HIGH TECH COMPUTER CORP.

Financial Statements for the Years Ended December 31, 2000, 2001 and 2002 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
High Tech Computer Corp.:

We have audited the accompanying balance sheets of High Tech Computer Corp. (the "Company") as of December 31, 2000, 2001 and 2002, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended (all expressed in New Taiwan dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of High Tech Computer Corp. as of December 31, 2000, 2001 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with "Regulations Governing the Preparation of Financial Statements of Public Companies" and accounting principles generally accepted in the Republic of China.

The Company maintains its accounts and expresses its financial statements in New Taiwan (NT) dollars. The translation of the NT dollars financial statements as of and for the year ended December 31, 2002 into US dollars at NT$33.78 to US$1.00 was made solely for the convenience of the reader. The convenience translations should not be construed as representations that the NT dollar amounts have been, could have been or could in the future be, converted into US dollars at this or any other exchange rate.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

January 27, 2003

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than in the Republic of China. Accordingly, the accompanying balance sheets of High Tech Computer Corp. and the related statements of operations, changes in stockholders' equity and cash flows as of and for the years ended December 31, 2000, 2001 and 2002 are not designed for those who are not informed about accounting principles, procedures and practices in the Republic of China. The standards, procedures and practices utilized in the Republic of China to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

HIGH TECH COMPUTER CORP.

BALANCE SHEETS
DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars)

ASSETS	2000 NTD	2001 NTD	2002 NTD	2002 USD
CURRENT ASSETS:				
Cash and cash equivalents (Note 3)	$ 231,212	$ 16,278	$ 139,240	$ 4,122
Short-term investments (Notes 2 and 4)	1,971	-	-	-
Notes receivable, net (Notes 2 and 5)	946	815	48,266	1,429
Accounts receivable, net (Notes 2 and 5)	1,463,137	2,559,488	4,543,805	134,512
Accounts receivable from related parties, net (Notes 2 and 22)	20,440	3,385	72,828	2,156
Inventories (Notes 2 and 6)	1,396,287	1,604,515	1,770,401	52,410
Prepayments (Notes 7 and 25)	185,309	144,438	91,797	2,717
Other current assets (Notes 2, 8, 19, 21 and 23)	70,140	73,988	121,213	3,588
Total current assets	3,369,442	4,402,907	6,787,550	200,934
LONG-TERM INVESTMENTS (Notes 2 and 9)	11,126	9,007	88,169	2,610
PROPERTY, PLANT AND EQUIPMENT, Net (Notes 2, 10, 22 and 23):				
Cost:				
Land	175,898	224,244	224,244	6,638
Buildings and structures	-	760,049	807,336	23,900
Machinery and equipment	326,079	1,165,288	1,322,588	39,153
Molding equipment	58,416	174,420	283,738	8,400
Computer equipment	38,099	102,494	118,138	3,497
Transportation equipment	604	604	1,315	39
Furniture and fixtures	39,293	73,250	87,102	2,578
Leasehold improvements	37,768	7,331	19,040	564
Subtotal	676,157	2,507,680	2,863,501	84,769
Less accumulated depreciation	(110,612)	(392,689)	(753,179)	(22,296)
Prepayments on construction-in-progress and equipment-in-transit	439,571	105,451	178,165	5,274
Property, plant and equipment, net	1,005,116	2,220,442	2,288,487	67,747
OTHER ASSETS:				
Refundable deposits	7,770	764	836	25
Deferred charges (Notes 2 and 25)	39,716	314,828	267,954	7,932
Deferred tax asset (Notes 2 and 19)	44,958	103,535	107,382	3,179
Total other assets	92,444	419,127	376,172	11,136
TOTAL	$4,478,128	$7,051,483	$9,540,378	$282,427

LIABILITIES AND STOCKHOLDERS' EQUITY	2000 NTD	2001 NTD	2002 NTD	2002 USD
CURRENT LIABILITIES:				
Short-term borrowings (Note 11)	$ 391,150	$1,179,348	$ 381,185	$ 11,284
Short-term commercial bills (Note 12)	242,664	448,549	99,694	2,951
Notes and accounts payable	1,368,699	1,701,650	3,788,013	112,138
Notes and accounts payable due to related parties (Note 22)	-	15,903	15,448	457
Income tax payable (Notes 2 and 19)	-	90,771	94,904	2,810
Accrued expenses (Notes 13 and 22)	133,794	257,958	329,979	9,768
Payable for purchase of equipment	24,009	64,441	59,153	1,751
Current portion of long-term liabilities (Notes 15 and 23)	433,096	42,062	57,749	1,710
Other current liabilities (Notes 14 and 21)	66,873	76,904	271,824	8,047
Total current liabilities	2,660,285	3,877,586	5,097,949	150,916
LONG-TERM LIABILITIES:				
Long-term debts (Notes 15 and 23)	120,859	85,407	57,164	1,693
Long-term notes payable	-	2,231	-	-
Total long-term liabilities	120,859	87,638	57,164	1,693
OTHER LIABILITIES -				
Accrued pension cost (Notes 2 and 16)	12,979	12,675	19,835	587
Guarantee deposits received	315	-	-	-
Total other liabilities	13,294	12,675	19,835	587
Total liabilities	2,794,438	3,977,899	5,174,948	153,196
STOCKHOLDERS' EQUITY:				
Capital stock (Note 17) -				
Common stock	1,250,000	1,276,000	1,627,200	48,171
Capital surplus - additional paid-in capital - common stock (Note 17)	750,000	832,812	832,812	24,654
Retained earnings (Note 18):				
Legal reserve	-	-	96,273	2,850
Accumulated (deficit) earnings	(316,288)	962,728	1,809,476	53,566
Unrealized valuation loss on long-term investments	-	-	(410)	(12)
Cumulative translation adjustments (Note 2)	(22)	2,044	79	2
Total stockholders' equity	1,683,690	3,073,584	4,365,430	129,231
TOTAL	$4,478,128	$7,051,483	$9,540,378	$282,427

See notes to financial statements.

HIGH TECH COMPUTER CORP.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars, Earnings Per Share Expressed in New Taiwan Dollars and in United States Dollars)

	2000	2001	2002	
	NTD	NTD	NTD	USD
REVENUES:				
Gross sales (Note 22)	$4,378,533	$15,380,912	$20,124,468	$595,751
Less sales returns and discounts	(43,781)	(263,224)	(150,300)	(4,449)
NET SALES	4,334,752	15,117,688	19,974,168	591,302
OTHER REVENUES	229,656	432,675	670,148	19,838
Total revenues	4,564,408	15,550,363	20,644,316	611,140
COST OF REVENUES (Note 22)	3,962,019	13,429,918	17,041,738	504,492
GROSS PROFIT	602,389	2,120,445	3,602,578	106,648
OPERATING EXPENSES (Note 22):				
Administrative and selling expenses	206,657	451,533	784,573	23,226
Research and development expenses	310,925	483,972	699,486	20,707
Total operating expenses	517,582	935,505	1,484,059	43,933
INCOME FROM OPERATIONS	84,807	1,184,940	2,118,519	62,715
NON-OPERATING INCOME:				
Interest income (Note 22)	19,234	3,084	801	24
Investment gains on equity-method	-	-	6,020	178
Gain on sale of property, plant and equipment	-	9,525	-	-
Gain on sale of investments	908	723	642	19
Gain on physical inventories	-	-	1,993	59
Foreign currency exchange gain	92,981	123,949	-	-
Other	39,007	118,662	412,524	12,212
Total non-operating income	152,130	255,943	421,980	12,492
NON-OPERATING EXPENSES:				
Interest expense	30,785	76,241	38,524	1,140
Investment losses on equity-method	5,686	12,694	-	-
Losses on disposal of property, plant and equipment	13,210	16,936	8,287	245
Losses on physical inventory	1,179	15,821	-	-
Foreign currency exchange loss	-	-	314,655	9,315
Provision for loss on decline in value of inventory	74,903	302,722	655,724	19,412
Other	1,625	26,218	15,280	452
Total non-operating expenses	127,388	450,632	1,032,470	30,564

(Continued)

HIGH TECH COMPUTER CORP.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars, Earnings Per Share Expressed in New Taiwan Dollars and in United States Dollars)

	2000	2001	2002	
	NTD	NTD	NTD	USD
INCOME BEFORE INCOME TAX	109,549	990,251	1,508,029	44,643
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 19)	22,028	(27,523)	(43,575)	(1,290)
NET INCOME	$ 131,577	$ 962,728	$ 1,464,454	$ 43,353
PRIMARY EARNINGS PER SHARE BEFORE INCOME TAX (Note 20)	$0.79	$6.14	$9.27	$0.27
PRIMARY EARNINGS PER SHARE AFTER INCOME TAX (Note 20)	$0.95	$5.97	$9.00	$0.27

(Concluded)

See notes to financial statements.

HIGH TECH COMPUTER CORP.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars)

			Retained Earnings				
NTD	Common Stock	Capital Surplus - Additional Paid-in Capital - Common Stock	Legal Reserve	Accumulated Earnings (Deficit)	Cumulative Translation Adjustments	Unrealized Valuation Loss on Long-Term Investments	Total
BALANCE, JANUARY 1, 2000	$1,000,000	$ -	$ -	$ (447,865)	$ -	$ -	$ 552,135
Issuance of common stock	250,000	750,000					1,000,000
Net income for 2000				131,577			131,577
Cumulative translation adjustments			-			(22)	(22)
BALANCE, DECEMBER 31, 2000	1,250,000	750,000	-	(316,288)	-	(22)	1,683,690
Transfer of capital surplus to recover accumulated deficit		(316,288)		316,288			-
Issuance of common stock	26,000	399,100					425,100
Net income for 2001				962,728			962,728
Cumulative translation adjustments						2,066	2,066
BALANCE, DECEMBER 31, 2001	1,276,000	832,812	-	962,728	-	2,044	3,073,584
Appropriation and distribution of 2001 net earnings:							
Legal reserve			96,273	(96,273)			-
Stock dividend issued	255,200			(255,200)			-
Transfer of employees bonuses to capital stock	96,000			(96,000)			-
Employees bonuses				(33,968)			(33,968)
Cash dividend				(127,600)			(127,600)
Directors' remuneration				(8,665)			(8,665)
Net income for 2002				1,464,454			1,464,454
Cumulative translation adjustments						(1,965)	(1,965)
Unrealized valuation loss on long-term investments					(410)		(410)
BALANCE, DECEMBER 31, 2002	$1,627,200	$832,812	$96,273	$1,809,476	$(410)	$ 79	$4,365,430
USD							
BALANCE, JANUARY 1, 2002	$ 37,774	$ 24,654	$ -	$ 28,500	$ -	$ 60	$ 90,988
Appropriation and distribution of 2001 net earnings:							
Legal reserve			2,850	(2,850)			-
Stock dividend issued	7,555			(7,555)			-
Transfer of employees bonuses to capital stock	2,842			(2,842)			-
Employees bonuses				(1,006)			(1,006)
Cash dividend				(3,777)			(3,777)
Directors' remuneration				(257)			(257)
Net income for 2002				43,353			43,353
Cumulative translation adjustments						(58)	(58)
Unrealized valuation loss on long-term investments					(12)		(12)
BALANCE, DECEMBER 31, 2002	$ 48,171	$ 24,654	$ 2,850	$ 53,566	$ (12)	$ 2	$ 129,231

See notes to financial statements.

HIGH TECH COMPUTER CORP.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars)

	2000	2001	2002	
	NTD	NTD	NTD	USD
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$ 131,577	$ 962,728	$ 1,464,454	$ 43,353
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Depreciation	80,796	272,275	378,795	11,214
Amortization	16,225	32,247	68,095	2,016
Loss on disposal of property, plant and equipment	13,210	7,411	8,287	245
Investment losses (gains) on equity-method	5,686	12,694	(6,020)	(178)
Changes in assets and liabilities provided (used) cash:				
Notes receivable	(946)	131	(47,451)	(1,405)
Accounts receivable	(1,446,323)	(1,096,351)	(1,984,317)	(58,742)
Accounts receivable from related parties	373,712	17,055	(69,443)	(2,056)
Inventories	(1,070,056)	(208,228)	(165,886)	(4,911)
Prepayments	(58,677)	40,871	52,641	1,558
Other current assets	(851)	(31,477)	(2,740)	(81)
Notes and accounts payable	1,287,042	332,951	2,086,363	61,763
Notes and accounts payable due to related parties	(235,465)	15,903	(455)	(13)
Accrued expenses	36,832	124,164	72,021	2,132
Income tax payable	-	90,771	4,133	122
Other current liabilities	35,113	(50,976)	225,303	6,670
Deferred income tax asset - current	(17,313)	(4,986)	(44,485)	(1,317)
Deferred income tax asset - noncurrent	(4,715)	(58,577)	(3,847)	(114)
Long-term notes payable	-	2,231	(2,231)	(66)
Accrued pension cost	4,311	(304)	7,160	212
Total adjustments	(981,419)	(502,195)	575,923	17,049
Net cash (used in) provided by operating activities	(849,842)	460,533	2,040,377	60,402

(Continued)

HIGH TECH COMPUTER CORP.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars)

	2000	2001	2002	
	NTD	NTD	NTD	USD
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(655,741)	(1,466,973)	(467,671)	(13,845)
Proceeds from sales of property, plant and equipment	-	12,393	1,213	36
Increase in long-term investments	(16,834)	(6,538)	(75,517)	(2,236)
Decrease (increase) in refundable deposits	798	7,006	(72)	(2)
(Increase) decrease in pledged time certificates of deposit	(32,526)	32,526	-	-
Increase in deferred charges	(31,052)	(307,359)	(15,178)	(449)
Decrease in receivable on forward exchange contracts	318	89	-	-
Increase (decrease) in option contracts payable	(74)	61,007	(39,048)	(1,156)
Net cash used in investing activities	(735,111)	(1,667,849)	(596,273)	(17,652)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	148,455	788,198	(798,163)	(23,628)
Net increase (decrease) in short-term commercial bills	127,987	205,885	(348,855)	(10,327)
Increase (decrease) in long-term debts	514,955	(426,486)	(12,556)	(372)
Increase (decrease) in guarantee deposits received	315	(315)	-	-
Issuance of common stock	1,000,000	425,100	-	-
Cash dividend	-	-	(127,600)	(3,777)
Bonus to employee	-	-	(33,968)	(1,006)
Net cash provided by (used in) financing activities	1,791,712	992,382	(1,321,142)	(39,110)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	206,759	(214,934)	122,962	3,640
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,453	231,212	16,278	482
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 231,212	$ 16,278	$ 139,240	$ 4,122

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002
(Expressed in Thousands of New Taiwan Dollars and in Thousands of United States Dollars)

	2000	2001	2002	
	NTD	NTD	NTD	USD
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION -				
Cash paid during the year for:				
Interest (net of amounts capitalized) (Note 10)	$ 30,778	$ 79,306	$ 37,729	$ 1,117
Income tax	$ 892	$ 316	$ 87,743	$ 2,597
NON CASH INVESTING AND FINANCING ACTIVITIES:				
Transfer of long-term debts to current portion of long-term debts	$ 433,096	$ 42,062	$ 57,749	$ 1,710
Transfer of cost of property, plant and equipment to deferred charges	$ -	$ -	$ 6,043	$ 179
Transfer of retained earnings and employees bonuses to capital stock	$ -	$ -	$ 351,200	$ 10,397
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT:				
Cost of property, plant and equipment purchased	$ 667,864	$ 1,507,405	$ 462,383	$ 13,688
(Increase) decrease in payable for purchase of equipment	(12,123)	(40,432)	5,288	157
Cash paid for purchase of property, plant and equipment	$ 655,741	$ 1,466,973	$ 467,671	$ 13,845
BONUS TO EMPLOYEES AND DIRECTORS' REMUNERATION:				
Appropriation of bonus to employees and directors' remuneration	$ -	$ -	$ 42,633	$ 1,262
Increase in payable for directors' remuneration	-	-	(8,665)	(256)
Cash paid	$ -	$ -	$ 33,968	$ 1,006

(Concluded)

See notes to financial statements.

HIGH TECH COMPUTER CORP.

1. ORGANIZATION AND OPERATIONS

High Tech Computer Corp. (the "Company") was incorporated on May 15, 1997, under the Company Law of Republic of China, to engage in the designing, manufacturing and selling of Smart Handheld Devices. In 1998, the Company's common stock was initially publicly offered and in March 2002, listed on the Taiwan Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translations into United States (US) Dollars

The Company maintains its accounts and expresses its financial statements in NT dollars. The translation of the NT dollars financial statements as of and for the year ended December 31, 2002 into US dollars is solely for the convenience of the reader using the noon buying rate for cable transfers in NT dollars per US dollar as certified for customs purposes by the Federal Reserve Bank of New York as of September 30, 2003, which was NT$33.78 to US$1.00 at that date. The convenience translations should not be construed as representations that the NT dollar amounts have been, could have been or could in the future be, converted into US dollars at this or any other exchange rate.

Cash Equivalents

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

Short-Term Investments

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

Allowance for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost or market ("LCM"). Cost is determined using the moving average method. Market value is based on replacement cost, except for finished goods which are valued based on net realizable values. The LCM method is applied to each inventory category.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Interest incurred in connection with the purchase or construction of property, plant and equipment is capitalized. Major renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred.

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

Long-Term Investments

Investments in companies in which the Company's ownership interest is 20% or more, except where the Company cannot exercise significant influence, are accounted for based on the equity method of accounting. Payment in excess of the proportionate net book value, at the time of investment, of the investee accounted for under the equity method is amortized over five years. All other long-term investments are valued at cost except for investments in listed companies, which are stated at the lower of cost or market value. The cost of an investment sold is determined using the weighted-average method.

In accordance with SFAS No. 7 and "Regulations Governing the Preparation of Financial Statements of Public companies", entities in which the Company's ownership interest is more than 50%, are required to have their financial statements consolidated with that of the Company if their total assets and total sales, individually, are more than 10% of that of the Company and, in the aggregate are more than 30% of that of the Company.

Deferred Charges

Deferred charges consist of telephone installation charges, computer software and deferred license fees. Installation charges and computer software are amortized on a straight-line basis over three years, and deferred license fees are amortized over ten years.

Employee Retirement Plan

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

The Company has a pension plan covering all eligible employees in accordance with the Labor Standards Law of the ROC. Subsequently, the contributions to the plan are made by the Company based on 2% of employee salaries and wages. The funds are deposited with the Central Trust of China, a government-designated custodian of pension funds, and are managed by the Pension Fund Administration Committee.

The pension fund balance is $9,874, $23,519 and $41,062 at December 31, 2000, 2001 and 2002, respectively.

Revenue Recognition

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

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

Income Tax

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

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

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

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

Foreign Currency Transactions

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

Derivative Financial Instruments

Forward exchange contracts that are designated and effective as a hedge of net foreign asset or liability positions are recorded at the contract date exchange rate. The premium or discount on the forward contract, which is the difference between the forward rate and the spot rate on the contract date multiplied by the principal amount of foreign currency, is separately accounted for and amortized to current income over the term of the contract. At year-end, existing forward exchange contracts are restated at the year-end exchange rates, and resulting gains or losses are credited or charged to current income. At closing dates of forward exchange contracts, the difference between the forward rate and the spot rate is credited or charged to current income. Receivables or payables from forward exchange contracts are shown on the accompanying balance sheets in net balance.

Premiums received on short positions or paid on long positions of foreign exchange option contracts, which are treated as non-trading and trading activities for financial reporting purposes, are included in other current liabilities or other current assets. Gain or loss from the execution of the foreign currency option contracts are credited to or charged against current income. The option contract is measured at the balance sheet date using the market value, and any gain or loss is credited to or charged against current income.

Non-Derivative Financial Instruments

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Cash on hand	$ 315	$ 492	$ 492	$ 15
Cash in banks	3,067	15,786	138,748	4,107
Time certificates of deposit	227,830	-	-	-
Total	$231,212	$16,278	$139,240	$4,122

At December 31, 2000, interest rates on time certificates of deposit was 6.68%.

4. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Marketable equity securities	$1,971	$ -	$ -	$ -
Less valuation allowance	-	-	-	-
Short-term investments	$1,971	$ -	$ -	$ -

5. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable at December 31, 2000, 2001 and 2002 were as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Notes receivable	$ 946	$ 815	$ 48,266	$ 1,429
Accounts receivable	1,491,428	2,592,343	4,547,804	134,630
Less allowance for doubtful accounts	(243)	(4,320)	(3,999)	(118)
Less allowance for sales returns	(28,048)	(28,535)	-	-
Accounts receivable, net	$1,464,083	$2,560,303	$4,592,071	$135,941

6. INVENTORIES

Inventories at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Finished goods	$ 30,229	$ 173,375	$ 148,375	$ 4,392
Work-in-process	304,816	601,174	683,110	20,222
Raw materials	1,158,783	930,456	1,074,933	31,822
Subtotal	1,493,828	1,705,005	1,906,418	56,436
Less valuation allowance	(97,541)	(100,490)	(136,017)	(4,026)
Inventories	$1,396,287	$1,604,515	$1,770,401	$52,410

Insurance coverage for the inventories at December 31, 2000, 2001 and 2002 amounted to NT$1,310,000, NT$2,000,000 and NT$2,150,000, respectively.

7. PREPAYMENTS

Prepayments at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Prepayments for royalty (Note 25)	$ 93,022	$123,316	$69,668	$2,062
Prepayments for material purchases	89,956	11,969	1,484	44
Others	2,331	9,153	20,645	611
Total	$185,309	$144,438	$91,797	$2,717

8. OTHER CURRENT ASSETS

Other current assets at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Income tax refunds receivable (Note 19)	$ 1,070	$ 1,070	$ -	$ -
Value-added tax refunds receivable	6,009	3,305	10,581	313
Other receivable	1,530	35,711	32,245	955
Deferred income tax asset (see Note 19)	28,916	33,902	78,387	2,320
Receivable on forward exchange contracts, net (see Note 21)	89	-	-	-
Pledged time certificates of deposit (see Note 23)	32,526	-	-	-
Total	$70,140	$73,988	$121,213	$3,588

9. LONG-TERM INVESTMENTS

Long-term investments at December 31, 2000, 2001 and 2002 consisted of the following:

	2000		2001		2002				
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage	Original Cost		Carrying Value		Ownership Percentage
	NTD		NTD		NTD	USD	NTD	USD	
Under the equity method:									
H.T.C. (B.V.I.) Corp.	$ 7,126	100.00	$ 2,963	100.00	$ 25,259	$ 748	$ 12,908	$ 382	100.00
Auto Hi-Tech Computer Corp.	4,000	20.00	4,073	20.00	4,000	119	4,070	121	20.00
Prepayments for long-term investments - H.T.C. (B.V.I.) Corp.	-	-	-	-	69,630	2,061	69,630	2,061	-
Under LCM method - VIA Technologies, Inc.	-	-	1,971	-	1,971	58	1,561	46	-
Total	$ 11,126		$ 9,007		$100,860	$2,986	$ 88,169	$2,610	

In September 2000, the Company invested NT$12,834 and acquired a 100% ownership interest in H.T.C (B.V.I.) Corp., and accounted for such investment under the equity method. At the end of December 2002, the Company increased such investment to NT$94,889, including an amount of NT$69,630 which was reflected as a prepayment for H.T.C. (B.V.I.) Corp., because the registration process was not finished.

In December 2000, the Company invested NT$4,000 and acquired a 20% ownership interest in Auto Hi-Tech Computer Corp., and accounted for such investment under the equity method.

Financial statements of equity affiliates were not examined by independent auditors. Equity in net loss or gain of affiliates amounted to NT$(5,686) NT$(12,694) and NT$6,020 for the years ended December 31, 2000, 2001 and 2002, respectively.

In June 2001, due to the intention of holding shares of VIA Technologies, Inc. over a long period of time, the Company reclassified it from short-term investments to long-term investments.

H.T.C. (B.V.I.) Corp., in which the Company's ownership interest is more than 50%, had not consolidated its financial statements with that of the Company because its total assets and total sales, individually, are less than 10% of that of the Company.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002			
	Carrying Value	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NTD	NTD	NTD	NTD	NTD	USD
Land	$ 175,898	$ 224,244	$ 224,244	$ -	$ 224,244	$ 6,638
Buildings and structures	-	725,666	807,336	89,173	718,163	21,260
Machinery and equipment	268,823	958,746	1,322,588	427,403	895,185	26,501
Molding equipment	38,096	72,486	283,738	142,593	141,145	4,179
Computer equipment	25,808	73,093	118,138	55,095	63,043	1,866
Transportation equipment	529	428	1,315	336	979	29
Furniture and fixtures	32,103	55,273	87,102	33,636	53,466	1,583
Leasehold improvements	24,288	5,055	19,040	4,943	14,097	417
Prepayments on construction-in-progress and equipment-in-transit	439,571	105,451	178,165	-	178,165	5,274
Total	$1,005,116	$2,220,442	$3,041,666	$753,179	$2,288,487	$67,747

In August 1998, the Company acquired a parcel of land from Goodyear (Taiwan) Co., to be used as a construction site for a factory and office building for NT$174,131. The development project was completed in February 2001.

Due to the construction of such factory and office building, the property, plant and equipment increased significantly in 2001.

Insurance coverage for property, plant and equipment, excluding land, at December 31, 2000, 2001 and 2002 amounted to NT$374,497, NT$1,937,789 and NT$1,761,300, respectively.

Interest capitalized for construction of factory and office building and machinery and equipment in

2000, 2001 and 2002 amounted to NT$11,350, NT$17,717 and NT$1,945, respectively.

See Note 23 for the details on property, plant and equipment pledged as collateral for short-term borrowings and long-term debts.

11. SHORT-TERM BORROWINGS

Short-term borrowings at December 31, 2000, 2001 and 2002 were comprised of the following:

	2000		2001		2002		
	Interest Rate (Fixed)	Amount NTD	Interest Rate (Fixed)	Amount NTD	Interest Rate (Fixed)	Amount NTD	USD
Material procurement loans	2.50%~7.25%	$ 40,150	0.89~2.25%	$ 73,096	-	$ -	$ -
Unsecured loans	5.70%~6.15%	351,000	0.90%~3.40%	1,106,252	0.90%~1.85%	381,185	11,284
Total		$ 391,150		$1,179,348		$ 381,185	$11,284

12. SHORT-TERM COMMERCIAL BILLS

Short-term commercial bills at December 31, 2000, 2001 and 2002 were comprised of the following:

	2000		2001		2002		
	Interest Rate (Fixed)	Amount NTD	Interest Rate (Fixed)	Amount NTD	Interest Rate (Fixed)	Amount NTD	USD
Commercial paper	5.78%~6.25%	$ 243,200	2.30%~3.30%	$ 448,900	1.80%	$ 100,000	$ 2,960
Less discount		(536)		(351)		(306)	(9)
Net		$ 242,664		$ 448,549		$ 99,694	$ 2,951

13. ACCRUED EXPENSES

Accrued expenses at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Salaries & bonuses	$ 88,133	$169,474	$191,326	$5,664
Insurance	6,973	10,499	17,402	515
Interest	3,404	154	904	27
Professional fees	-	5,694	6,573	194
Royalties (see Note 25)	-	-	8,336	247
Others	35,284	72,137	105,438	3,121
Total	$133,794	$257,958	$329,979	$9,768

14. OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Advance receipts	$19,775	$ 6,280	$ 20,907	$ 619
Reserve for warranty expenses	44,266	-	149,767	4,434
Receipts for custody	1,963	2,200	67,827	2,008
Option on forward contracts, net (see Note 21)	834	61,841	22,793	675
Employee bonus payable	-	-	8,665	256
Other	35	6,583	1,865	55
Total	$66,873	$76,904	$271,824	$8,047

15. LONG-TERM DEBTS

A summary of long-term debts at December 31, 2000, 2001 and 2002 was as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Secured loan from Far East National Bank for the factory building. The total borrowing was NT$750,000, and the interest rate was at 6.00% on December 31, 2000. Principal payment was due on the maturity date. The Company repaid the loan on July 3, 2001.	$420,980	$ -	$ -	$ -
Secured loan from Bank of Overseas Chinese for purchase of automatic machinery. The total borrowing was NT$29,000, and the interest rate was at 6.765% on December 31, 2000. Except for the final principal payment of NT$1,805, principal payments were due in 15 equal quarterly installments commencing on July 15, 2000. The Company repaid the loan on August 31, 2001.	25,375	-	-	-

	2000	2001	2002	
	NTD	NTD	NTD	USD
Secured loan from Bank of Overseas Chinese for purchase of automatic machinery. The total borrowing was NT$10,000, and the interest rate was at 6.765% on December 31, 2000. Principal payments were due in 16 equal quarterly installments commencing on July 15, 2000. The Company repaid the loan on August 31, 2001.	8,750	-	-	-
Secured loan from Bank of Overseas Chinese for purchase of automatic machinery. The total borrowing was $61,000, and the interest rate was at 6.765% on December 31, 2000. Principal payments were due in 16 equal quarterly installments commencing on January 15, 2002. The Company repaid the loan on August 31, 2001.	61,000	-	-	-
Secured loan from Bank of Overseas Chinese for purchase of automatic machinery. The total borrowing was NT$37,850, and the interest rate was at 6.765% on December 31, 2000. Except for the final principal payment of $2,360, principal payments were due in 15 equal quarterly installments commencing on October 15, 2001. The Company repaid the loan on August 31, 2001.	37,850	-	-	-
Secured loan from First Commercial Bank for purchase of automatic machinery. The total borrowing is NT$130,900, and the interest rate is 2.85% (floating) on December 31, 2002. Principal and interest payments were calculated monthly under annuity method.	-	127,469	85,132	2,521
Secured loan from First Commercial Bank for purchase of automatic machinery. The total borrowing is JPY108,900 thousand, and the interest rate is at 1.154% (floating) on December 31, 2002. Principal payments are due in 30 equal quarterly installments commencing on October 15, 2002.	-	-	29,781	882
Subtotal	553,955	127,469	114,913	3,403
Less current portion of long-term liabilities	(433,096)	(42,062)	(57,749)	(1,710)
Long-term debts	$120,859	$ 85,407	$ 57,164	$1,693

See Note 23 for collateral of long-term debts.

16. EMPLOYEE BENEFIT PLAN

The Company has a defined benefit pension plan covering all eligible employees. The benefits are based primarily on an employee's years of service and average compensation for the one-month period prior to retirement.

According to the Statements of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions," issued by the Accounting Research and Development Foundation of the ROC, pension cost should be calculated by the actuarial method and the related disclosure is as follows:

The composition of net pension cost in 2000, 2001 and 2002 were as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Service cost	$10,409	$12,411	$22,654	$671
Interest cost	728	1,311	2,422	72
Projected return of plan assets	(349)	(805)	(1,468)	(44)
Amortization of unrecognized net transition obligation, net	77	77	77	2
Amortization of net pension benefit	(14)	-	372	11
Net pension cost	$10,851	$12,994	$24,057	$712

The reconciliation between pension fund status and accrued pension liabilities at December 31, 2000, 2001 and 2002 were as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Actuarial present value of benefit obligation:				
Vested benefits	$ -	$ (262)	$ (167)	$ (5)
Nonvested benefits	(8,292)	(21,114)	(39,988)	(1,184)
Accumulated benefit obligation	(8,292)	(21,376)	(40,155)	(1,189)
Additional benefit at future salaries	(14,507)	(29,860)	(55,080)	(1,630)
Projected benefit obligation	(22,799)	(51,236)	(95,235)	(2,819)
Plan assets at fair value	10,221	24,165	41,803	1,237
Projected benefit obligation in excess of plan assets	(12,578)	(27,071)	(53,432)	(1,582)
Unrecognized transition obligation, net	1,543	1,465	1,388	41
Unrecognized pension benefit	(1,944)	12,931	32,209	954
Accrued pension cost	$(12,979)	$(12,675)	$(19,835)	$ (587)

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

	2000	2001	2002
Weighted-average discount rate	5.75%	4.75%	3.75%
Assumed rate of increase in future compensation	6.00%	5.00%	5.00%
Expected long-term rate of return on plan assets	5.75%	4.75%	3.75%

The vested benefits as of December 31, 2000, 2001 and 2002 all amounted to NT$0.

17. CAPITAL STOCK

The Company's outstanding common stock at January 1, 2001 amounted to NT$1,250,000, divided into 125,000,000 shares at NT$10 par value each. In June of 2001, the Company issued 2,600,000 shares of NT$10 par value common stock at NT$163.5 per share through cash subscription; NT$399,100 of the additional paid-in capital from the issuance of such common stock were accounted for as "capital surplus". The Company's outstanding common stock at December 31, 2001 amounted to NT$1,276,000, divided into 127,600,000 shares at NT$10 par value each.

In June 2002, the stockholders approved to transfer of retained earnings amounting to NT$255,200 and employees bonuses amounting to NT$96,000 to capital stock. As a result, the Company's outstanding common stock at December 31, 2002 was increased to NT$1,627,200, divided into 162,720,000 common shares at NT$10 par value each.

At December 11, 2002 meeting, the Board of Directors of the Company resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28.3 within the quantity of 7,000,000 units. Each individual employee stock warrant is granted the right to purchase the Company's new issued one common share. The exercise price is the closing price of the Company's common shares on the employee stock warrants' issuance date or the share's par value, whichever is higher. The warrants holders can exercise the right up to 35% of the granted warrants units no earlier than two years from the granted date. After three years from the granted day the holders can exercise the right up to 70% of the granted warrants units. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. The warrants holders without the titles mentioned above should exercise the right within five years. At December 31, 2002, the Company has not issued any unit of the employee stock warrants to the employee.

18. APPROPRIATION OF RETAINED EARNINGS AND DIVIDEND POLICY

According to the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deficit, if any, shall first be appropriated to legal reserve until such reserve equals the amount of common stock. The remaining balance shall be appropriated 1% as bonuses to directors and supervisors, and no less than 5% as bonuses to employees.

In 2001, the Company transferred NT$316,288 of capital surplus to cover accumulated deficit.

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

The Company engages in a technology and capital-intensive industry and is in the development stage of industry cycle. Under the consideration of the current environment around the Company and the characteristics of industry development, the long-term interests of stockholders, maintaining the operating efficiency, and meeting its capital expenditure budget and the financial goals, the Company considers the current operating status and capital expenditure budget of next year to determine the dividends to be paid.

If the Company recognized the employees bonuses NT$129,968 and directors' remuneration NT$8,665 as expenses of 2001, the pro forma earnings per share for the year ended 2001 would be NT$6.52.

19. INCOME TAX

The income tax returns for the years through 1998 have been examined and approved by the tax authority.

The Company is exempt from paying corporation income tax on revenue from sales of pocket PC and smart phones for five consecutive years commencing on April 26, 2001 under the Statute for Upgrading Industries.

Income tax payable (receivable) at December 31, 2000, 2001 and 2002 was computed as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Income before income tax	$ 109,549	$ 990,251	$1,508,029	$ 44,643
Add:			-	-
Excess depreciation allowance	-	18,000	-	-
Provision for loss on decline in value of inventory	74,903	2,949	35,527	1,051
Investment losses on equity-method	5,686	12,694	-	-
Excess meal allowance	3,889	15,431	-	-
Unrealized foreign currency exchange loss, net	-	40,336	-	-
Unrealized reserve for warranty expense	29,488	-	139,274	4,123
Unrealized pension cost	4,311	-	9,392	278
Others	12,510	28,585	858	25
Less:				
Gain on disposal of investments	(908)	(723)	(642)	(19)
Realized reserve for warranty expense	-	(44,266)	-	-
Unrealized foreign currency exchange gain, net	(28,288)	-	(33,914)	(1,004)
Investment gains on equity method	-	-	(6,020)	(178)
Realized depreciation	-	-	(6,968)	(206)
Total income	211,140	1,063,257	1,645,536	48,713
Less income exempt from tax	-	(83,230)	(782,694)	(23,170)
Prior year loss carryforwards	(211,140)	(233,843)	-	-
Taxable income	-	746,184	862,842	25,543
Tax rate	×25%	×25%	×25%	×25%
Subtotal	-	186,546	215,710	6,386
Income tax credit	-	(10)	(10)	-
Estimated income tax provision	-	186,536	215,700	6,386
Unappropriated earnings additional 10% income tax	-	9,057	34,234	1,013
Less investment research and development tax credits	-	(104,507)	(154,948)	(4,587)
Current income tax expense	-	91,086	94,986	2,812
Less prepaid and withheld income tax	(892)	(315)	(82)	(2)
Income tax receivable, beginning of period	(178)	-	-	-
Income tax (receivable) payable, end of period	$ (1,070)	$ 90,771	$ 94,904	$ 2,810

The tax effects of deductible temporary differences and loss and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Temporary differences:				
Unrealized pension cost	$ 3,245	$ 3,169	$ 5,517	$ 163
Unrealized depreciation	-	7,695	5,990	177
Provision for loss on decline in value of inventory	23,823	25,122	34,004	1,007
Unrealized investment losses	1,421	4,595	-	-
Unrealized foreign currency exchange loss	-	3,615	-	-
Unrealized reserve for warranty expense	11,066	-	34,818	1,031
Other	3,883	9,150	15,843	469
Tax credit carryforwards	204,016	237,157	337,355	9,987
Prior year loss carryforwards	67,025	-	-	-
Total deferred tax asset	314,479	290,503	433,527	12,834
Less valuation allowance	(234,150)	(153,066)	(242,895)	(7,191)
Total deferred tax asset, net	80,329	137,437	190,632	5,643
Deferred tax liability -				
Unrealized foreign currency exchange gain, net	(6,455)	-	(4,863)	(144)
	73,874	137,437	185,769	5,499
Less current portion	(28,916)	(33,902)	(78,387)	(2,320)
Deferred tax assets – noncurrent	$ 44,958	$ 103,535	$ 107,382	$ 3,179

Details of the tax credit carryforwards:

Year Occur	Period of Validity	2000 NTD	2001 NTD	2002 NTD	2002 USD
1997	1997~2001	$ 6,710	$ -	$ -	$ -
1998	1998~2002	29,982	-	-	-
1999	1999~2003	49,092	-	49,092	1,453
2000	2000~2004	118,232	99,509	79,780	2,362
2001	2001~2005	-	137,648	155,563	4,605
2002	2002~2006	-	-	52,920	1,567
		$204,016	$237,157	$337,355	$9,987

According to the Income Tax Law of ROC, the investment research and development tax credits can be carried forward for five years. The total credits used in each year can not be over half of estimated income tax provision, except for the last year.

Valuation allowance is based on management’s evaluation of the amount of tax credits that can be carried forward for five years, based on the Company’s financial forecasts.

The income tax expense (benefit) for the years ended December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Current income tax expense	$ -	$ 91,086	$ 94,986	$ 2,812
Increase in deferred income tax assets	(22,028)	(63,563)	(48,332)	(1,431)
Over estimation of prior year's income tax	-	-	(3,079)	(91)
Income tax expense (benefit)	$(22,028)	$ 27,523	$ 43,575	$ 1,290

The related information for the integrated income tax system is disclosed as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Balance of imputation credit account	$ 25	$ 340	$ 88,093	$ 2,608
Unappropriated earnings attributed to 1998 and years after	-	962,728	1,809,476	53,566
Expected creditable ratio (including income tax payable)	-	9.46%	10.11%	10.11%

20. EARNINGS PER SHARE

Before tax and after tax earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during each year. The weighted average number of shares used in the calculation of earnings per share was 108,493,000, 161,158,000 and 162,720,000 in 2000, 2001 and 2002, respectively. Earnings per share for the years ended December 31, 2000 and 2001 were calculated after giving retroactive effect of the stock dividend distribution in 2002.

21. FINANCIAL INSTRUMENTS

In accordance with the Approval Documents (85) Tai-Tsai-Tseng (6) No. 00263 of Securities and Futures Commission of ROC and Statement of Financial Accounting Standards No. 27 "Disclosure of Financial Instruments", the Company discloses related information as follows:

Amount of Contract and Credit Risk

Forward Exchange Contracts

	2000	
	Contract Amount	Credit Risk
Forward exchange contracts	US$ 2,000	-

Foreign Currency Option Contracts

December 31, 2000

Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate	Credit Risk
Sell	2000.10.19	2001.02.21	USD/NTD	US$1,000	33.060	-
Sell	2000.10.19	2001.03.21	USD/NTD	US$1,000	33.060	-

December 31, 2001

Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate	Credit Risk
Buy	2001.08.23~ 2001.11.21	2002.01.07~ 2002.02.25	NTD/USD	US$19,340	34.4~34.5	-
Buy	2001.11.29~ 2001.12.20	2002.05.16~ 2002.06.13	USD/JPY	US$ 3,350	121	-
Sell	2001.03.07~ 2001.12.26	2002.02.04~ 2002.09.30	USD/NTD	US$30,300	34.51~37	-
Sell	2001.09.21~ 2001.12.13	2002.03.22~ 2002.06.13	USD/JPY	US$24,800	116.5~122	-
Sell	2001.12.29	2002.06.13	JPY/USD	US$ 2,000	121	-

December 31, 2002

Buy/Sell	Trade Date	Expiry Date	Call/Put	Contract Amount	Strike Rate	Credit Risk
Buy	2002.05.31	2003.01.31~ 2003.06.02	JPY/USD	US$25,000	131	-
Sell	2002.05.21~ 2002.12.04	2003.01.31~ 2003.06.04	JPY/USD	US$24,800	126~134.5	-
Sell	2002.05.30~ 2002.06.01	2003.05.30~ 2003.06.03	USD/NTD	US$60,000	34.5	-

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

Market Risk

Forward exchange contracts and foreign currency option are measured at the balance sheet date using the market value. As of December 31, 2002, the Company recorded unrealized foreign exchange losses of NT$22,793 in these contracts.

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

The Company's forward exchange contracts and foreign currency options will cause a loss of NT$4,239~NT$34,456, assuming an exchange rate at NT$34.3~35 to US$1 and US$1 to JPY117~123 for the year of 2003. Because the Company has sufficient working capital to settle those contracts, no future cash requirements risk exist. Meanwhile, because the Company would not intend to sell foreign currency options before their maturity dates, no liquidity risk is expected.

Purpose and Category of Financial Instrument Held

The Company held derivative financial instruments for non-trading activity purpose in an attempt to reduce the effect of foreign exchange fluctuation.

Disclosures of Derivative Instruments in the Financial Statements

The receivables and payables generated from foreign currency option and forward exchange contracts shall be offset, and the net balance will be included in other current assets or other current liabilities. As of December 31, 2002, the net balance recorded in other current liabilities was NT$22,793. Gains (loss) generated from transactions of derivative financial instruments for the year ended December 31, 2000, 2001 and 2002, amounted to NT$1,155, NT$7,321 and NT$(354,766), respectively.

Fair Value of Financial Instruments

Derivative Financial Instruments

	2000		2001		2002			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NTD	NTD	NTD	NTD	NTD	USD	NTD	USD
Assets -								
Forward exchange contracts	$ 89	$ 89	$ -	$ -	$ -	$ -	$ -	$ -
Liabilities -								
Foreign currency option contracts	834	834	61,841	61,841	22,793	675	22,793	675

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

Non-derivative Financial Instruments

	2000		2001		2002			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NTD	NTD	NTD	NTD	NTD	USD	NTD	USD
Assets:								
Cash and cash equivalents	$ 231,212	$ 231,212	$ 16,278	$ 16,278	$ 139,240	$ 4,122	$ 139,240	$ 4,122
Short-term investments	1,971	3,889	-	-	-	-	-	-
Receivables	1,484,523	1,484,523	2,563,688	2,563,688	4,664,899	138,097	4,664,899	138,097
Other current financial assets	41,135	41,135	40,086	40,086	42,826	1,268	42,826	1,268
Long-term investments	11,126	11,126	9,007	9,702	88,169	2,610	88,169	2,610
Other financial assets	7,770	7,389	764	728	836	25	820	24
Liabilities:								
Short-term borrowings	633,814	633,814	1,627,897	1,627,897	480,879	14,235	480,879	14,235
Payables	1,368,699	1,368,699	1,717,553	1,717,553	3,803,461	112,595	3,803,461	112,595
Current portion of long-term debts	433,096	433,096	42,062	42,062	57,749	1,710	57,749	1,710
Other current financial liabilities	204,901	204,901	483,794	483,794	712,160	21,082	712,160	21,082
Long-term debts	120,859	120,859	85,407	85,407	57,164	1,693	57,164	1,693
Long-term notes payable	-	-	2,231	2,126	-	-	-	-
Other financial liabilities	315	315	-	-	-	-	-	-

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

For instruments with short maturities, including cash and cash equivalents, receivable, other current financial assets, payables, short-term borrowings and other current financial liabilities, the carrying amount approximated the fair value because of the short maturities of such instruments.

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

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

The fair value of long-term debts, including current portion, are estimated based on their rates that are comparable to current rates of long-term debts with the same terms and maturities.

22. RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
First International Computer, Inc. ("FIC")	Chairperson is one of the immediate family members of the Company's chairperson
VIA Technologies, Inc.	Chairperson is the Company's chairperson
Leo Systems, Inc.	One of its director is the Company's chairperson
Chander Electronics Corp.	Chairperson is the Company's chairperson
Everex System	A subsidiary of FIC
FIC Europe B.V.	A subsidiary of FIC
QTEK, Inc.	A subsidiary of H.T.C. (B.V.I.) Corp.
Xander International (HK) Ltd.	A subsidiary of Xander International Corp.

Major transactions with related parties are summarized below:

Purchases of Inventories and Services

	Years Ended December 31						
	2000		2001		2002		
Related Party	Amount NTD	% of Total Net Purchases	Amount NTD	% of Total Net Purchases	Amount NTD	Amount USD	% of Total Net Purchases
Chander Electronics Corp.	$ -	-	$ 26,188	0.20	$227,836	$6,745	1.41
Leo Systems, Inc.	276,987	5.80	-	-	-	-	-
Others	63,663	1.34	765	0.01	-	-	-
Total	$340,650	7.14	$ 26,953	0.21	$227,836	$6,745	1.41

The Company entered into a contract with Leo Systems, Inc. under which Leo Systems purchased raw materials and manufactured products designed by the Company. The Contract commenced on January 1, 1998 and terminated on April 30, 2000. See Note 25 for more explanations. The purchase prices to related parties, except for Leo Systems, Inc. are similar with unrelated parties.

Terms of payment for both related and unrelated parties are similar.

Sales and Services Provided

	Years Ended December 31						
	2000		2001		2002		
Related Party	Amount NTD	% of Total Net Sales	Amount NTD	% of Total Net Sales	Amount NTD	Amount USD	% of Total Net Sales
FIC Europe B.V.	$259,391	5.68	$ -	-	$ 97,118	$2,875	0.05
Leo Systems, Inc.	64,231	1.41	97,703	0.63	10,484	310	0.47
Xander International (HK) Ltd.	114,095	2.50	-	-	-	-	-
Others	18,677	0.41	423	-	498	15	-
Total	$456,394	10.00	$ 98,126	0.63	$108,100	$3,200	0.52

Selling prices and terms of payment for both related and unrelated parties are similar.

Notes and Accounts Receivable

	December 31						
	2000		2001		2002		
Related Party	Amount NTD	% of Total Notes and Accounts Receivable	Amount NTD	% of Total Notes and Accounts Receivable	Amount NTD	Amount USD	% of Total Notes and Accounts Receivable
Notes receivable:							
VIA Technologies, Inc.	$ 945	0.06	$ -	-	$ -	$ -	-
Others	1	-	-	-	-	-	-
Total	$ 946	0.06	$ -	-	$ -	$ -	-
Accounts receivable:							
FIC	$ 11,892	0.78	$ -	-	$ 72,613	$2,150	1.56
Leo Systems, Inc.	8,104	0.54	$ 3,385	0.13	86	2	-
Others	444	0.03	-	-	129	4	-
Total	$ 20,440	1.35	$ 3,385	0.13	$ 72,828	$2,156	1.56

Notes and Accounts Payable

	December 31						
	2000		2001		2002		
Related Party	Amount	% of Total Notes and Accounts Payable	Amount	% of Total Notes and Accounts Payable	Amount		% of Total Notes and Accounts Payable
	NTD		NTD		NTD	USD	
Chander Electronics Corp.	$ -	-	$ 14,722	0.86	$ 18,558	$ 549	0.49
Leo Systems, Inc.	-	-	1,181	0.07	-	-	-
Total	$ -	-	$ 15,903	0.93	$ 18,558	$ 549	0.49

Other Receivable

	December 31						
	2000		2001		2002		
Related Party	Amount	% of Total Other Receivable	Amount	% of Total Other Receivable	Amount		% of Total Other Receivable
	NTD		NTD		NTD	USD	
VIA Technologies Inc.	$ 50	3.27	$ -	-	$ -	$ -	-

Accrued Expenses

	December 31						
	2000		2001		2002		
Related Party	Amount	% of Total Accrued Expenses	Amount	% of Total Accrued Expenses	Amount		% of Total Accrued Expenses
	NTD		NTD		NTD	USD	
VIA Technologies Inc.	$ 1,334	1.00	$ 2,034	0.79	$ 2,467	$ 73	0.75
FIC Europe B.V.	2,790	2.09	-	-	-	-	-
Others	379	0.28	135	0.05	146	4	0.04
Total	$ 4,503	3.37	$ 2,169	0.84	$ 2,613	$ 77	0.79

Service Warranty Expense

	Years Ended December 31						
	2000		2001		2002		
Related Party	Amount	% of Warranty Expenses	Amount	% of Warranty Expenses	Amount		% of Warranty Expenses
	NTD		NTD		NTD	USD	
FIC Europe B.V.	$ 9,559	34.35	$ 94,218	48.20	$ 31,567	$ 934	18.82

Service expense resulted from authorizing the above related party to provide after sales service.

Expenses

Related Party	Years Ended December 31						
	2000		2001		2002		
	Amount NTD	% of Total R&D Expense	Amount NTD	% of Total R&D Expense	Amount NTD	Amount USD	% of Total R&D Expense
QTEK, Inc.	$ -	-	$ -	-	$ 5,093	$ 151	0.34
Leo Systems, Inc.	299	0.10	-	-	-	-	-
Others	562	0.18	499	0.06	146	4	0.01
Total	$ 861	0.28	$ 499	0.06	$ 5,239	155	0.35

Non-Operating Income

Other Income

Related Party	Years Ended December 31						
	2000		2001		2002		
	Amount NTD	% of Total Other Income	Amount NTD	% of Total Other Income	Amount NTD	Amount USD	% of Total Other Income
Leo Systems, Inc.	$ 23,634	60.59	$ -	-	$ -	$ -	-
Chander Electronics Corp.	1,366	3.50	-	-	-	-	-
Others	24	0.06	-	-	-	-	-
Total	$ 25,024	64.15	$ -	-	$ -	$ -	-

Other income from Leo Systems, Inc. for year 2000 mainly represented compensation for obsolete inventory due to order cancellation.

Interest Income

Related Party	Years Ended December 31						
	2000		2001		2002		
	Amount NTD	% of Total Interest Income	Amount NTD	% of Total Interest Income	Amount NTD	Amount USD	% of Total Interest Income
Everex System	$ 9,660	50.22	$ -	-	$ -	$ -	-

Interest income for year 2000 mainly represented charge for extension and delay of payment for accounts receivable.

Leasing - Lessee

Operating Expense - Rental Expense

	Years Ended December 31						
	2000		2001		2002		
Related Party	Amount	% of Rental Expense	Amount	% of Rental Expense	Amount		% of Rental Expense
	NTD		NTD		NTD	USD	
VIA Technologies, Inc.	$ 7,195	19.10	$ 11,478	51.29	$ 10,951	$ 324	73.90

The Company leases offices owned by VIA Technologies, Inc., and the rental payment was determined based on the prevailing rates in the surrounding area.

Property Transaction

In 2000 and 2002, the Company did not acquire any computer equipment from related parties. In 2001, the Company acquired computer equipment from Leo Systems, Inc. in the amount of NT$177 (US$5).

23. PLEDGED ASSETS

At December 31, 2000, 2001 and 2002, the following assets were pledged to secure short-term borrowings and long-term debts:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Land	$175,898	$ -	$ -	$ -
Machinery and equipment	182,313	408,423	169,660	5,022
Pledged time certificates of deposit (included in other current assets)	32,526	-	-	-
Total	$390,737	$408,423	169,660	$5,022

24. COMMITMENTS AND CONTINGENCIES

As of December 31, 2002, outstanding unused letters of credit not reflected in the accompanying financial statements amounted to US$2,485 and EUR542.

25. SIGNIFICANT CONTRACT

OEM Agreement

The Company entered into an agreement with Leo System, Inc. (“Leo”), to manufacture Pocket-PC and other peripheral computer equipment for the Company. The contract commenced on January 1, 1998 and terminated on April 30, 2000. According to the Company’s purchase orders, Leo purchased materials and produced specified products. The prices were determined by Leo’s purchase costs plus assembly costs negotiated by each other. Term of payment was one month. According to the contract, if the Company’s monthly actual purchase quantities were below the contracted quantities, the Company should pay to Leo as compensation NT$278 (not expressed in thousands) for each Pocket-PC and NT$36 (not expressed in thousands) for each by-product not purchased.

Patent Agreement

For enhancing the quality of the products and manufacturing technologies, the Company had patent agreements with Texas Instruments, France, Microsoft and QUALCOMM Incorporated as follows:

Contractor	Contract period	Description
Texas Instruments France	January 14, 2000 to January 14, 2005	Authorization in using GSM system software. Payment for the royalty is within the schedule of agreement.
Microsoft	April 20, 1998 to April 20, 2000	Authorization in using disk operating system. Quarterly prepayment for the royalty.
Microsoft	December 1, 2000 to October 31, 2004	Authorization in using embedded operating system. Quarterly prepayment for the royalty.
QUALCOMM Incorporated	December 20, 2000 to the following dates:	
	(a) if the Company shall commit any material breach of any covenant, and shall have failed to remedy such breach within 30 days after written notice thereof by QUALCOMM.	(a) Authorization in using CDMA technology to manufacture and sell units.
	(b) any time when the Company is not using any of QUALCOMM's Intellectual Property, the Company may terminate this agreement upon 60 days' prior written notice to QUALCOMM.	(b) The up-front license fee amounted to US$7,500 was paid within six months from the effective date of the agreement and was recorded in deferred charges, amortized on a straight-line basis over ten years. Royalty is paid quarterly according to units sold.

Sales Agreement

Contractor	Contract period	Description
Leo Systems, Inc.	April 1, 1998 to March 31, 2000	(a) Authorization in selling the Pocket-PC and Note Book the Company developed. (b) Terms of payment are determined by confirmed selling quantity.
Leo Systems, Inc.	November 22, 2000 to November 21, 2002	Authorization in selling the Pocket-PC the Company developed.

26. SEGMENT INFORMATION

Financial Information by Industrial Types

The principal business of the Company is the manufacturing and selling of Smart Handheld Devices. Because the Company's business is concentrated, there is no need to disclose financial information by industry types.

Foreign Operations

The Company does not have any foreign operations.

Export Sales

Export sales for the years ended December 31, 2000, 2001 and 2002 are as follows:

	2000	2001	2002	
	NTD	NTD	NTD	USD
Asia	$ 254,649	$ 42,406	$ 795,966	$ 23,563
America	3,806,808	13,556,593	14,620,116	432,804
Others	70,167	668,045	4,214,841	124,773
Total	$4,131,624	$14,267,044	$19,630,923	$581,140

Dominant Customers Information

Sales to a major customer for the years ended December 31, 2000, 2001 and 2002 amounted to NT$3,840,826, NT$13,379,576 and NT$13,344,835, respectively.

27. OTHER

On January 29, 2003, the Company issued Zero Coupon Convertible Bonds of US$66,000,000 (the Bonds) due 2008. Unless previously redeemed, repurchased and cancelled, or converted as herein provided, the Company shall redeem the Bonds at their accreted principal amount in US dollars on January 29, 2008. The issue price is 100% and the par value is US$1,000. The Company intended to use the net proceeds of the offering for the import of raw materials and input components. Such overseas raw materials and input components will be used for the production of smart handheld devices.

Trustee: The Bank of New York.

Listing: Application has been made to list the Bonds on the Luxembourg Stock Exchange. The shares are listed and traded on the Taiwan Stock Exchange.

Governing Law: The laws of the State of New York.

Terms and Conditions of Bonds

The conversion rights of bonds are exercisable by the bondholders at any time on or after one month from the date of issuance, February 28, 2003, and twenty days prior to the maturity date, January 9, 2008.

A bondholder has the right to request the Company to redeem the bonds on April 29, 2004 (Holders' Put Date) at their accreted principal amount.

The accreted principal amount of a bond is the principal amount of the Bond plus a premium that shall provide the holder of the Bonds on a relevant redemption date a compond yield of 0.5% per annum (accrued from the issue date and computed on semi-annual bond equivalent basis).

After three years from issuance date, January 29, 2006, if the closing price of the shares, for a period of 30 consecutive trading days, the last of which occurs not more than fire trading days prior to the date upon which notice of such redemption is given, is at least 130% of the conversion price. The Company has the option to call redemption of the bonds and calculate the redemption price at their accreted principal amount.

If the balance not converted is less than US$3,300,000 (5% of the issuing amount), then the Company has the option to redeem the Bonds in a whole, at their accreted principal amount.

Provisions for Conversion Rights

A bondholder has the right to convert the Bonds into shares of the Company.

Conversion period: Except during suspending period of transferring ownership, the bondholders may request to convert the corporate bonds into convertible bond certification after February 28, 2003 and prior to the close of business on January 9, 2008.

The conversion process: When the bondholders request to convert the bonds into shares, they should fill out the convertible bond certification form and other related documents to the agency. The conversion is effective while the documents are sent to the agency and cannot be countermanded.

The initial conversion price was $205.32 per share at the time of issuance. Upon the distribution of stock dividends and the issuance of addition common shares, the conversion price will be adjusted.

The number of shares issuable upon conversion of any bond shall be determined by dividing the principal amount of the Bonds (translated into New Taiwan dollars at a fixed exchange rate of NT$34.658 to US$1.00, the "fixed exchange rate") by the conversion price in effect on the conversion date.

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