

YEUN CHYANG INDUSTRIAL CO., LTD.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006 AND 2005
WITH
INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yeun Chyang Industrial Co., Ltd.

We have audited the accompanying balance sheets of Yeun Chyang Industrial Co., Ltd. as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' 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 audit.

We conducted our audit in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yeun Chyang Industrial Co., Ltd. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Criteria for Handling Business Accounting and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2006, the Company adopted the Republic of China Statement of Financial Accounting Standard (SFAS) No.34 "Accounting for Financial Instruments", SFAS No.36 "Disclosure and Presentation of Financial Instruments" and newly amended SFAS No1. "Conceptual Framework for Financial Accounting and Preparation of Financial Statements". For the 12 months ended December 31, 2006, the aforementioned changes have increase net profit earnings per share and stockholders' equity by \$13,541 thousand dollars、\$0.07 dollars and \$194,737 thousand dollars, respectively. Also, in accordance with SFAS No.34, the beginning balances of financial assets and liabilities should be reclassified and re-measured at fair value, the resulting cumulative effects of changes in accounting principle amounted to \$585 thousand dollars.

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We have also audited the consolidated balance sheets of the company and its subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. We have expressed modified unqualified opinions on those consolidated financial statements as of and for the years ended December 31, 2006 and 2005.



Certified Public Accountants
Taipei, Taiwan R.O.C.
February 2, 2007

YEUN CHYANG INDUSTRIAL CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2006 and 2005
(IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	2006	%	2005	%
CURRENT ASSETS				
Cash and cash equivalents(Notes2&4)	\$215,596	2.39	\$130,217	2.76
Financial assets at fair value through profit or loss-current(Notes2&5)	30,516	0.34	83,865	1.78
Available-for-sale financial assets-current(Notes2&6)	116,008	1.29	0	0.00
Notes receivable - net(Notes2&7)	102,698	1.14	144,643	3.06
Accounts receivable - net(Notes2&8)	1,968,650	21.84	604,815	12.82
Other receivables	225,941	2.51	99,015	2.10
Inventories(Notes2&9)	4,141,586	45.96	1,989,428	42.17
Prepayments	26,277	0.29	84,787	1.80
Other current assets	15,139	0.17	3,883	0.08
Deferred income tax assets-current(Notes2&24)	0	0.00	1,913	0.04
Restricted Asssets(Notes10&28)	290	0.00	5,951	0.13
Total current assets	<u>6,842,701</u>	<u>75.93</u>	<u>3,148,517</u>	<u>66.74</u>
FUNDS AND INVESTMENTS(Notes2&11)				
Investments accounted for using equity method	176,936	1.96	80,116	1.70
Financial assets carried at cost - non-current	115,000	1.28	139,436	2.95
Total investments	<u>291,936</u>	<u>3.24</u>	<u>219,552</u>	<u>4.65</u>
PROPERTY, PLANT AND EQUIPMENT(Notes2、12&28)				
Land	1,051,387	11.66	678,605	14.38
Buildings	276,421	3.07	220,502	4.67
Machinery and equipment	752,769	8.35	620,196	13.15
Transportation equipment	50,251	0.56	34,523	0.73
Office equipment	9,752	0.11	9,850	0.21
Other equipment	91,771	1.02	83,345	1.77
Total cost	<u>2,232,351</u>	<u>24.77</u>	<u>1,647,021</u>	<u>34.91</u>
Less : accumulated depreciation	(517,972)	(5.75)	(439,254)	(9.31)
Construction in progress	11,502	0.13	21,467	0.46
Prepaid of equipment	34,904	0.39	39,322	0.83
Net property and equipment	<u>1,760,785</u>	<u>19.54</u>	<u>1,268,556</u>	<u>26.89</u>
INTANGIBLE ASSETS				
Deferred pension cost(Notes2&21)	17,184	0.19	20,620	0.44
Total intangible assets	<u>17,184</u>	<u>0.19</u>	<u>20,620</u>	<u>0.44</u>
OTHER ASSETS				
Refundable deposits	197	0.00	1,510	0.03
Deferred charges(Note2)	12,298	0.14	7,301	0.15
Receivable overdue(Note13)	0	0.00	0	0.00
Deferred income tax assets - non-current(Notes2&24)	21,867	0.24	20,535	0.44
Other assets(Note14)	65,148	0.72	31,111	0.66
Total other assets	<u>99,510</u>	<u>1.10</u>	<u>60,457</u>	<u>1.28</u>
TOTAL ASSETS	<u><u>\$9,012,116</u></u>	<u><u>100.00</u></u>	<u><u>\$4,717,702</u></u>	<u><u>100.00</u></u>

The accompanying notes are an integral part of the financial statements.

YEUN CHYANG INDUSTRIAL CO., LTD.
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2006 and 2005
(IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND SHAREHOLDERS' EQUITY	2006	%	2005	%
CURRENT LIABILITIES				
Short-term loans(Note15)	\$1,598,438	17.74	\$403,722	8.56
Short-term bills payable(Note16)	209,243	2.32	249,255	5.29
Notes payable	83,564	0.93	60,335	1.28
Accounts payable	393,057	4.36	95,602	2.03
Income taxes payable	349,423	3.88	17,857	0.38
Accrued expenses	187,663	2.09	85,604	1.81
Financial liabilities at fair value through profit or loss-current(Notes2&17)	19,269	0.21	0	0.00
Other payables	20,212	0.22	8,680	0.19
Advance receives	6,960	0.08	2,365	0.05
Current portion of long-term liabilities(Notes2&18)	280,513	3.11	247,080	5.23
Other current liabilities	81,749	0.91	33,184	0.70
Deferred income tax liabilities	550	0.01	0	0.00
Total current liabilities	3,230,641	35.86	1,203,684	25.52
LONG-TERM LIABILITIES				
Bonds payable(Notes2、18&19)	250,850	2.78	0	0.00
Long-term loans(Notes18&20)	320,000	3.55	709,250	15.03
Total loan-term liabilities	570,850	6.33	709,250	15.03
RESERVE				
Reserve for increment tax on land revaluation	890	0.01	890	0.02
Total reserve	890	0.01	890	0.02
OTHER LIABILITIES				
Accrued pension liabilities(Notes2&21)	95,464	1.06	92,455	1.96
Guarantee deposits	4,749	0.05	1,120	0.02
Deferred credit(Notes2&11)	3,793	0.04	4,037	0.09
Total other liabilities	104,006	1.15	97,612	2.07
TOTAL LIABILITIES	3,906,387	43.35	2,011,436	42.64
SHAREHOLDERS' EQUITY				
Capital stock(Note22)				
Common stock	2,171,293	24.09	1,492,864	31.64
Capital collected in advance	13,042	0.14	0	0.00
Capital surplus(Note2)				
Additional paid-in capital	966,833	10.73	683,347	14.48
Premium of convertible bonds payable	93,795	1.04	75,537	1.60
Warrants	52,599	0.58	0	0.00
Interest payable for convertible bond	1,060	0.01	360	0.01
Retained Earnings(Note23)				
Legal reserve	204,127	2.27	180,872	3.83
Special reserve	4,603	0.05	0	0.00
Unappropriated earnings	1,462,341	16.23	277,777	5.90
Othe equity				
Unrecognized net loss on pension cost(Notes2&21)	(6,214)	(0.07)	(4,603)	(0.10)
Unrealized gains(losses) on financial instruments(Note24)	142,138	1.58	0	0.00
Reserve for assets revaluation	112	0.00	112	0.00
Total shareholders' equity	5,105,729	56.65	2,706,266	57.36
Total liabilities and shareholders' equity	\$9,012,116	100.00	\$4,717,702	100.00

The accompanying notes are an integral part of the financial statements.

YEUN CHYANG INDUSTRIAL CO., LTD.
STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005
(IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNING PER SHARE)

ITEMS	2006	%	2005	%
OPERATING REVENUES	\$16,910,502	100.12	\$8,688,594	100.29
Sales Returns	(18,129)	(0.11)	(20,936)	(0.24)
Sales Discounts	(2,208)	(0.01)	(4,289)	(0.05)
NET SALES	<u>16,890,165</u>	<u>100.00</u>	<u>8,663,369</u>	<u>100.00</u>
OPERATING COSTS	<u>(14,702,274)</u>	<u>(87.05)</u>	<u>(8,108,965)</u>	<u>(93.60)</u>
Cost of goods sold	(14,702,274)	(87.05)	(8,108,965)	(93.60)
GROSS PROFIT	2,187,891	12.95	554,404	6.40
OPERATING EXPENSES				
Marketing	(439,139)	(2.60)	(257,845)	(2.98)
Administrative	(114,933)	(0.68)	(64,269)	(0.74)
TOTAL OPERATING EXPENSES	<u>(554,072)</u>	<u>(3.28)</u>	<u>(322,114)</u>	<u>(3.72)</u>
OPERATING INCOME	<u>1,633,819</u>	<u>9.67</u>	<u>232,290</u>	<u>2.68</u>
NON-OPERATING INCOME AND GAINS				
Interest income	715	0.00	293	0.00
Investment income	48,499	0.29	0	0.00
Gains on disposal of property, plant and equipment	231	0.00	2,048	0.02
Gains on disposal of investment	18,382	0.11	0	0.00
Gains on foreign exchange	8,537	0.05	16,447	0.19
Revenue from sales of scrap	171,482	1.02	147,847	1.71
Revaluation gain on financial assets	13,541	0.08	0	0.00
Others	6,992	0.04	15,186	0.18
Total Non-Operating Income and gains	<u>268,379</u>	<u>1.59</u>	<u>181,821</u>	<u>2.10</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expenses	(62,317)	(0.37)	(26,649)	(0.31)
Investment loss	0	0.00	(45,226)	(0.52)
Losses on disposal of property, plant and equipment	(1,303)	(0.01)	(8,081)	(0.09)
Losses on disposal of investment	0	0.00	(2,339)	(0.03)
Others	(3,882)	(0.02)	(18,951)	(0.22)
Total Non-Operating Expenses and losses	<u>(67,502)</u>	<u>(0.40)</u>	<u>(101,246)</u>	<u>(1.17)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	1,834,696	10.86	312,865	3.61
INCOME TAX EXPENSES(Notes 2&25)	(381,616)	(2.26)	(80,317)	(0.93)
INCOME FROM CONTINUING OPERATIONS	1,453,080	8.60	232,548	2.68
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	585	0.00	0	0.00
NET INCOME	<u>\$1,453,665</u>	<u>8.60</u>	<u>\$232,548</u>	<u>2.68</u>
Basic EPS(Note26)				
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
Income from continuing operations	\$9.76	\$7.73	\$1.84	\$1.37
Cumulative effect of changes in Accounting Principles	0.00	0.00	0.00	0.00
Net income	<u>\$9.76</u>	<u>\$7.73</u>	<u>\$1.84</u>	<u>\$1.37</u>
Diluted EPS(Note26)				
Income from continuing operations	\$9.13	\$7.23	\$1.78	\$1.33
Cumulative effect of changes in Accounting Principles	0.00	0.00	0.00	0.00
Net income	<u>\$9.13</u>	<u>\$7.23</u>	<u>\$1.78</u>	<u>\$1.33</u>

The accompanying notes are an integral part of the financial statements.

YEUN CHYANG INDUSTRIAL CO., LTD.
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ITEMS	Capital Stock		Capital Surplus	Retained Earnings			Other Equity			TOTAL
	Common Stock	Capital collected in advance		Legal reserve	Special reserve	Unappropriated earnings	Unrecognized net loss on pension cost	Unrealized gains(losses) on financial instrument	Reserve for assets revaluation	
BALANCE AT JANUARY 1,2005	\$1,270,576	\$22,121	\$498,906	\$120,074	\$0	\$621,993	\$0	\$0	\$112	\$2,533,782
APPROPRIATION AND DISTRIBUTION OF PRIOR YEAR'S EARNINGS										
Legal reserve				60,798		(60,798)				0
Special reserve										0
Cash dividend						(477,663)				(477,663)
Remuneration to directors an supervisors						(10,944)				(10,944)
Bonus to employees						(27,359)				(27,359)
Capital increase in cash and premium	200,000		260,000							460,000
Conversion of convertible bonds to capital stock and capital reserve	22,288	(22,121)	338							505
NET INCOME FOR 2005						232,548				232,548
Unrecognized net loss on pension cost							(4,603)			(4,603)
BALANCE AT DECEMBER 31,2005	1,492,864	0	759,244	180,872	0	277,777	(4,603)	0	112	2,706,266
APPROPRIATION AND DISTRIBUTION OF PRIOR YEAR'S EARNINGS										
Legal reserve				23,255		(23,255)				0
Special reserve					4,603	(4,603)				0
Stock dividend	226,915					(226,915)				0
Remuneration to directors an supervisors						(4,094)				(4,094)
Bonus to employees						(10,234)				(10,234)
Capital increase in cash and premium	350,000		385,000							735,000
Capital surplus transferd to capital stock	101,514		(101,514)							0
Conversion of convertible bonds to capital stock and capital reserve		13,042	18,958							32,000
Warrants			52,599							52,599
NET INCOME FOR 2006						1,453,665				1,453,665
Unrecognized net loss on pension cost							(1,611)			(1,611)
Unrealized gains(losses) on financial instrument								142,138		142,138
BALANCE AT DECEMBER 31,2006	\$2,171,293	\$13,042	\$1,114,287	\$204,127	\$4,603	\$1,462,341	(\$6,214)	\$142,138	\$112	\$5,105,729

The accompanying notes are an integral part of the financial statements.

YEUN CHYANG INDUSTRIAL CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ITEMS	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$1,453,665	\$232,548
Adjustments to reconcile net income to net cash provided by (used in) operating activities :		
Cumulative effect of changes in accounting principles before income tax	(585)	0
Depreciation	91,043	78,956
Amortization	4,796	3,872
Investment (gain) loss—equity method	(44,934)	29,512
Revaluation(gain) loss on financial assets	(13,541)	0
Losses on disposal of financial assets carried at cost	0	14,550
Cash dividends received from equity—method investees	0	49,400
Realized profit from affiliate	(244)	0
Transfer of fixed assets to expense	270	18
Gains on disposal of property,plant and equipments	(231)	(2,048)
Losses on disposal of property,plant and equipments	1,303	8,081
(Increase) Decrease in notes receivable	41,945	34,812
(Increase) Decrease in accounts receivable	(1,363,835)	72,809
(Increase) Decrease in other receivables	(126,926)	(18,952)
(Increase) Decrease in inventories	(2,152,158)	(337,270)
(Increase) Decrease in prepayments	58,510	(69,012)
(Increase) Decrease in other current assets	(11,256)	(3,205)
Increase (Decrease) in notes payable	23,229	11,384
Increase (Decrease) in accounts payable	297,455	(89,660)
Increase (Decrease) in income tax payable	331,566	(109,554)
Increase (Decrease) in other payables	11,532	1,521
Increase (Decrease) in accrued expenses	101,583	(6,442)
Increase (Decrease) in advance receives	4,595	1,490
Increase (Decrease) in other current liabilities	48,565	9,670
Increase (Decrease) in Interest payable for convertible bond	2,238	1,452
Amortization discount of convertible bonds payable	1,643	0
Increase in accrued pension liability	11,020	9,250
Payment for pension	(5,709)	(7,995)
(Increase) Decrease in deferred income tax assets	581	(366)
Increase (Decrease) in deferred income tax liabilities	550	0
Net cash provided by (used in) operating activities	<u>(1,233,330)</u>	<u>(85,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES :		
(Increase) Decrease in financial assets at fair value through profit or loss-current	88,550	(81,513)
(Increase) Decrease in restricted assets	5,661	(2,288)
Increase in investments accounted for using equity method	(1,320)	(104,000)
Additions to property,plant and equipment	(591,963)	(192,937)
Proceeds from disposal of property,plant and equipment	7,349	15,061
Increase in deferred charges	(9,793)	(5,786)
(Increase) Decrease in refundable deposits	1,313	644
Additions to other assets	(34,037)	(8,221)
Net cash provided by (used in) investing activities	<u>(534,240)</u>	<u>(379,040)</u>
CASH FLOW FROM FINANCING ACTIVITIES :		
Increase (Decrease) in short-term loans	1,194,716	138,065
Increase (Decrease) in short-term bills payable	(40,012)	89,631
Issue bonds payable	300,000	0
Repayment of bonds payable	(13,806)	0
Increase in long-term loans	0	490,000
Payment in long-term loans	(312,250)	(147,500)
Increase (Decrease) in guarantee deposits	3,629	(6,480)
Capital increase in cash	735,000	460,000
Cash dividends	0	(477,663)
Remuneration to directors and supervisors	(4,094)	(10,944)
Bonus to employees	(10,234)	(27,359)
Net cash provided by (used in) financing activities	<u>1,852,949</u>	<u>507,750</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>85,379</u>	<u>43,531</u>
CASH AND CASH EQUIVALENTS,BEGINNING OF THE YEAR	<u>130,217</u>	<u>86,686</u>
CASH AND CASH EQUIVALENTS,END OF THE YEAR	<u><u>\$215,596</u></u>	<u><u>\$130,217</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS :		
Cash paid during the period for :		
Interest (excluding amount capitalized)	<u>\$60,276</u>	<u>\$25,038</u>
Income tax	<u>\$48,920</u>	<u>\$190,237</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES :		
Current portion of long-term liabilities	<u>\$280,513</u>	<u>\$247,080</u>
Conversion of convertible bonds to capital stock and capital reserve	<u>\$32,000</u>	<u>\$505</u>

The accompanying notes are an integral part of the financial statements.

YEUNCHYANG INDUSTRIAL CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE STATED)

1. ORGANIZATION AND OPERATIONS

1. Yeun Chyang Industrial Co., Ltd (the "Company") was incorporated under the Company Law of the Republic of China on January 31, 1973. The company commercial items are as following:

- (1) Pipes, Stainless Steel pipes and parts manufacture and commerce.
- (2) Stainless Steel material commerce.
- (3) Stainless Steel sheet and stainless steel coil manufacture and commerce.
- (4) Stainless steel angle bar, Stainless steel rod, and Stainless steel flat bar manufacture and commerce.
- (5) Various manufacture machinery and install construction.
- (6) Various pipes construction and project tenders.
- (7) Agency for import and export commerce for the subject to item (6).
- (8) Agency for the domestic ,international products and project tender for subject item (7).
- (9) Pipe and tank manufacture install.
- (10) Stainless sheets leveling.
- (11) All above business transitions as allowed. Except the business under the commercial law in Taiwan, others prohibited.

2. As of December 31, 2006 and 2005, the company had 574 and 457 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company are prepared in conformity with generally the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" "Business Accounting Law", "Criteria for Handling Business Accounting" , and accounting principles generally accepted in the Republic of China.

Summary of significant accounting policies are as below :

(1) Cash equivalents

The Company considers all highly liquid instruments with maturity of three months or less to be cash equivalents.

(2) Financial assets and Financial liabilities

The Company has financial assets classified into financial assets at fair value through profit or loss, held-to-maturity investment, derivative financial assets as hedge fund, bond investment without active market trade, and available-for-sale financial assets

in accordance with the R.O.C SFAS No.34 “Accounting for Financial Instruments” and “Guidelines Governing the Preparation of Financial Reports by Securities Issuers.” Financial asset was originally valued at fair value; however, financial asset that is not valued at fair value and with the change of fair value booked in the Income Statement must include the trade cost of acquisition or issuance. Financial liabilities are classified into the categories of financial liabilities with the change of fair value booked in the Income Statement, derivative financial liabilities for hedge, and financial liabilities valued at cost.

The financial asset purchased or sold by the Company is processed in accounting on the trade day (the date the purchase or sale of financial asset is decided by the Company). The so-called convention trade meant for the purchase or sale of financial asset is delivered within the period defined by market convention or regulations.

(1) Financial assets(liabilities) at fair value through profit or loss-current

The said financial assets/liabilities are valued at fair value and with the change of fair value booked in the Income Statement. Financial assets/liabilities include the assets/liabilities held for trade and the assets/liabilities with the change of fair value booked in the Income Statement.

(2) Financial assets carried at cost-non-current

It is the equity investment valued at cost since the fair value cannot be measured reliably. If the impairment loss of the financial asset is evidenced, an impairment loss is recognized and booked and it cannot be reversed.

(3) Derivative financial liabilities for hedge

Derivative financial liabilities for hedge meant for the derivative financial liabilities designated in accordance with the hedge accounting and it is an effective hedge tool.

(4) Compound financial instrument

The Company has a compound financial instrument recognized in accordance with its composing elements. The compound financial instrument includes two elements: (1) financial liabilities (2) equity instrument. The preliminary amount of the equity instrument is equal to the fair value of the compound financial instrument deducting the fair value of the liability element measured independently. Financial liabilities are valued at the fair value and with the change of fair valued booked in the Income Statement. The equity instrument is divided in accordance with the equity instrument received or delivered in exchange for cash or financial assets and it is classified as equity. The value received in exchange is credited to the Shareholder’s Equity while the value paid is debited to the Shareholder’s Equity. The change of the fair value of the equity instrument issued by the business may not be booked in the financial statements. The so-called fair value meant for the close-price of the listed/OTC stock on the balance sheet date. The financial assets/liabilities with the change of fair value

booked in the Income Statement and the derivative financial liabilities for hedge are valued at fair value.

(3) Short-term investments

Accounting policies adopted for the period 1st Jan.~ 31st Dec., 2005 are as follow:

For those investee companies' shares, traded in the OTC exchange or listed on a stock exchange, are stated at cost, and the lower of cost or market method is adopted at year end closing. Stock dividend received or shares acquired as the result of Capital surplus transferrrd to capital stock, only the addition of shares were recorded and cost per share for sales was re-calculated under weighted average method.

(4) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on estimated collectability of notes and accounts receivable.

(5) Inventory

It is valued in accordance with the perpetual inventory method and booked at cost. The cost of inventory is based on the Weighted Average Method. For year-end inventory, allowance for loss of inventory in valuation is appropriated for decline of inventory value and obsolescence and the residual inventory is valued in accordance with the Lower of Cost or Market Value Method. Aggregate cost and market value of inventories are used as basis when evaluating lower of cost of market value. Market value refers to replacement cost for raw materials and supplies, and to net realizable value for all others.

(6) Investment accounted for using equity method

1. Investments accounted for using equity method is booked at cost. If the Company has less than 20% stock shares with votes of the invested company and does not have significant influence over the invested company and/or if the invested company is a listed/OTC company, it is valued in accordance with the Lower of Cost or Market Price Method; also, the unrealized losses on decline of investment value and obsolescence is debited to the Shareholder's Equity; on the other hand, if the invested company is not a listed/OTC company, it is valued in accordance with the Cost Method. If the impairment loss of investment value is evidenced and with small hope of recovery, the impairment loss should be recognized and the net investment face value shall be the final cost. Investment accounted for by using the equity method is booked at cost. If the Company has over 20% stock shares with votes of the invested company and does have significant influence over the invested company, it is valued in accordance with the Equity Method. If there is difference between investment cost and the net value of the invested company that is valued proportionally to shareholding, except for the land production, it is

amortized in average in accordance with the remaining useful years (assets with depreciation) or five years (the cause of difference unknown); also, it is booked as investment gain/loss. The increase of stock shares from stock dividend or stock distribution for capitalization from additional paid-in capital is not booked as investment gain and the cost of sales is based on the Weighted Average Method.

2. The invested company that is with over 50% stock shares held by the Company is the subsidiary of the Company. In addition to have the subsidiary valued in accordance with the Equity Method, consolidated financial statements are composed accordingly.
3. The unrealized gain/loss of the transactions conducted between the Company and the invested company that is valued with the Equity Method; also, the unrealized gain/loss of the transactions conducted among subsidiaries must be deferred. Trade gain/loss that is resulted from depreciative or amortized assets must be recognized annually while the trade gain/loss of other assets are recognized in the year of occurrence.

(7) Property, plant and equipment

1. Property, plant and equipment are stated at cost.
2. Major renewals and betterment which extend the life of an assets are capitalized, while repairs and maintenance are expensed as incurred.
3. Losses from disposal of property, plant and equipment are charged to non-operating expenses.

Any gains on disposal of property, plant and equipment shall be first credited to current income, and then transferred, net of applicable income tax, to capital reserve in the next year's financial statements. From 2001 onwards, these gains no longer need to be transferred to capital reserve.

(8) Deferred charges

Deferred charges are software, etc., which are stated at cost and are amortized over a period of three to five years.

(9) Convertible bonds payable

The issuing price of the convertible bond that is issued before December 31, 2005 is booked as liabilities. The amount of the agreed call price exceeding the interest compensation of convertible bond face value is recognized as liabilities in accordance with the Interest Method in the period from issuing date and call option expiration date. While having corporate bond converted to common stock, the face value of the converted corporate bond and the relevant unamortized premium and discount, issuing cost, and payable interest compensation must be converted too; also, it is booked as common stock capital and capital surplus without conversion gain/loss recognized.

For the convertible corporate bond issued after January 1, 2006, if shareholders have received the stock shares of the Company at a fixed price or with a fixed amount of bonds, the net amount of total issuing price deducting liability amount valued individually and fair value of inserted derivatives other than conversion right is amortized to equity (capital surplus – warrants). Non-derivative liabilities are valued at the cost after amortization with Interest Method; moreover, the relevant interest, redemption and call option gain/loss is booked in the Income Statement. While the holder of corporate bond demands to have it converted, adjust the book value of the booked liabilities (including corporate bond and inserted derivatives) at the time of conversion. The bookkeeping of the common stock issuance is based on the book value of the aforementioned liabilities and the book value of equity. If the market price of the common stock that can be converted from corporate bonds on the agreed call date exceeds the agreed put price, the fair value of the put option is credited to capital surplus, on the contrary, the fair value of the redemption is booked in the Income Statement. For the redemption of corporate bond or shareholder requesting the Company to call corporate bond, adjust the book value of the booked liabilities or assets (including corporate bond and the derivatives recognized independently) on the redemption date or call date and has the difference of book value and the proceeds paid for redemption or call option booked in the Income Statement.

(10) Pension costs

The Company had labor Pension Committee organized in 1986 and with the Labor Pension Act stipulated for the protection of all official employees. According to the Labor Pension Act, the first fifteen service years of each employee is awarded with two points per year and then one point per year since the sixteenth year on and with a maximum of forty-five points granted to each employee. The payment of pension to employees is based on the total points received in the month of retirement. Pension appropriation rate is an amount equivalent to 2% of monthly salary and deposited in the Central Trust of China. As of December 31, 2006 and 2005, the Labor Pension Committee of the Company managed the pension independently for an amount of \$1,742 thousand and \$1,517 thousand, respectively. The Labor Pension Act was enforced on July 1, 2005. Employees who choose to be subject to the pension mechanism under this Act and those who joined the company after the Act was enforced, the rate of an employer's monthly contribution should be at least 6% of the employee's monthly salaries, to the individual pension labor pension account. The Company had labor Pension Act amended and passed on February 17, 2006. The Company has accrued pension liabilities recognized and booked with the data of actuary and with relevant information disclosed in accordance with R.O.C SFAS No. 18 "Guidelines Governing Pension Accounting" since 1996. Net pension cost has been recognized since 1997.

(11) Asset impairment

The Company assesses at balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. If the recoverable value of the asset later increases, then losses recognized in previous years are reversible, but under the condition that the book value of the asset after the reversal may not exceed the asset's book value before the impairment losses were recognized, less required provision for depreciation or amortization.

(12) Income tax

1. The Company adopted the R.O.C SFAS No.22 "Accounting for Income Taxes" for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carry-forward and investment tax credits. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized.
2. According to the R.O.C SFAS No.12, the Company recognized the tax benefit from the purchase of equipment and technology, research and development expenditure, employee training, and certain equity investment, by the flow-through method.
3. Income tax (10%) on unappropriated earnings is recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

(13) Foreign currency transactions

1. The accounts of the Company are maintained in New Taiwan Dollars. Transactions settled in terms of foreign currencies are recorded in New Taiwan Dollars at the exchange rates when the transactions occurred. Gains or losses, caused by different foreign exchange rates applied when the foreign-currencies receivable or payable are settled, are credited to or charged against income in the year of actual settlement. Year-end balances of foreign currency assets and liabilities are revalued at year-end spot or forward exchange rate. The gains or losses incurred are credited to or charged against current year's income.
2. The investment of the Company in foreign business entities is valued in accordance with the Equity Method. The gain/loss of exchange resulted from the

translation of financial statements in foreign currency to local currency is booked as the cumulative translation adjustment to Shareholder's Equity and it will be consolidated into the Income Statement once the foreign business entity is sold or liquidated.

(14) Capital surplus

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock may be appropriated as stock dividends.

3. Reasons for and Cumulative Effect of Accounting Principle Change

- (1) As the Company adopted the Republic of China Statement of Financial Accounting Standard (SFAS) No.34 "Accounting for Financial Instruments", SFAS No.36 "Disclosure and Presentation of Financial Instruments" and newly amended SFAS No.1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements" effective January 1, 2006. The effect of the first time adoption of these SFASs is summarized as follows:

Nature of the change in accounting principle	Cumulative effect of change in accounting principle Net Income	Earnings per share	Adjustment to owners equity
Accounting for financial instruments	\$13,541	\$0.07	\$194,737

According to SFAS No.34 and No.36, the financial instruments are recorded in accordance with the new accounting principles.

- (2) The Company adopted SFAS No.34 "Accounting for Financial Instruments" effective January 1, 2006. The Company measured and reclassified at the beginning of 2006 the financial assets based on fair value. The cumulative effect of change in accounting principle amounted to \$585 thousand of 2006.

4. Cash and cash equivalents

	December 31	
	2006	2005
Cash on hand	\$116	\$198
Petty cash	230	230
Cash in banks-checking and saving account	215,250	129,789
Total	\$215,596	\$130,217

As of December 31, 2006 and 2005, the above cash in banks-checking and saving account were not pledged as collateral.

5 .FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

	December 31	
	2006	2005
Financial asset held for trading		
Listed stock	\$0	\$28,550
Bond fund beneficiary certificate	0	60,000
Redemption of Corporate bond	22,728	0
Total	22,728	88,550
Add(Less) : Price adjustment of financial assets for trade	7,788	(4,685)
Net	<u>\$30,516</u>	<u>\$83,865</u>

As of December 31,2006 and 2005 , the above financial assets held for trading were not pledged as collateral.

6 .AVAILABLE-FOR-SALE FINANCIAL ASSETS-CURRENT

	December 31,2006
Available-for-sale financial assets	
Listed stock	\$24,436
Add (Less) : Price adjustment of financial assets for sale	91,572
Net	<u>\$116,008</u>

1.AS of December 31,2006,the above available-for-sale financial assets were not pledged as collateral.

2.In the year ended December 31,2005, the company didn't have any available-for-sale assets.

7 .NOTES RECEIVABLE-NET

	December 31	
	2006	2005
Notes receivable	\$103,214	\$145,370
Less : Allowance for doubtful accounts	(516)	(727)
Net	<u>\$102,698</u>	<u>\$144,643</u>

AS of December 31,2006 and 2005,the above notes reveivable were not pledged as collateral.

8 .ACCOUNTS RECEIVABLE-NET

	December 31	
	2006	2005
Accounts receivable	\$1,988,539	\$611,235
Less : Allowance for doubtful accounts	(19,889)	(6,420)
Net	<u>\$1,968,650</u>	<u>\$604,815</u>

AS of December 31,2006 and 2005,the above accounts receivable were not pledged as collateral.

9 .INVENTORIES

	December 31	
	2006	2005
Merchandise	\$10,966	\$743
Finished products	1,707,986	1,017,536
Work in process	103,931	61,764
Material	2,287,703	909,385
Residual product	31,000	0
Total	<u>\$4,141,586</u>	<u>\$1,989,428</u>

1.As of December 31, 2006 and 2005, the above inventory was without insurance coverage.

2.As of December31,2006 and 2005 , the above inventories were not pledged as collateral.

3.As of December 31, 2006 and 2005, the above finished products inventory including finished products for exporting amounted to \$2,209 thousand and \$41,155 thousand, respectively.

1 0 .RESTRICTED ASSETS

	December 31	
	2006	2005
Bank savings pledged	<u>\$290</u>	<u>\$5,951</u>

Refer to note29 for information on assets pledged.

1.1 FUNDS AND INVESTMENTS

INVESTEES	Valuation method	Percentage of ownership	Original of investment	December 31	
				2006	2005
Investments accounted for using equity method :					
Ji-mao Investment corporation, Ltd.	equity method	100.00%	\$100,120 (2006)	\$176,936	\$0
		98.80%	98,800 (2005)	0	80,116
Financial assets carried at cost-non-current :					
Digi Genomics Co.Ltd.	cost method	5.171%	14,550	0	0
Ab Genomics Corporation	cost method	3.64%	115,000	115,000	115,000
YEOU YIH Steel CO.,LTD	cost method	7.832%	24,436	0	24,436
Total				115,000	139,436
TOTAL				\$291,936	\$219,552

1. The Company's investment in Ji-mao Investment Corporation, Ltd. is valued with the Equity Method. The 2006 and 2005 certified financial statements of the invested company were retrieved and with investment income and unrealized financial instrument gain/loss and investment loss recognized for an amount of \$44,934 thousand and \$50,566 thousand and \$29,512 thousand, respectively.
2. As of December 31, 2006 and 2005, unrealized income for the sale of marketable security to the related party amounted to \$3,793 thousand and \$4,037 thousand, respectively, and was booked as "other liabilities."
3. Due to a poor business operation, the financial statements of Digi Genomics Co., Ltd. had shown insufficient current assets to cover current liabilities on the end of 2006. The Company had based on the principle of conservation to have the investment cost recognized and booked as permanent loss of long-term investment in valuation for an amount of \$14,550 thousand.
4. Pursuant to resolution of the 7th annual the board of directors held on October 27, 2006: since YEOU YIH STEEL CO., LTD. has become an Over-The-Counter Listed company in July 10, 2006 and its shares were returned to the company in Oct. 16 the same year. The Company resolved to book it under Available-for-sale financial assets-current.
5. As of December 31, 2006 and 2005, the above investments were not pledged as collateral.

1 2 .PROPERTY, PLANT AND EQUIPMENT

ITEMS	December 31,2006		
	Original cost	Accumulated depreciation	Book value
Land	\$1,051,387	\$0	\$1,051,387
Buildings	276,421	57,411	219,010
Machinery and equipment	752,769	381,713	371,056
Transportation equipment	50,251	14,343	35,908
Office equipment	9,752	5,263	4,489
Other equipment	91,771	59,242	32,529
Constnution in progress	11,502	0	11,502
Prepaid of equipment	34,904	0	34,904
Total	<u>\$2,278,757</u>	<u>\$517,972</u>	<u>\$1,760,785</u>

ITEMS	December 31,2005		
	Original cost	Accumulated depreciation	Book value
Land	\$678,605	\$0	\$678,605
Buildings	220,502	46,078	174,424
Machinery and equipment	620,196	321,104	299,092
Transportation equipment	34,523	12,555	21,968
Office equipment	9,850	8,247	1,603
Other equipment	83,345	51,270	32,075
Constnution in progress	21,467	0	21,467
Prepaid of equipment	39,322	0	39,322
Total	<u>\$1,707,810</u>	<u>\$439,254</u>	<u>\$1,268,556</u>

1.The insurance coverage for property, plant and equipment were \$219,445 thousand and \$180,999 thousand as of December31,2006 and 2005.

2.Interest expenses capitalized for the year ended December 31,2006 and 2005 amounted to \$2,642 thousand and \$1,135 thousand.

1 3 .RECEIVABLE OVERDUE

	December 31	
	2006	2005
Receivable overdue	\$91	\$98
Less : Allowance for doubtful accounts	(91)	(98)
Net	<u>\$0</u>	<u>\$0</u>

As of Year 2006 and 2005, doubtful accounts that can no longer be collected are written off by \$0 and \$16,032 thousand dollars, respectively.

1 4. OTHER ASSETS

	December 31	
	2006	2005
Other assets – Land	\$32,514	\$31,111
Other assets – Artist	32,634	0
Total	<u>\$65,148</u>	<u>\$31,111</u>

The aforementioned Other assets – Land meant for Lot 73 (9,621 m²), 75-1, and 75-2 (2,044 m²) located at Jo-Mei Section, Shi-Jo Village, Changhua County and it is zoned for agriculture and ranch but used for a parking lot and finished goods storage, and delivery loading/unloading area ; moreover, the ownership to the lot cannot be transferred by law temporarily; therefore, it is registered in the name of Mr. G.Y. Chang, General manager of the Company. The said three lots of land are used as collateral for a mortgage loan for an amount of \$60,000 thousand.

1 5. SHORT-TERM LOANS

ITEMS	Collateral	December 31	
		2006	2005
Short-term loans for material purchase	—	<u>\$1,598,438</u>	<u>\$403,722</u>

The interest rates of short-term loans ranged from 1.80%~5.195% and 1.80%~5.27% for 2006 and 2005 respectively.

1 6 .SHORT-TERM BILLS PAYABLE

		<u>December 31</u>		
Short-term bills payable	Underwrite	Collateral	2006	2005
Commercial paper	Chinatrust Bills Finance Corporation	—	\$30,000	30,000
	China Development Industrial Bank	—	0	70,000
	International Bills Financial Corporation	—	30,000	30,000
	Fubon Bill Finance	—	0	30,000
	Grand Bills Finance Corporation	—	60,000	30,000
	China Bills Finance Corporation	—	30,000	30,000
	Chung Hsing Bills Finance Corporation	—	0	30,000
	Mega Bills Finance Corporation	—	60,000	0
Total			<u>210,000</u>	<u>250,000</u>
Unamortized discounts			<u>(757)</u>	<u>(745)</u>
Net			<u>\$209,243</u>	<u>\$249,255</u>

The interest rates of commercial paper ranged from 1.172%~1.670% and 0.892%~1.330% for 2006 and 2005 respectively.

1 7 .FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

	<u>December 31,2006</u>
Financial liabilities held for trading	
Reset provision value of corporate bond	\$9,048
Put option value of corporate bond investor	11,874
Total	<u>20,922</u>
Add(Less) : Price adjustment of financial liabilities for trade	(1,653)
Total	<u>\$19,269</u>

In the year ended December 31,2005,the company didn't have any financial liabilities at fair value through profit or loss.

1 8 .CURRENT PORTION OF LONG-TERM LIABILITIES

	December 31	
	2006	2005
Current portion of bonds payable	\$150,513	\$194,080
Current portion of long-term loan	130,000	53,000
Total	<u>\$280,513</u>	<u>\$247,080</u>

The information prefer to notes 19 and 20.

1 9 .BONDS PAYABLE

(1)

Bonds payable	Trustee	Coupon rate	December 31	
			2006	2005
YEUN CHYANG INDUSTRIAL CO., LTD. 1 st domestic unsecured bonds	Chinatrust Commercial Bank Corporate Trust Department	0%	\$300,000	\$300,000
YEUN CHYANG INDUSTRIAL CO., LTD. 2 st domestic unsecured bonds	Trust Dept. of Bank SinoPac	0%	300,000	0
Add : accrued interest compensation			5,079	2,840
Total			<u>605,079</u>	<u>302,840</u>
Less : Conversion of convertible bonds to capital stock and capital surplus			(140,760)	(108,760)
Creditor's put option proceeds			(13,806)	0
Less : Discount on bonds			(49,150)	0
Net			<u>401,363</u>	<u>194,080</u>
Less : Current portion of long-term liabilities			(150,513)	(194,080)
Non-current portion			<u>\$250,850</u>	<u>\$0</u>

(2) On April 12, 2004, the company issued 1st domestic unsecured convertible bonds. Main issuance clauses are as follows :

1. Total issuance amount : NT\$300 million. The 1st domestic unsecured convertible bonds are issued at NT\$100,000 par in full value.
2. Issuance period : Five years from April 12, 2004 to April 11, 2009.
3. Redemption method : Except for redemption, call option, and conversion, the loan is paid in a lump sum on the due date.
4. Call option of the Company :

The Company may have the bonds called from creditors in the following occasions:

- (1) If the close-price of the Company's common stock exceeds the conversion price for over 50% thirty business days consecutively in the time period from the next day of the 1st domestic unsecured convertible bonds issued for one month to forty days prior to the expiration date, the Company may inform bondholders and GreTai Securities Market in writing in thirty business days thereafter to have the call price calculated in accordance with the call yield rate listed in clause (3) and to have all bonds called with cash.

(2) If the outstanding 1st domestic unsecured convertible bonds is less than 10% of the total issuance in the time period from the next day of the 1st domestic unsecured convertible bonds issued for one month to forty days prior to the expiration date, the Company may inform bondholders and GreTai Securities Market in writing to have the call price calculated in accordance with the call yield rate listed in clause (3) and to have all bonds called with cash.

(3) Call yield rate:

a. For the 1st domestic unsecured convertible bonds that are issued from the next day of the 1st domestic unsecured convertible bonds issued for one month to the end of the second year, the call yield rate is 0.75% bond yield to call rate.

b. For the 1st domestic unsecured convertible bonds that are issued from the next day of the 1st domestic unsecured convertible bonds issued for two years to the end of the third year, the call yield rate is 1.00% bond yield to call rate.

c. For the 1st domestic unsecured convertible bonds that are issued from the next day of the 1st domestic unsecured convertible bonds issued for three years to forty days prior to the expiration date, the 1st domestic unsecured convertible bonds is called at the face value.

5. Put option of creditors :

Holder of the 1st domestic unsecured convertible bonds may request the Company to have the bonds called at 101.51% and 103.03% of the face value with cash thirty days prior to the bonds issued for two years and three years, respectively.

6. Conversion method :

(1) Creditors may request to have the 1st domestic unsecured convertible bonds converted to the common stock shares of the Company in the time period from the day the bonds are issued for one month to ten days prior to the expiration date.

(2) Conversion price: The conversion price at the time of issuance is \$42.6/share.

The conversion price was adjusted to \$33/share on July 26, 2004.

The conversion price was adjusted to \$31.7/share on April 6, 2005.

The conversion price was adjusted to \$30/share on June 6, 2005.

The conversion price was adjusted to \$24.6/share on August 22, 2006.

The conversion price was adjusted to \$24/share on October 7, 2006.

(3) Conversion price adjustment:

Upon the issuance of the 1st domestic unsecured convertible bonds, except for the conversion to common stock of the Company's marketable security that is convertible to common stock or stock option, conversion price is to be adjusted according to the formula (adjusted down but not up) upon the change of the issued stock shares (processing depository receipts with cash capitalization, capitalization from retained earnings, capitalization from capital surplus, merger, stock split or cash capitalization at a price below the conversion price excluding the stock shares cancellation by the Company's call option). In addition to the aforementioned anti-dilution clauses for conversion price adjustment, conversion price is defined downwards (not upwards) in accordance with formula on the baseline date (cash dividend baseline date or stock dividend baseline date whichever is sooner, or, on September 30 if not stock dividend or cash dividend is

distributed) that is also the cash dividend baseline date or stock dividend baseline date throughout the issuance period; however, the price may not be below 80% of conversion price (could be adjusted due to the change of the Company's total common stock shares) at the issuance time.

- (3) On October 27, 2006, the company issued 2nd domestic unsecured convertible bonds. Main issuance clauses are as follows:
1. Total issuance amount: NT\$300 million. The 2nd domestic unsecured convertible bonds are issued at NT\$100,000 par in full value.
 2. Issuance period: Five years from October 27, 2006 to October 26, 2011.
 3. Redemption method: Except for redemption, call option, and conversion, the loan is paid in a lump sum on the due date.
 4. Call option of the Company:
The Company may have the bonds called from creditors in the following occasions:
 - (1) If the close-price of the Company's common stock exceeding the conversion price for over 50% thirty business days consecutively in the time period from the next day of the 1st domestic unsecured convertible bonds issued for one month to forty days prior to the expiration date, the Company may inform bondholders and GreTai Securities Market in writing in thirty business days thereafter to have the call price calculated in accordance with the call yield rate listed in clause (3) and to have all bonds called with cash.
 - (2) If the outstanding 2nd domestic unsecured convertible bonds is less than 10% of the total issuance in the time period from the next day of the 2nd domestic unsecured convertible bonds issued for one month to forty days prior to the expiration date, the Company may inform bondholders and GreTai Securities Market in writing to have the call price calculated in accordance with the call yield rate listed in clause (3) and to have all bonds called with cash.
 - (3) Call yield rate:
 - a. For the 2nd domestic unsecured convertible bonds that are issued from the next day of the 2nd domestic unsecured convertible bonds issued for one year to the end of the fourth year, the call price is the face value of the bond plus interest compensation (from the issuance date of the bond to the call baseline date) that is equivalent to 1% yield.
 - b. For the 2nd domestic unsecured convertible bonds that are issued from the next day of the 2nd domestic unsecured convertible bonds issued for three years to forty days prior to the expiration date, the 2nd domestic unsecured convertible bonds is called at the face value.
 5. Put option of creditors:
Holder of the 2nd domestic unsecured convertible bonds may request the Company to have the bonds called at 103.03% and 104.06% of the face value with cash thirty days prior to the bonds issued for three years and four years, respectively.
 6. Conversion method:
 - (1) Creditors may request to have the 2nd domestic unsecured convertible bonds converted to the common stock shares of the Company in the time period from the day the bonds are issued for one month to ten days prior to the expiration date.

- (2) Conversion price: The conversion price at the time of issuance is \$41.6/share. The conversion price was adjusted to \$32.5/share on August 14, 2007.
- (3) Conversion price adjustment:
Upon the issuance of the 2nd domestic unsecured convertible bonds, except for the conversion to common stock of the Company's marketable security that is convertible to common stock or stock option, conversion price is to be adjusted according to the formula (adjusted down but not up) upon the increase of common stock shares (including but not limiting to subscription issuance or private subscription for the process of depository receipts with cash capitalization, capitalization from retained earnings, capitalization from capital surplus, capitalization from employee's bonus, merger or accepting stock shares from other companies for stock issuance, stock split or cash capitalization). In addition to the aforementioned anti-dilution clauses for conversion price adjustment, conversion price is defined downwards (not upwards) in accordance with formula on the baseline date (cash dividend baseline date or stock dividend baseline date whichever is sooner, or, on September 30 if not stock dividend or cash dividend is distributed) that is also the cash dividend baseline date or stock dividend baseline date throughout the issuance period; however, the price may not be below 80% of conversion price (could be adjusted due to the change of the Company's total common stock shares) at the issuance time.
7. The conversion of the Company's second unsecured convertible bonds are separated from liabilities at the time of issuance in accordance with R.O.C. SFAS No. 36; also, it is booked in "Capital surplus – warrants" for an amount of \$52,599 thousand. The correlated call option, put option, and price reset provision inserted are also separated for process in accordance with R.O.C. SFAS No. 34 since it is not closely related to the economic features and risk of the contracted liability instrument; moreover, it is booked in "Financial assets at fair value through profit or loss - current" and "Financial liabilities at fair value through profit or loss - current" for a net value of \$22,728 thousand and \$20,922 thousand, respectively.

20 LONG-TERM LOANS

Creditor	Collateral	Contracts	December 31	
			2006	2005
China Development Industrial Bank	Land、buildings	Credit line amounted to \$350,000 thousand for a three-year term and to be paid in a lump sum for principal and interest on the due date.	\$100,000	\$160,000
Hua Nan bank	Land、buildings	Credit line amounted to \$350,000 thousand for a 5-year term and with 12 installments arranged for one in every three-month since November 9,2007.	0	350,000
Bank Of Taiwan	Land、buildings	Credit line amounted to \$120,000 thousand for a 5-year term from July 25,2004 and with 16 installments arranged for one in every three-month.	0	75,000
Bank Of Taiwan	Machinery and equipment	Credit line amounted to \$40,000 thousand for a 7-year term and with 20 installments arranged for one in every three-month since July 15,2004.	0	36,000
Taiwan Cooperative Bank	—	Credit line amounted to \$60,000 thousand for a 5-year term and with 16 installments arranged for one in every three-month. The first installment of principal is to be paid on October 15, 2004.	0	41,250
Taiwan Cooperative Bank	—	Credit line amounted to \$15,000 thousand for a 5-year term and with 20 installments arranged for one in every three-month. The first installment of principal is to be paid on January 15, 2007.	150,000	0
Chiao Tung Bank Co., Ltd	—	Credit line amounted to \$200,000 thousand (Unused credit lines are available for long-term borrowings and short-term borrowings – raw material purchase)for a three-year term and to be paid in a lump sum for principal and interest on the due date.	0	100,000
Chang Hwa Bank	—	Credit line amounted to \$100,000 thousand for a 5-year term and with 16 installments arranged for one in every three-month since November 27, 2007.	100,000	0
Taipei Fubon Bank	—	Credit line amounted to \$100,000 thousand for a three-year term and to be paid in a lump sum for principal and interest on the due date.	100,000	0
Total			450,000	762,250
Less : Current portion of long-term-loan			(130,000)	(53,000)
Long-term loans			<u>\$320,000</u>	<u>\$709,250</u>

The interest rate of long-term loans for 2006 and 2005 ranged from 1.855%~2.34% and 1.82%~2.545% respectively.

2.1 ACCRUED PENSION AND DEFERRED PENSION COST

- (1) The Company has pension arranged in accordance with R.O.C. SFAS No. 18 ; also, pension disclosure is made in accordance with the actuary's report:
 1. The item of net periodic pension cost as of December 31, 2006 and 2005 were as follows :

	December 31	
	2006	2005
Service cost	\$2,517	\$5,584
Interest cost	4,147	4,122
Projected return of pension assets	(62)	(201)
Amortization of net transition asset or obligation	3,437	3,651
Pension loss (income) amortization	981	400
Loss (income) reduction or liquidation	0	(4,306)
Net periodic pension cost	<u>\$11,020</u>	<u>\$9,250</u>

2. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2006 and 2005 :

	December 31	
	2006	2005
Benefit obligation :		
Vested benefit obligation	\$14,314	\$17,707
Non-vested benefit obligation	83,659	76,574
Accumulated benefit obligation	97,973	94,281
Additional benefit based on future salaries	25,678	24,982
Projected benefit obligation	123,651	119,263
Fair value of plan assets	(1,758)	(1,551)
Funded status	121,893	117,712
Unrecognized net transition obligation	(17,184)	(20,620)
Unrecognized net gain or loss	(31,892)	(29,585)
Deferred pension cost	17,184	20,620
Charge to stockholders' equity	6,214	4,603
Accrued pension cost	96,215	92,730
Pension yet to be appropriated and delivered to the bank account at year end	(255)	(275)
Pension payable	(496)	0
Accrued pension cost	<u>\$95,464</u>	<u>\$92,455</u>

Primary Actuarial assumptions :	December 31	
	2006	2005
Discount rate used in determining present values	3.50%	3.50%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.50%	2.50%

2 2 .CAPITAL STOCK

- 1.As of December 31,2006 and 2005,at NT\$10 par value per share,the company's total authorized outstanding common stock consisted of 217,129,316 shares and 149,286,325 shares.
- 2.On April 12, 2004, the company issued 1st domestic unsecured convertible bonds. As of December 31, 2006, bondholders had converted to and registered 3,286,325 common stock shares at \$10 par for an amount of \$32,863 thousand. The remaining 1,304,155 shares of NT\$10 par value, amounting to \$13,042 thousand, due to not yet setting the capitalization baseline date, it is currently booked under capital collected in advance account.
- 3.On March 17, 2005, the Board of Directors had resolved to have 20,000 thousand common stock shares issued for cash capitalization in order to process new factory, purchase of machinery equipment, pay back bank loan and improve financial structure. The issuing price of the common stock is \$23/per share and with \$460,000 thousand to be collected by this capitalization. The capitalization baseline date set on June 16, 2005. The case of capitalization was approved and registered accordingly.
- 4.On June 14, 2006, the Shareholder's Meeting of the company had capitalization from retained earnings and capital surplus processed for an amount of \$226,915 thousand and \$101,514 thousand, respectively, and the grand total amounted to \$328,429 thousand. The Shareholder's Meeting of the company had also resolved to have the authorized stock capital increased from \$1,800,000 thousand to \$2,680,000 thousand and with the capitalization baseline date set on August 22, 2006. The case of capitalization was approved and registered accordingly.
- 5.On September 4, 2006, the Board of Directors had resolved to have 35,000 thousand common stock shares issued for cash capitalization in order to pay back bank loan and improve financial structure. The issuing price of the common stock is \$21/per share and with \$735,000 thousand to be collected by this capitalization. The capitalization baseline date was set on October 24, 2006. The case of capitalization was approved and registered accordingly. The authorized stock capital is \$2,680,000 thousand after the capitalization with 268,000,000 shares issued at \$10 par and an amount of \$2,171,293 thousand collected.

2 3 .RETAINED EARNINGS

- (1) The net income of the Company, if there is any, is distributed in the order of: :
 - ① Paying taxes

- ② Making up losses
- ③ Deduction ①、② afterwards, Appropriating 10% of the balance as legal reserve.
- ④ Appropriating special reserve from the net income according to law or regulations, special reserve will be transferred to retained earnings for distribution once the conditions of appropriation are cancelled or reversed
- ⑤ Deducting ① to④ item and adding the appropriation of special surplus reversed amount :
 - 1.Remuneration to directors and supervisors—2%.
 - 2.Bonus to employees—5%.
- ⑥ The balance of ① to ⑤item is partially or entirely distributed to shareholders proportionally to shareholdings.

(2)Dividend policy :

The Company is in a traditional business operation and is in a “mature” business lifecycle; therefore, a stable dividend policy is preferred. For the protection of shareholder’s equity and the working capital needed by the Company, shareholders bonus is distributed with \$0.5/per share in cash. If the Company is with significant expansion or transfer investment planned in the year of dividend distribution, the distribution of cash dividend can be adjusted proportionally or replaced by stock dividend for the fund demand of the Company.

- (3)The distribution of 2005 retained earnings was resolved in the Shareholder’s Meeting on June 14, 2006. The distribution of dividends included stock dividends of 151.9999973 shares per thousand shares; also, 67.99999933 shares per thousand shares were distributed for the capitalization from capital surplus.
- (4)The distribution of 2004 retained earnings was resolved in the Shareholder’s Meeting on June 16, 2005. The distribution of dividend included cash dividend of 3.2 per share.
- (5)The Board of Directors had not yet resolved regarding the distribution of 2006 retained earnings up to the issuance of day of the Independent Auditor’s Report issued; therefore, please refer to the Market Observation Post System for the distribution of bonus to employees and remunerations to the Directors and Supervisors drafted up by the Board of Directors and resolved by the Shareholder’s Meeting.
- (6)The distribution of 2005 and 2004 retained earnings was resolved by the Shareholder’s Meeting on June 14, 2006 and June 16, 2005, respectively. Please refer to the resolved distribution of bonus to employees and remunerations to the Directors and Supervisors as follows :

	<u>2005</u>	<u>2004</u>
Remuneration to directors and supervisors	\$4,094	\$10,944
Bonus to employees	<u>10,234</u>	<u>27,359</u>
Total	<u>\$14,328</u>	<u>\$38,303</u>

If the aforementioned distribution of bonus to employees and remunerations to the Directors and Supervisors was expensed in the year the net income generated, the earnings per share after tax (without retrieval) of the year was \$1.55 and \$4.77, respectively.

Please refer to the Market Observation Post System for the distribution of bonus to employees and remunerations to the Directors and Supervisors drafted up by the Board of Directors and resolved by the Shareholder's Meeting.

2 4 .INCOME TAX

(1)The company's income tax returns prior to 2004 have been finalized by authorities.

(2)

1 . Income tax expense(or benefit) is comprised of the followings :

	<u>2006</u>	<u>2005</u>
Income tax-current	\$380,576	\$77,623
Deferred income tax(benefit) expense :		
Reverse of prior exchange loss	822	767
Allowance for bad debts(ratified amount)	26	4,132
Recognize permanent loss of investment in valuation (Cost Method)	0	(3,638)
Unrealized gains (losses) on financial instruments	1,171	(291)
Unrealized gains(losses) on foreign exchange	444	(822)
Accrued pension cost	(1,333)	(514)
Overestimated income tax of previous year	(90)	(633)
An additional 10% income tax was levied the portion of undistributed profits	<u>0</u>	<u>3,693</u>
Total	<u>\$381,616</u>	<u>\$80,317</u>

2 . Deferred income tax assets(liabilities) arising from :

	December 31	
	2006	2005
Deferred tax assets(liabilities)-current :		
Unrealized losses on financial instruments	\$0	\$1,171
Unrealized losses(gains) on foreign exchange	(444)	822
Allowance for bad debts(ratified amount)	(106)	(80)
Net	<u>\$ (550)</u>	<u>\$1,913</u>
Deferred tax assets-noncurrent :		
Recognize permanent loss of investment in valuation (Cost Method)	\$3,638	\$3,638
Accrued pension cost	18,229	16,897
Net	<u>\$21,867</u>	<u>\$20,535</u>

3 . At December 31,2006 and 2005 the related information of shareholders' deductible income tax is as follow :

	December 31	
	2006	2005
Shareholders' deductible income tax account	<u>\$34,822</u>	<u>\$79,496</u>
Creditable rate-predicated	26.28% ^(※1)	—
Creditable rate-real	—	<u>35.15%</u>

※1 : It is derived from the Shareholder's deductible income tax account on December 31, 2006 and tax payable of the year.

4 . The undivided profit information :

	December 31	
	2006	2005
Unappropriated earnings before 1997	\$0	\$0
Unappropriated earnings after 1998	1,462,341	277,777
Total	<u>\$1,462,341</u>	<u>\$277,777</u>

(3) Tax exempted income

An application for tax exemption was filed in accordance with Clause 9.2 of Business Upgrade Act and "Guidelines Governing Five-year Business Profit Tax Exemption for newly added Manufacturing & Innovative Services" and with the purchase of machinery equipment for an amount of \$83,220 thousand entitled to the privilege of five-year business profit tax exemption since January 1, 2004.

2 5 .EARNINGS PER SHARE

The capital structure of the company is relatively complicate. The potential common stocks were convertible bonds and with the earnings per share calculated on January 1~December 31, 2006 and 2005 as follows :

	Amounts(Numerator)		shares(Denominator) (Thousands)	EPS(NT\$)	
	Before Income tax	After Income tax		Before Income tax	After Income tax
For the year ended December 31,2006					
Basic EPS	\$1,835,281	\$1,453,665	187,963	\$9.76	\$7.73
Diluted EPS	\$1,838,642	\$1,456,051	201,287	\$9.13	\$7.23
For the year ended December 31,2005					
Basic EPS	\$312,865	\$232,548	169,914	\$1.84	\$1.37
Diluted EPS	\$314,313	\$233,634	176,300	\$1.78	\$1.33

2 6 .LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE :

	2006			2005		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Labor cost						
Salary	\$290,573	\$126,022	\$416,595	\$178,191	\$73,851	\$252,042
Labor and health insurance	16,086	3,784	19,870	12,273	3,920	16,193
Pension	15,477	5,591	21,068	10,310	3,174	13,484
Other	40,562	8,384	48,946	30,632	8,991	39,623
Depreciation	83,407	7,636	91,043	70,884	8,072	78,956
Amortization	3,988	808	4,796	2,839	1,033	3,872

2 7 .RELATED PARTY TRANSACTIONS

(1)Related parties and relationship

Name of related parties	Relationship
Ji-Mao Investment Corporation.,Ltd	A company which is accounted for by equity method
CHANG CHIN-KER	The company's president
CHANG CHIN-YU	The company's general manager
CHANG CHIN-PENG	The company's Business Department manager

(2) Significant transactions with related parties

1. Property transactions

Name of related parties	Property transactions objects	2006	
		Shares	Price
CHANG CHIN-KER	Stock shares of Ji-Mao Investment Corporation, Ltd.	20,000	\$220
CHANG CHIN-YU	Stock shares of Ji-Mao Investment Corporation, Ltd.	20,000	220
CHANG CHIN-PENG	Stock shares of Ji-Mao Investment Corporation, Ltd.	20,000	220
Total		<u>60,000</u>	<u>\$660</u>

There was not a property transaction conducted with the related party in 2005.

2. Others

Name of related parties	Item	2006		2005	
		Amount	Percentage of account	Amount	Percentage of account
Ji-Mao Investment Corporation., Ltd	Other revenue	\$36	0.51	\$36	0.24
		<u>\$36</u>	<u>0.51</u>	<u>\$36</u>	<u>0.24</u>

2 8 . ASSETS PLEDGED OR MORTGAGED

	Book value		Mortgaged with
	December31,2006	December31,2005	
Land	\$671,587	\$671,587	Land and buildings were pledged or mortgaged for loans from Yuaulin Branch of Bank of Taiwan, Yuaulin Branch of Hua Nan Bank, and Taichung Branch of China Development Industrial Bank
Buildings	139,041	112,162	
Machinery and equipment	0	45,448	Machinery and equipment were pledged or mortgaged as collateral for loans from Yuaulin Branch of bank of Taiwan
Restricted assets	290	5,951	Restricted assets were pledged or mortgaged as collateral for guarantee and deposit for cash dividend distribution to Mega Bank and Yuaulin Branch of Hua Nan Bank
Total	<u>\$810,918</u>	<u>\$835,148</u>	

2 9 .COMMITMENTS AND CONTINGENT EVENTS

As of December 31, 2006, the following events were not included in the financial statements of the company:

1. The Company had issued guaranteed notes to banks and suppliers for an amount of \$2,821,857 thousand for loans and raw material acquisition.
2. As of December 31, 2006, the Company had outstanding L/C issued for raw material acquisition for an amount of NT\$732,150 thousand.
3. The company has bank guarantee from Yuaulin Branch of Mega International Commercial Bank with amount \$285 thousand to Bureau of Employment and Vocational Training as a pledge for hiring foreign workers.
4. The Company had a guaranteed letter issued for an amount of \$4,000 thousand by Yuaulin Branch of Hua Nan Bank as collateral for raw material acquisition.

3 0 .OTHERS

Financial instrument at fair value :

- 1.The company's financial instrument in the year ended December 31,2006 and 2005 were as follow :

(1)Non-derivative financial investments

Assets	December 31			
	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$215,596	\$215,596	\$130,217	\$130,217
Financial assets at fair value through profit or loss-current	0	0	88,550	83,865
Available-for-sale financial assets-current	24,436	116,008	0	0
Notes receivable-net	102,698	102,698	144,643	144,643
Accounts receivable-net	1,968,650	1,968,650	604,815	604,815
Restricted assets	290	290	5,951	5,951
Funds and investments	291,936	291,936	219,552	219,552
Refundable deposits	197	197	1,510	1,510
Liabilities	Book Value	Fair Value	Book Value	Fair Value
Short-term loans(including current portion of long-term liabilities)	\$1,878,951	\$1,878,951	\$650,802	\$650,802
Short-term bills payable	209,243	209,243	249,255	249,255
Notes payable	83,564	83,564	60,335	60,335
Accounts payable	393,057	393,057	95,602	95,602
Bonds payable	250,850	250,850	0	0
Long-term loans	320,000	320,000	709,250	709,250
Guarantee deposits	4,749	4,749	1,120	1,120

(2) Derivative financial instrument

Assets	December 31			
	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets at fair value through profit or loss-current	\$22,728	\$30,516	\$0	\$0
Liabilities	Book Value	Fair Value	Book Value	Fair Value
Financial liabilities at fair value through profit or loss-current	\$20,922	\$19,269	\$0	\$0

2. The methods and significant assumptions applied in determining fair value of financial instruments were as follows :

- (1) The fair value of the short-term financial instrument is estimated according to the face value on the Balance Sheet. Since the short-term financial instrument is with a relatively short due date, it is reasonable to have the fair value estimated according to the face value. The said method is applied for cash and cash equivalent, notes receivable and accounts receivable, short-term loans, short-term bills payable, and notes payable and accounts payable.
- (2) If there is market price available for reference, the said market price is the fair value of the financial instrument. If there is no market price available for reference, the fair value of the financial instrument is estimated in accordance with the Valuation Method. The estimation and assumption applied is in compliance with the information used by market participants to price financial instrument. The discount rate of the company is same as the return rate of the financial instrument that is equivalent in terms and traits. The said terms and traits include the creditability of debtors, remaining time period of interest charged with a fixed rate, remaining time period to pay principal, and currency of payment.
- (3) Long-term loan is a financial liability with floating rate; therefore, the face value is the fair value.
- (4) The market value of the bond payable that was issued on January 1, 2006 is the fair value. The discount value of the call cash flow for bond payable that was issued before December 31, 2005 is the fair value.
- (5) The guarantee margin and deposit paid and received is cash expense; therefore, the book value is the fair value.

3. Risks of the Company's financial instruments :

(1) Market risk

The company does not have substantial investment in the equity of the listed/OTC company; therefore, even though the fair value does fluctuate along with the market price; however, the company faces no significant price risk. The loans of the company are with floating rate; therefore, no significant market risk is expected.

(2) Credit risk

Credit risk meant for the risk of loss resulted from the non-performance of the contract parties. The company has the risk of receivables from debtors evaluated in accordance with the credit policy; therefore, no significant credit risk is expected. The company deals with reputable financial institutes only; therefore, the counter party of the company's

loan is less likely to breach a contract.

(3)Liquidity risk

The company has sufficient working funds reserved; therefore, no liquidity risk of insufficient funds for performance is expected. Except for the financial instrument valued with Cost Method and equity investment valued with Equity Method are with significant liquidity risk due to the lack of active market for trade, the company's investment in stock shares is with active market for trade; therefore, financial instrument can be traded promptly in market at a price close to the fair value.

(4)Cash flow risk of interest rate change

The company's short-term loans and long-term loans are with a floating rate; therefore, market rate change will cause the effective interest rate of short-term loan and long-term loan to change and with future cash flow fluctuated. Moreover, the company's corporate bond payable is a bond with zero rate; therefore, market rate change does not affect the company's future cash flow.

3 1 .ADDITIONAL DISCLOSURE :

1. Significant transactions

No.	Items	Remark
1	Financing provided.	None
2	Endorsement/guarantee provide.	None
3	Marketable securities held.	Table 1
4	Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital.	None
5	Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital.	Table 2
6	Disposal of individual real estate at price of at least \$100 million or 20% of the paid-in capital.	None
7	Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital.	None
8	Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital.	None
9	Derivative transactions.	None

Tables 1 : Marketable securities held

Holding Company Name	Marketable securities type and name	Relationship with the company	Financial statement account	December 31,2006			
				(In thousands of New Taiwan dollars)			
				Shares/Units (thousands)	Book value	Percentage of ownership	Market value or net assets value
YEUN CHYANG INDUSTRIAL CO., LTD	Ji-Mao Investment Corporation,Ltd(common stock)	Investee accounted for using equity method	Long-term investment-equity method	10,000	\$176,936	100%	@17.69
YEUN CHYANG INDUSTRIAL CO., LTD	Digi Genomics Co.Ltd(common stock)	—	Financial assets carried at cost-non-current	1,000	0	5.171%	—
YEUN CHYANG INDUSTRIAL CO., LTD	ABGENOMICS INTERNATIONAL INC. (common stock)	—	Financial assets carried at cost-non-current	2,200	115,000	3.64%	—
YEUN CHYANG INDUSTRIAL CO., LTD	YEOU YIH STEEL CO., LTD (common stock)	—	Available-for-sale financial assets-current	3,926	116,008	—	@29.55
Ji-Mao Investment Corporation, Ltd	Digi Genomics Co.Ltd(common stock)	—	Financial assets carried at cost-non-current	1,250	0	6.463%	—
Ji-Mao Investment Corporation, Ltd	TA CHEN STAINLESS PIPE COMPANY LIMITED(common stock)	—	Financial assets held for trading	2,500	97,125	—	@38.85
Ji-Mao Investment Corporation, Ltd	YEOU YIH STEEL CO., LTD (common stock)	—	Available-for-sale financial assets-current	2,333	68,936	—	@29.55

Table 2 : Property acquired amounted to \$100,000 thousand or over and Paid-in Capital received for over 20%

Disposer	Asset Category	Acquire Date		Amount	Payment Status	Counterparty	Relationship with the Company	Information of the				Reference Basis for the pricing decision	Purpose of Purchase	Current Status	Others
		Signing Contract Date	Transfer Date					Counterparty	Relationship with the Company	Date	Price				
Yeun Chyang Industrial Co., Ltd	Land	95.04.04	95.06.01	372,781 (Note)	All paid	TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	N/A	—	—	—	—	—	Land for new factory	In process	N/A

Note: including transfer fee 、 transaction fee and interest capitalization of \$1,045 thousand.

2.Name,Locations and related information of investee over which the company exercises significant influence

Investor	Investee	Location	Main business and products	Original investment amount		Balance as of December 31,2006			Shareholding rate * invested company's year end net value	Net income (loss) of the investment	Investment Income(loss)	The invested company's dividend distribution of the year		Note
				December 31,2006	December 31,2005	Shares (thousands)	Percentage of ownership	Book value				Stock dividend	Cash dividend	
YEUN CHYANG INDUSTRIAL CO.,LTD	Ji-Mao Investment Corporation,Ltd	Chang-Hwa ,Taiwan	Investment	100,120	98,800	10,000	100%	176,936	176,936	45,281	44,934	0	0	

3 2 .SEGMENT INFORMATION

1.Industry : The company is in business for the production and sales of stainless steel and steel roll; also, stainless steel shearing, in other words, a mono-industry.

2.Foreign operations : The company currently has no foreign branches.

3.Export sales :

Total export sales for 2006 and 2005 are as follows :

Area	Amount	
	2006	2005
Asia	\$4,293,097	\$2,657,210
America	651,325	680,789
Europe	4,825,245	525,216
Australia	1,239,904	904,532
Africa	575,263	283,565
Total	<u>\$11,584,834</u>	<u>\$5,051,312</u>

4.Major customers :

The company had no customers with exceeding 10% of the total not operating revenues for 2006 and 2005.

3 3 .RECLASSIFICATION

To Conform with the presentation of financial statements of 2006,certain accounts of the 2005 financial statements has been reclassified.