holding Co., Ltd.	Cayman	Reinvestment on domestic and overseas business	245,494	244,215	20,400	51.00%	39,725	(138,319)	(69,732)	Subsidiary
Kinpo Electronics, Inc.	Crownpo Technology Inc.	Taipei	Manufacturing and sales of chip switching diode, chip diodes, rectifier, etc.	294,604	238,651	16,919,473	45.73%	179	(115,992)	(51,369)	Investees accounted for by equity method
Kinpo Electronics, Inc.	VIBO Telecom Inc.	Taipei	First rate telecommunications & international trade	4,952,933	3,384,324	500,805,888	33.39%	4,296,346	(869,180)	(305,275)	Investees accounted for by equity method
Kinpo Electronics, Inc.	Acbel Polytech Inc.	Taipei	Manufacturing switching power supply & sales of main materials.	1,107,044	1,107,044	112,052,257	24.08%	1,780,921	564,563	113,468	Investees accounted for by equity method
Kinpo Electronics, Inc.	MinGO Telecom Inc.	Taipei	Designing and sales of computer peripherals and IT products	13,000	13,000	104,000	2.14%	0	(127,767)	(5,197) (Note 1 )	Subsidiary of Investee
Kinpo Electronics, Inc.	McTEC Taiwan Limited	Samoa	Reinvestment on domestic and overseas business	47,193	47,193	1,500,000	26.04%	0	0	0	Investees accounted for by equity method
Cal-Comp Electronics (Thailand) Public Company Limited	Logistar International Holding Co., Ltd.	B.V.I.	Reinvestment on domestic and overseas business	US 50	US 50	50,000	100.00%	Baht 112,409	USD (5,620)	—	Subsidiary of Investee
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Electronics (Suzhou) Co., Ltd.	Zhe Jiang	Manufacturing and sales of products of Cal-Comp Electronics (Thailand) Public Company Limited and other companies	US 12,495	US 12,495	—	100.00%	Baht 715,246	RMB 27,410	—	Subsidiary of Investee
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Zhe Jiang	Manufacturing and sales of products of Cal-Comp Electronics (Thailand) Public Company Limited and other companies	US 25,000	US 25,000	—	100.00%	Baht 1,454,808	RMB 53,000	—	Subsidiary of Investee
Cal-Comp Electronics (Thailand) Public Company Limited	Cal-Comp EIolectronics & Communications Co., Ltd.	Taipei	Materials Purchase and Research and Development.	NT 76,034	NT 76,034	6,992,078	100.00%	Baht 112,541	NT 8,258	—	Subsidiary of Investee

Table 12-2 The information of Investee Company

Name of the company	Name of Investee	Address	Major business items	Amount of original investment		Condition of ending holding			Net income of the investee	Investment income (loss) recognized by the company	The relationship between the investee and the company
				Ending of this term	Ending of last term	Number of shares	Percentage	Book Value			
Cal-Comp Electronics (Thailand) Public Company Limited	Telian Corporation	Korea	Manufacturing and sales of cordless phones & mobile phones	US 1,500	US 1,500	159,728	23.87%	Baht 2,663	KR (6,145,274)	—	Investees accounted for by equity method
Logistar international Holding Co., Ltd.	Wise Sigma International Holding Co., Ltd.	B.V.I.	Reinvestment on domestic and overseas business	US 2,250	US 2,250	2,250,000	45.00%	US 0	US (3,455)	—	Investees accounted for by equity method
Kingbolt International (Singapore) Pte. Ltd.	Cal-Comp Electronics (Thailand) Public Company Limited	Thailand	Manufacturing and sales of computer peripherals and IT products.	US 9,580	US 9,580	241,930,000	6.66%	US 5,885	Baht 1,148,979	—	Subsidiary
Kinpo Holding Ltd.	Compower International Limited	B.V.I.	Reinvestment on domestic and overseas business	US 5,921	US 5,900	6,018,000	51.00%	US 315	US (2,176)	—	Subsidiary of Investee
Compower International Ltd.	Beijing Compower Huntong Electronics Technology Co., Ltd.	Beijing	Research and manufacturing of all types of electronics products; consultation and maintenance of network system	US 7,123	US 6,123	—	100.00%	US (2,303)	RMB (23,480)	—	Subsidiary of Investee
Lipo Holding Co., Ltd.	Liz Electronics (Kunshan) Co., Ltd.	Kunshan	Production and marketing chip resistor & ceramic multilayer capacitors & chip diodes.	USD 14,000	USD 14,000	—	80.00%	US 3,018	RMB (43,236)	—	Subsidiary of Investee
Kinpo International Ltd.	Tung-Wan Kai-Bao Co., Ltd.	Tung-Wan	Manufacturing and sales of other companies' products	US 1,000	US 1,000	—	100.00%	RMB 7,044	RMB (3,390)	—	Subsidiary of Investee
Kinpo International Ltd.	Kinpo Electronics (Shanghai) Co., Ltd.	Shanghai	Manufacturing & wholesaling electronic dictionary; design, r & d and sales for calculator software	US 913	US 913	—	100.00%	RMB 10,082	RMB 425	—	Subsidiary of Investee
Kinpo International Ltd.	Kinpo Electronics (Beijing) Co., Ltd.	Beijing	Developing & manufacturing electronic dictionary and hardware & software of calculator; provision of technical consulting service for self-production product, and sales of self-production	US 398	US 398	—	100.00%	RMB 3,900	RMB 94	—	Subsidiary of Investee
Kinpo International Ltd.	Kingbolt (H.K.) Ltd.	Hong Kong	Import and export	US 27	US 27	—	100.00%	RMB (28)	HK (50)	—	Subsidiary of Investee

Table 12-3 The information of Investee Company

Name of the company	Name of Investee	Address	Major business items	Amount of original investment		Condition of ending holding			Net income of the investee	Investment income (loss) recognized by the company	The relationship between the investee and the company
				Ending of this term	Ending of last term	Number of shares	Percentage	Book Value			
Jipo Investment Co., Ltd.	OSAN Technology, Inc.	Taipei	Manufacturing and sales of RAID controller, RAID system and disk array products.	1,000	1,000	100,000	1.14%	729	(21,280)	—	Subsidiary
Jipo Investment Co., Ltd.	MinGO Telecom Inc.	Taipei	Design and sales of computer peripherals and IT products	30,560	7,000	3,056,000	63.01%	(76,765)	(127,767)		Investees accounted for by equity method
Jipo Investment Co., Ltd.	Acbel Polytech Inc.	Taipei	Manufacturing switching power supply & sales of main materials.	67,500	67,500	7,294,224	1.57%	106,421	564,563	—	Investees accounted for by equity method
Jipo Investment Co., Ltd.	VIBO Telecom Inc.	Taipei	First rate telecommunications & international trade	14,396	14,396	1,582,000	0.11%	13,748	(869,180)	—	Investees accounted for by equity method
Jipo Investment Co., Ltd.	MinGO Telecom Inc.	Taipei	Design and sales of computer peripherals and IT products	30,560	7,000	3,056,000	63.01%	(76,765)	(127,767)		Subsidiary of Investee
Jipo Investment Co., Ltd.	Acbel Polytech Inc.	Taipei	Manufacturing switching power supply & sales of main materials.	67,500	67,500	7,294,224	1.57%	106,421	564,563	—	Investees accounted for by equity method
Jipo Investment Co., Ltd.	VIBO Telecom Inc.	Taipei	First rate telecommunications & international trade	14,396	14,396	1,582,000	0.11%	13,748	(869,180)	—	Investees accounted for by equity method
Compower International Technology Co., Ltd.	Compower International Technology (Hong Kong) Limited	Hong Kong	Research and manufacturing all types of electronics products; wholesales and retail sales of information software.	56,823	56,823	12,787,500	100.00%	19,628	HK 92	—	Subsidiary of Investee
MinGO Telecom Inc.	Jing-Tong Technology Inc.	Taipei	Computer, electronic parts, telephone exchange server and sales of computer peripherals	29,942	29,942	779,700	51.98%	2,339	—	(120)	Subsidiary of Investee
SaveCom International Inc.	Nap communication Inc.	Taipei	Telecommunication value-added network	77,500	77,500	2,000,000	100.00%	70,035	(3,888)	—	Subsidiary of Investee
SaveCom International Inc.	Yihusn Co., Ltd.	Taipei	Computer multimedia database designing and manufacturing	58,013	58,013	1,657,495	77.09%	95	21	—	Subsidiary of Investee
SaveCom International Inc.	SaveCom International Holding Inc.	Cayman	Holding and reinvestment	USD 2,000	USD 2,000	2,000,000	100.00%	(49,901)	—	—	Subsidiary of Investee

**Table 12-4 The information of Investee Company**

Name of the company	Name of Investee	Address	Major business items	Amount of original investment		Condition of ending holding			Net income of the investee	Investment income (loss) recognized by the company	The relationship between the investee and the company
				Ending of this term	Ending of last term	Number of shares	Percentage	Book Value			
Nap Communication Inc.	Yihusn Co., Ltd.	Taipei	Computer multimedia database designing and manufacturing	6,514	6,514	492,506	22.91%	28	21	—	Subsidiary of Investee
SaveCom International Holding Inc.	SaveCom International USA Inc.	USA	Voice and data telecommunication	49,500	49,500	3,000,000	100.00%	(51,534)	—	—	Subsidiary of Investee

Note1: The investment income (loss) recognized by the total percentage of voting shares directly or indirectly owned by parent Company.

Table 13 Information of investment on Mainland China

Name of Investee on Mainland China	Major Business Items	Paid-in Capital	Method of Investment (Note 1)	Accumulated investments from Taiwan beginning of this period	During this period		Accumulated investments from Taiwan ending of this period	The percentage of stockholding directly or indirectly by the Company	Investment income (loss) recognized by the Company (Note 2)	Ending Book Balance	Investment income taken back ending of this period
					Remittance	Take back					
Kinpo Electronics (Shanghai) Co., Ltd.	Manufacturing & wholesaling electronics dictionary, design, r & d and sales for calculator software	RMB 9,281	The Company invested in companies in Mainland China through its subsidiary established in the third region.	US 2,100	—	US 980	US 1,120	100%	RMB 297 Please refer to Note2 (2) b.	RMB 10,082	—
Kinpo Electronics (Beijing) Co., Ltd.	Developing & manufacturing electronic dictionary and hardware & software of calculator; provision of technical consulting service for self-production product and sales of self-production product	RMB 8,280	The Company invested in companies in Mainland China through its subsidiary established in the third region.	US 1,000	—	—	US 1,000	100%	RMB 94 Please refer to Note 2 (2) b.	RMB 3,900	—
Beijing Compower Huntong Electronics Technology Co., Ltd.	Research and manufacturing of all types of electronics products; consultation and maintenance of network system	RMB 65,380	The Company invested in companies in Mainland China through its subsidiary established in the third region.	US 3,400	US 69	—	US 3,469	51%	US (1,461) Please refer to Note 2 (2) b.	US (1,175)	—
Kinpo Electronics (China) Co., Ltd.	Manufacturing consumer electronics, network communication and digital image products for Kinpo	RMB 558,187	The Company invested in companies in Mainland China through its subsidiary established in the third region.	US 50,750	US 4,250	—	US 55,000	100%	RMB (29,036) Please refer to Note 2 (2) b.	RMB 643,974	—

Table 13-1 Information of investment on Mainland China

Name of Investee on Mainland China	Major Business Items	Paid-in Capital	Method of Investment (Note 1)	Accumulated investments from Taiwan beginning of this period	During this period		Accumulated investments from Taiwan ending of this period	The percentage of stockholding directly or indirectly by the Company	Investment income (loss) recognized by the Company (Note 2)	Ending Book Balance	Investment income taken back ending of this period
					Remittance	Take back					
McTECH Guangzhou Co., Ltd.	Producing automatic bike & battery exchange station	RMB 63,304	The Company invested in companies in Mainland China through other company in the third region.	US 1,350	—	—	US 1,350	19.61%	—	—	—
Liz Electronics (Kunshan) Co., Ltd.	Production and marketing chip resistors, ceramic multilayer capacitors and chip diodes, etc.	RMB 157,275	The Company invested in companies in Mainland China through its subsidiary established in the third region.	US 7,600	US 152	—	US 7,752	40.80%	US (2,185) Please refer to Note 2 (2) a.	US 1,539	—
Tung-Wan Kai-Bao Co., Ltd.	Manufacturing and sales of other companies' products.	RMB 8,277	The Company invested in companies in Mainland China through its subsidiary established in the third region.	US 1,000	—	—	US 1,000	100%	RMB (3,390) Please refer to Note 2 (2) b.	RMB 5,785	—
Cal-Comp Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of products of Cal-Comp Electronics (Thailand) Public Company Limited and other companies	RMB 103,386	Others	—	—	—	—	49.51%	Baht 54,394 Please refer to Note 2 (2) a.	Baht 354,119	—
Cal-Comp Optical Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of products of Cal-Comp Electronics (Thailand) Public Company Limited and other companies	RMB 206,920	Others	—	—	—	—	49.51%	Baht 106,944 Please refer to Note 2 (2) a.	Baht 720,275	—
Xie-Zhan Inc.	Sales of car's exhaust pipe and components , fuel tank , etc.	RMB 83,557	Others	—	—	—	—	3.00%	—	US 102	—

Accumulated amount remitted to Mainland China from Taiwan at the end of the year	Approval of Investment Commission of Ministry of Economic Affairs	Maximum investment amount remitted to Mainland China
US70,691	US115,316	NT\$4,901,876

Note1: There are four types of investment modes listed as follows:

- (1) Invest in Mainland China via third area
- (2) Reinvest in Mainland China via invested company in third area
- (3) Reinvest in Mainland China via reinvest existing company in third area
- (4) Invest in Mainland China directly
- (5) Others

Note 2: In the column of "Investment income (loss) recognized by the Company":

- (1) If the investees are preparing for building up that with no investment income (loss), it should be noted here.
- (2) The basis of recognition of investment income (loss) is classified with three types listed as follows which should be noted:
  - a. Audited financial statements by Certified Public Accountant firm of Taiwan, R.O.C cooperative with international Certified Public Accountant firm.
  - b. Audited financial statements by Certified Public Accountant firm of Taiwan, R.O.C of the Parent company.
  - c. Other