ABIT COMPUTER CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

AND

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

The Board of Directors
ABIT Computer Corporation

We have audited the accompanying consolidated balance sheets of ABIT Computer Corporation and subsidiaries as of December 31, 2000 and 1999 (restated), and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of ABIT Computer (U.S.A.) Corporation of 2000, a consolidated subsidiary, of which statements reflect total assets of NT$698,430,000 and total operating revenues of NT$1,626,806,000, constituting 9% and 20%, respectively, of the consolidated totals. Further, in 2000 and 1999, loss and gain on long-term equity investments accounted for under the equity method amounted to $6,638,000 and $919,000, with related balance of long-term equity investments amounting to $715,182,000 and $46,465,000, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for ABIT Computer (U.S.A.) Corporation of 2000, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABIT Computer Corporation and subsidiaries as of December 31, 2000 and 1999 (restated), and the results of their operations and their cash flows for the years then ended, in conformity with "Standards Governing the Compilation of Financial Statements of Security Issuers" and generally accepted accounting principles of the Republic of China.

As described in Note 2.1.(1), Treasure World Holdings Inc., a subsidiary of ABIT Computer Corporation, did not qualify for consolidation in 1999 yet met the criteria as of December 31, 2000. Consequently it was included in the consolidated financial statements of 2000, and that of 1999 was restated for reference.

Taipei, Taiwan, R. O. C.
February 16, 2000

The accompanying financial statements are intended only to present the financial position, results of operation and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

ABIT COMPUTER CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS(CONT'D)
DECEMBER 31, 2000 AND 1999 (restated)
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND STOCKHOLDERS ' EQUITY	2000 Amount	2000 %	1999(restated) Amount	1999(restated) %
Current Liabilities				
Short-term loans (Note 4.6)	$ 1,338,585	18	$ 928,888	19
Commercial paper payable (Note 4.8)	391,288	5	88,771	2
Notes payable	393,437	5	446,566	9
Accounts payable	574,038	8	225,968	5
Income tax payable (Notes 2 and 4.12)	42,844	1	45,297	1
Accrued expenses	112,826	1	97,622	2
Long-term liabilities due within one year (Note 4.9)	55,356	1	44,894	1
Other current liabilites	54,878	-	12,772	-
	2,963,252	39	1,890,778	39
Long-term Liabilities				
Long-term loans (Note 4.9)	449,741	6	405,097	9
Long-term notes payable	1,012	-	2,368	-
	450,753	6	407,465	9
Other Liabilities				
Accured pension liabilities (Notes 2 and 4.15)	5,666	-	2,927	-
Other liabilities - other	58,654	1	44,467	1
	64,320	1	47,394	1
Total Liabilities	3,478,325	46	2,345,637	49
Stockholders'Equity				
Common stock ,$10 par value, authorized 135,000,000 shares; issued and outstanding 135,000,000 shares in 1999; issued and outstanding 95,000,000 shares in 1998 (Note 4.10)	2,200,000	29	1,350,000	29
Capital surplus (Note 2)	1,197,134	12	577,421	12
Retained earnings				
Legal reserve (Note 4.11)	76,096	-	28,994	-
Unappropriated earnings (Note 4.11)	647,986	10	488,249	10
Cumulative translation adjustment (Notes 2 and 4.4)	28,540	-	(27,945)	-
Total Stockholders' Equity	4,149,756	51	2,416,719	51
Significant commitments and contingencies (Notes 2 and 7)				
Total Liabilities and Stockholders' Equity	$ 7,628,081	97	$ 4,762,356	100

See the accompanying notes to consolidated financial statements

ABIT COMPUTER CORPORATION AND SUBSIDIARIES
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (RESTATED)
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	2000		1999 (Restated)	
ASSETS	Amount	%	Amount	%
Current Assets				
Cash and cash equivalents (Notes 2 and 4.1)	$ 731,985	10	$ 286,872	6
Notes receivable, net (Notes 2 and 4.2)	2,665	-	1,572	-
Accounts receivable, net (Notes 2 and 4.2)	2,213,448	29	1,503,764	32
Accounts receivable - related-party (Note 5)	308,434	4	42,618	1
Inventories, net (Notes 2 and 4.3)	698,780	9	1,000,438	21
Other current assets	189,730	2	166,272	3
Restricted assets (Note 6)	281,537	4	264,378	6
	4,426,579	58	3,265,914	69
LONG-TERM INVESTMENTS				
Long-term equity investments (Notes 2 and 4.4)	1,633,885	21	555,338	12
FIXED ASSETS (Notes 2, 4.5, and 6)				
Land	464,279	6	464,279	10
Buildings	93,588	1	93,588	2
Machinery	181,711	3	158,470	3
Computer equipment	13,832	-	14,821	-
Transportation equipment	14,653	-	7,238	-
Furniture and office equipment	7,899	-	9,756	-
Prepayment for real estate	778,439	10	194,362	4
Other equipment	8,611	-	6,688	-
Less: Accumulated depreciation	(95,578)	(1)	(74,122)	(1)
	1,467,434	19	875,080	18
OTHER ASSETS				
Other assets - others (Notes 2 and 6)	100,183	2	66,024	1
TOTAL ASSETS	$ 7,628,081	100	$ 4,762,356	100

	2000		1999	
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
Current Liabilities				
Short-term borrowings (Note 4.6)	$ 1,338,585	18	$ 928,888	19
Short-term notes payable (Note 4.7)	391,288	5	88,771	2
Notes payable	393,437	5	446,566	9
Accounts payable	574,038	8	225,968	5
Income tax payable (Notes 2 and 4.11)	42,844	1	45,297	1
Accrued expenses	112,826	1	97,622	2
Current portion of long-term loans (Note 4.8)	55,356	1	44,894	1
Other current liabilities	54,878	-	12,772	-
	2,963,252	39	1,890,778	39
Long-Term Liabilities				
Long-term loans (Note 4.8)	449,741	6	405,097	9
Long-term notes payable	1,012	-	2,368	-
	450,753	6	407,465	9
Other Liabilities				
Accrued pension liabilities (Notes 2 and 4.13)	5,666	-	2,927	-
Other liabilities - others	58,654	1	44,467	1
	64,320	1	47,394	1
Total Liabilities	3,478,325	46	2,345,637	49
Stockholders' Equity				
Capital stock (Note 4.9)	2,200,000	30	1,350,000	29
Capital surplus (Note 2)	1,197,134	17	577,421	12
Retained earnings				
Legal reserve (Note 4.10)	76,096	1	28,994	-
Unappropriated earnings (Note 4.10)	647,986	6	488,249	10
Cumulative translation adjustments (Notes 2 and 4.	28,540	-	(27,945)	-
Total Stockholders' Equity	4,149,756	54	2,416,719	51
Major Commitments and Contingencies				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,628,081	100	$ 4,762,356	###

The accompanying notes are an integral part to the consolidated financial statements.

ABIT COMPUTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999 (RESTATED)
(Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	2000		1999 (Restated)	
	Amount	%	Amount	%
Operating revenue				
Gross sales	$ 8,260,257	101	$ 8,825,877	102
Less: Sales returns	(29,939)	-	(21,973)	-
Sales allowance	(85,256)	(1)	(83,324)	(2)
Net sales	8,145,062	100	8,720,580	100
Operating costs	6,862,630	84	7,609,435	87
Gross profit	1,282,432	16	1,111,145	13
Unrealized intercompany gain (Note 4.4)	(18,554)	-	(6,839)	-
Realized intercompany gain (Note 4.4)	6,839	-	3,167	-
	1,270,717	16	1,107,473	13
Operating expenses				
Selling expenses	189,976	3	220,146	2
Administrative expenses	235,300	3	213,346	2
Research and development expenses	125,084	1	95,825	1
	550,360	7	529,317	5
Operating income	720,357	9	578,156	8
Non-operating income				
Interest income	21,390	-	22,993	-
Investment income (Note 4.4)	-	-	7,010	-
Gain on disposal of fixed assets (Note 2)	257	-	-	-
Gain on disposal of investments	1,918	-	229	-
Loss on physical stock-taking of inventories	132	-	-	-
Exchange gain	182,791	3	-	-
Commissions income	31,205	-	695	-
Gain on inventory market recovery	-	-	37,000	-
Miscellaneous income	7,893	-	9,254	-
	245,586	3	77,181	-
Non-operating expenses				
Interest expense	161,203	3	105,569	1
Loss on investments	46,911	-	-	-
Loss on disposal of fixed assets (Note 2)	2,958	-	154	-
Loss on physical stock-taking of inventories	-	-	13	-
Exchange loss	-	-	7,958	1
Inventory market decline and obsolescence	52,568	-	445	-
Miscellaneous expenses	11,937	-	2,320	-
	275,577	3	116,459	2
Income before income tax	690,366	9	538,878	6
Income tax expense (Notes 2 and 4.11)	(88,425)	(2)	(67,857)	(1)
Net income	$ 601,941	7	$ 471,021	5
Earnings per share (Note 4.14)				
Calculated by number of shares currently outstanding	$ 3.03		$ 3.77	
Retroactively adjusted	$ 3.03		$ 2.65	

The accompanying notes are an integral part to the consolidated financial statements.

ABIT COMPUTER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999 (RESTATED)

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

			Retained Earnings		Cumulative	
			Legal	Unappropriated	Translation	
1999	Capital Stock	Capital Surplus	Reserve	Earnings	Adjustments	Total
Balance - January 1, 1999	$ 950,000	$ 233,419	$ 13,908	$ 151,746	($ 9,979)	$ 1,339,094
Capital increase in cash	210,000	420,000	-	-	-	630,000
1998 Earnings appropriation:						
Legal reserve	-	-	15,086	(15,086)	-	-
Employee bonus	-	-	-	(2,715)	-	(2,715)
Compensation to directors and supervisors	-	-	-	(2,715)	-	(2,715)
Capitalization of retained earnings	114,000	-	-	(114,000)	-	-
Gain on sale of fixed assets transferred to capital surplus	-	2	-	(2)	-	-
Capitalization of capital surplus	76,000	(76,000)	-	-	-	-
Net income for 1999	-	-	-	471,021	-	471,021
Cumulative translation adjustments	-	-	-	-	(17,966)	(17,966)
Balance - December 31, 1999	$ 1,350,000	$ 577,421	$ 28,994	$ 488,249	($ 27,945)	$ 2,416,719
2000						
Balance - January 1, 1999	$ 1,350,000	$ 577,421	$ 28,994	$ 488,249	($ 27,945)	$ 2,416,719
Capital increase in cash	278,800	808,520	-	-	-	1,087,320
1999 Earnings appropriation:						
Legal reserve	-	-	47,102	(47,102)	-	-
Employee bonus	31,200	-	-	(31,200)	-	-
Compensation to directors and supervisors	-	-	-	(7,800)	-	(7,800)
Capitalization of retained earnings	351,000	-	-	(351,000)	-	-
Gain on sale of fixed assets transferred to capital surplus	-	193	-	(193)	-	-
Capitalization of capital surplus	189,000	(189,000)	-	-	-	-
Net income for 2000	-	-	-	601,941	-	601,941
Cumulative translation adjustments	-	-	-	-	56,485	56,485
Decrease in retained earnings due to subscription to new shares of investee companies by subsidiaries not in proportion to	-	-	-	(4,909)		(4,909)
Balance - December 31, 2000	$ 2,200,000	$ 1,197,134	$ 76,096	$ 647,986	$ 28,540	$ 4,149,756

The accompanying notes are an integral part to the consolidated financial statements.

ABIT COMPUTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (RESTATED)
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	2000	1999 (Restated)
Cash flows from operating activities:		
Net income	$ 601,941	$ 471,021
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Realized gross profit from sales	(6,839)	(3,167)
Unrealized gross profit from sales	18,554	6,839
Depreciation	34,109	31,496
Bad debt expense	19,000	-
Loss (income) on long-term investment	46,911	(7,010)
Loss on disposal of fixed assets	2,701	154
Gain on inventory market recovery	-	(37,000)
Loss on inventory market decline and obsolescence	52,568	445
Amortization	7,092	5,292
Gain on idle assets transferred to others	-	(3)
Other losses	1,041	1,032
Changes in assets and liabilities:		
Notes receivable	(1,093)	(1,387)
Accounts receivable	(728,684)	(808,521)
Receivables - related-party	(265,816)	319,060
Inventories	249,065	(188,118)
Other current assets	(23,458)	(81,664)
Notes payable	(53,129)	133,839
Accounts payable	348,070	8,039
Accrued expenses	15,204	25,872
Income tax payable	(2,453)	45,250
Other current liabilities	42,106	6,089
Accrued pension liabilities	2,739	1,154
Other liabilities - others	8,279	3,666
Net cash provided by (used in) operating activities	367,908	(67,622)
Cash flows from investing activities:		
Restricted assets	(17,159)	47,558
Other assets - others	(5,191)	(52,504)
Purchase of fixed assets	(629,476)	(525,272)
Proceeds from sale of fixed assets	529	735
Deferred charges	(23,351)	-
Increase in long-term equity investments	(1,073,881)	(189,557)
Restricted assets - non-current	(13,750)	
Proceeds from sale of idle assets	-	1,629
Net cash used in investing activities	(1,762,279)	(717,411)

(To be continued)

ABIT COMPUTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (RESTATED)
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	2000	1999 (Restated)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	409,697	(206,556)
Decrease in other short-term borrowings	-	(56,417)
Increase in commercial paper	302,517	33,856
Increase in long-term loans	80,106	211,999
Repayment of long-term loans	(25,000)	(12,018)
Capital increase in cash	1,087,320	630,000
Guarantee deposits-in	(6,000)	32,000
Loans (repayment of) by long-term notes payable	(1,356)	2,368
Employee bonuses	-	(4,156)
Compensation to directors and supervisor	(7,800)	(4,811)
Net cash provided by financing activities	1,839,484	626,265
Net increase (decrease) in cash and cash equivalents	445,113	(158,768)
Cash and cash equivalents, beginning of the period	286,872	445,640
Cash and cash equivalents, end of the period	$ 731,985	$ 286,872
Supplemental disclosure of cash flow information:		
Interest paid in the period	$ 160,955	$ 106,132
Income taxes paid in the period	$ 67,137	$ 6,616
Investing and financing activities with no effects on cash flows:		
Current portion of long-term loans	$ 55,356	$ 44,894
Capitalization of employee bonus	$ 31,200	$ -

The accompanying notes are an integral part to the consolidated financial statements

ABIT COMPUTER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (RESTATED)
(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND BUSINESS

ABIT Computer Corporation (the "Company") was established on September 25, 1989 with primary business scope as follows:

1) Design, production, processing, and trading of computers and peripherals.
2) Design, production, processing, and trading of monitors, interface cards, motherboards, keyboards, printers, P.C. servers, and parts and components.
3) Imports and exports of related businesses, except for futures.
4) Bidding and quotation business of domestic and foreign products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis for consolidation of financial statements

(i) Subsidiaries consolidated:

Company Name	Business Scope	Ownership
ABIT Computer (U.S.A.) Corporation - established in December 1996	1.Design, production, processing, and trading of computers and peripherals. 2.Design, production, processing and trading of monitors, interface cards, mother-boards, keyboards, printers, P.C. servers, and computer parts. 3.Imports and exports.	100%
Treasure World Holdings Inc.-Founded in March 1998	1. Business of investment.	100%

As of December 31, 2000, total assets of the subsidiary, Treasure World Holdings Inc. amounted to 10% of total assets of the parent company, consolidated financial statements were required, and those of 1999 were restated with amounts of Treasure World Holdings Inc. included.

(ii) As consolidated financial statements were compiled, the Company's investment in the subsidiary is offset against stockholders' equity of a subsidiary, so are related claims and obligations. Unrealized gain from downstream transactions between the Company and subsidiaries and from transactions between investee companies accounted for under the equity method are fully eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2. Cash Equivalents

Cash equivalents refer to Treasury bills, certificates of convertible time deposits, commercial paper, and bank acceptances with maturity of less than 3 months from the investment date.

3. Short-Term Investments

Short-term investments in stock of listed companies, beneficiary certificates, and Central Government Construction Bonds are evaluated at the lower of total cost or market separately for equity and non-equity securities. Market value refers to the average closing price of the last month of an accounting period. For open-end funds, market value is the net asset worth of funds on the balance sheet date. Should market prices are lower than cost, allowance for market decline of short-term investments is provided, and such allowance shall be reversed upon subsequent market recovery yet within the amount provided. Upon sale, cost is computed by the moving-average method.

4. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for by reviewing receivables at year-end.

5. Inventories

Inventories are stated at cost by the weighted-average method on a perpetual inventory basis and are evaluated at the lower of cost or market at year-end. Market value of raw materials and supplies is replacement cost; whereas that of goods in process, finished goods, obsolete and slow-moving inventories is the net realizable value. For market value based on replacement (reproduction) cost, it should not exceed net realizable value nor be less than the balance of net realizable value minus ordinary gross margin.

Consigned manufacturing refers to inventories sent for processing and then returned to the Company, and title of such inventory is retained by the Company prior to transfer. Accounting treatment of consigned manufacturing is in compliance with 1998 Securities and Futures Commission (SFC) Letter Ruling No.(6)00747 dated March 18, 1998.

6. Long-Term Equity Investments

Long-term equity investments in common stock of companies not publicly traded and where the Company has no influence are accounted for under the cost method. Should sufficient evidence exist indicating that investment value indeed decreased and the likelihood of recovery is remote, loss on investment is recognized immediately, with book value after loss recognition as the new cost. Stock dividends received from capitalization of capital surplus or retained earnings are not recorded as investment income, and only memo entries are made regarding the increase in number of shares, with cost per share or book value is recalculated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6. Long-Term Equity Investments (cont'd)

Long-term equity investments in common stock of companies not publicly traded and where the Company has significant influence are accounted for under the equity method, unless it may be verified that significant influence does not exist.

Upon sale of long-term equity investments, cost is computed by the moving-average method.

Difference between cost of long-term equity investments and net equity worth is amortized over five years by the straight-line method. Debit (credit) balance resulting from consolidation is amortized over five years by the straight-line method.

For foreign investments accounted for under the equity method, original investment is stated by actual remittance in New Taiwan dollars on the balance sheet date. Book value of such investment is adjusted by cumulative translation adjustments, including current operating income/loss of investee companies, investment income/loss recognized by average exchange rate of the year, and net worth of investee companies evaluated per shareholding ratio.

Long-term equity investments where the Company has controlling interests over the investee companies are accounted for under the equity method, and consolidated financial statements are required. However, consolidation is not required if any of the following conditions is met:

(1) Nature of business of a subsidiary is different from that of the Company such that consolidation is not appropriate;
(2) A subsidiary has declared bankruptcy or reorganization has been decreed by the court;
(3) A subsidiary is prohibited from remitting dividends to the Company due to foreign exchange controls exercised by the country where it is registered to operate;
(4) A subsidiary reports negative net worth, unless the Company has financial undertakings of the subsidiary or makes other financial commitment, or the loss is temporary in nature with sufficient evidence of loss recovery and becoming profitable in the near future;
(5) Total assets and operating revenue of a subsidiary do not reach 10% of the respective accounts of the Company.

Nevertheless, if combined assets or operating revenue of all such subsidiaries exceed 30% of the respective accounts of the Company, then 3% of total assets or operating revenue of these subsidiaries must be consolidated. Unless the percentage declines to 20% subsequently, consolidation should continue.

Gain/loss on investments is recognized immediately if common or preferred shares with voting rights exceeds 50% of total voting shares of an investee company or regulations set forth in Clause369 No.2-2 are met such that the Company could control, directly or indirectly, financial, operation, or personnel issues of the investee company, or if all of the following criteria are met:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6. Long-Term Equity Investments (cont'd)

(1) Net equity worth of the long-term equity investment at the beginning of the year exceeds $50 million and amounts to over 5% of the Company's paid-in capital;
(2) Ownership of the investee company by the Company exceeds 30% or the Company and its directors, supervisors, managers, and other investee companies controlled directly and indirectly, jointly own over 50% voting shares of the investee company;
(3) The Company is one of the 3 largest shareholders, or the Company appoints the Chairman or the President of the investee company.

In preparing the first and third quarterly financial statements, the equity method is not required to account for investments of ownership between 20% and 50%. For investee companies where ownership by the Company exceeds 50%, the equity method is adopted.

7. Fixed Assets, Depreciation, and Gain/Loss on Disposal

Fixed assets are stated at cost. Major addition, improvement, and replacement are capitalized. Repair and maintenance are recorded as current expenses. Interests incurred in acquisition of fixed asset before such assets are ready for use are capitalized and included as cost.

Depreciation is provided by the straight-line method over the estimated useful lives prescribed by the government plus one year's salvage value. Assets still in use after full depreciation may be depreciated over the estimated salvage value and useful lives. Useful lives of major assets are listed below:

Buildings	3~55 years
Machinery	5~9 years
Computer equipment	3~5 years
Transportation equipment	5 years
Furniture and office equipment	5~8 years
Other equipment	3~8 years

Gain or loss on disposal of fixed assets are charged to current operation, and after-tax gain is transferred to capital surplus in the year of disposal.

Idle assets or assets pending for disposal are reclassified as other assets and evaluated by the lower of net realizable value or net book value.

8. Deferred Charges

Deferred charges are stated at cost and amortized by the straight-line method over 3 to 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

9. Income Taxes

Income tax is provided in accordance with the Income Tax Law and related regulations. Adjustment of prior years' income tax is recorded as current income tax expense. Intra-period income tax allocation will be made with respect to temporary differences between accounting and taxable income. Income tax effects due to significant taxable temporary differences are recognized as deferred income tax liabilities, while income tax effects arising from deductible temporary differences, loss carryforwards from prior years, and investment tax credits are recorded as deferred income tax assets. Valuation allowance will be provided after assessing the likelihood of realization of deferred income tax assets.

10. Foreign Currency Transactions

Non-forward-contract foreign currency transactions are recorded in New Taiwan dollars and translated by the exchange rates in effect as transactions occur. Translation differences from settlement of foreign currency assets or liabilities are included in current income, as well as those from year-end adjustments of balance sheet accounts by the prevailing rate then.

11. Pension Plan

The Company has a pension plan covering all regular employees. 2 units are granted for every year of service until the 15th year, and 1 unit per year thereafter up to a maximum of 45 units. A unit is equal to average monthly salary for the 6-month period prior to approved retirement.

The Company contributes 2% of gross salary paid to a pension fund reserve on a monthly basis and deposits the reserve into a designated account at the Central Trust of China.

Effective December 31, 1996 the Company adopted the FAS Statement No. 18, "Accounting for Pensions". Unrecognized net transitional assets or benefit obligations should be computed as the governing rules of pension shifted. In compliance with SFC Letter Ruling No.(6)00142 dated January 20, 1995, effective 1997, such unrecognized net transitional assets or net benefit obligation would be amortized by the straight-line method over the average remaining years of service of employees eligible for pension benefits. If years of service are estimated to be shorter than 15 years, then 15 years will be used and recorded as net pension costs, which comprise of the followings:

a. Service cost;
b. Interest cost;
c. Expected return on plan assets;
d. Amortization of unrecognized prior service cost;
e. Amortization of unrecognized pension gain or loss;
f. Amortization of unrecognized transitional net assets or net benefit obligation.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

11. Pension Plan (cont'd)

Difference between actual pension contributions and net pension costs is reflected as "accrued pension liabilities" or "prepaid pensions." The minimum pension liability is the amount required to be reflected on the balance sheets.

12. Commitments and Contingencies

If loss on commitments and contingencies is highly likely and the amount thereof can be reasonably estimated, such loss recognized immediately. Otherwise only the nature will be disclosed in notes to financial statements.

3. REASONS FOR AND EFFECTS OF ACCOUNTING CHANGES:

In 2000, the subsidiary, Treasure World Holdings Inc., increased its investment in the investee company, Timerwell Technology Holdings Ltd., resulting in changes in recognition of investment income/loss from the equity to the cost method. Such change led to an increase in investment loss of $10,263,000, with effects on net loss amounting to $10,263,000.

4. SUMMARY OF MAJOR ACCOUNTS

1. Cash and Cash Equivalents

	December 31, 2000	December 31, 1999 (Restated)
Cash and petty cash	$ 1,050,653	$ 736,659
Checking accounts	175,890,125	71,086,748
Savings accounts	272,468,512	941,817
Foreign currency demand deposits	152,475,867	134,551,831
Time deposits	130,100,000	79,555,218
Total	$ 731,985,157	$ 286,872,273

2. Notes and Accounts Receivable, Net

	December 31, 2000	December 31, 1999
Notes receivable	$ 2,664,605	$ 1,571,814
Accounts receivable	2,232,448,236	1,503,764,232
Less: Allowance for doubtful accounts	(19,000,000)	-
Total	$ 2,216,112,841	$ 1,505,336,046

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

3. Inventories

	December 31, 2000	December 31, 1999
Raw materials	$ 346,236,791	$ 800,985,598
Work-in-process	278,326,093	149,427,203
Finished goods	126,121,814	55,463,083
Merchandise	5,703,122	-
Total	756,387,820	1,005,875,884
Less: Allowance for inventory market decline and obsolescence	(57,606,929)	(5,438,270)
Net	$ 698,780,891	$ 1,000,437,614

As of December 31, 2000 and 1999, fire insurance coverage for inventories stated above was $915,000,000 and $650,000,000, respectively.

4. Long-Term Equity Investments

I As of December 31, 2000 and 1999, long-term equity investments of the Company and subsidiaries were as follows:

	December 31, 2000		December 31, 1999 (Restated)	
Accounted for under the cost method	%	Amount	%	Amount
Timerwell Technology Holdings Ltd.	-	$ -	15.45%	$266,090,152
Accounted for under the equity method				
AMOR Computer B.V. (Original investment: $16,910,000 in both 2000 and 1999)	100%	$ 30,626,272	100%	$ 18,917,623
ABIT Computer (U.K.) Corp. Ltd. (Original investment: $43,113,928 in both 2000 and 1999)	100%	53,645,503	100%	46,465,403
ABIT Computer (H.K.) Co., Ltd. (Original investment: $221,431,650 in both 2000 and 1999)	100%	187,063,192	100%	223,864,245
Timerwell Technology Holdings Ltd. (Original investment: $1,165,971,164 and 293,167,110 in 2000 and 1999, respectively)	45.92%	1,168,129,392	_	_
ABIT Investment Holding Ltd. (Original investment: $195,806,080 in 2000)	100%	186,796,127	_	_
ABITNET Technology Inc. (Original investment: $9,940,000 in 2000)	99.40%	7,624,297	_	-
Total		$1,633,884,783		$555,337,423

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

4. Long-Term Equity Investments (cont'd)

1) In 2000 and 1999, investee companies and subsidiaries were accounted for under the equity method and based upon audited financial statements. Income (loss) on investment recognized, amortization of the difference between investment cost and net equity worth, translation adjustment, and unrealized intercompany profit or loss was as follows:

2000	Investment Income (Loss)	Translation Adjustment (Credit Balance)	Unrealized Income (Loss) from Sales
AMOR Computer B.V.	$ 12,053,855	345,206	$10,831,551
ABIT Computer (U.K.) Corp. Ltd.	8,676,225	1,496,125	2,307,058
ABIT Computer (H.K.) Co., Ltd.	(46,777,929)	(9,976,876)	-
ABIT Investment Holding Ltd.	(8,284,698)	725,255	-
ABITNET Technology Inc.	(2,315,703)	-	-
Rolly Technology Holdings Ltd.	-	-	2,726,693
Timerwell Technology Holdings Ltd.	(10,263,291)	-	2,688,868
	($ 46,911,541)	($ 7,410,290)	$18,554,170

1999 (Restated)	Investment Income (Loss)	Translation Adjustment (Credit Balance)	Unrealized Income (Loss) from Sales
AMOR Computer B.V.	$ 1,388,070	($ 2,460,313)	$ 4,185,719
ABIT Computer (U.K.) Corp. Ltd.	918,628	(2,400,415)	2,652,868
ABIT Computer (H.K) Co., Ltd.	4,704,220	(4,310,381)	-
	$ 7,010,918	($ 9,171,109)	$ 6,838,587

2) In 2000 and 1999, amortization of the difference between investment cost and net equity worth was as follows:

	2000	1999
AMOR COMPUTER B.V.	$1,057,084	$1,507,084

3) As of December 31, 1999, investment by the subsidiary Treasure World Holdings Inc. in Timerwell Technology Holdings Ltd. was US$8,500,000, equivalent to $293,167,110; with a shareholding ratio of 15.45%, the cost method was adopted. The investment was approved by the Investment Commission of the Ministry of Economic Affairs. In mid-October 2000, the subsidiary increased its investment by US$27,467,967, resulting in an increase in ownership to 45.92%, and the equity method was adopted instead. The investment was approved by the MOEA Investment Commission Ruling Letter No.(2)90001618 of 2001.

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

4. Long-Term Equity Investments (cont'd)

4) In October 2000, the Company founded the wholly-owned ABIT Investment Holding Ltd. for US$5,934,000, equivalent to $195,806,080, which was accounted for under the equity method. The subsidiary later invested in Rolly Technology Holdings Ltd. with shareholding ratio of 20.5%. The investment was approved by the MOEA Investment Commission Letter Ruling No.(2)89031219 of 2000.

5) Investment income/loss of Rolly Technology Holdings Ltd. was accounted for under the equity method by ABIT Investment Holding Ltd. and detailed in Note 4.4.(1). Unrealized gain/loss of downstream transactions between the Company and investee companies and transactions between various investee companies were disclosed therein as well.

6) To expand business into the Internet, the Company founded ABITNET Technology Inc. for $9,940,000 with shareholding ratio of 99.4%, which was accounted for under the equity method. The Company later increased its investment by $14,000,000 in February 2001.

7) In December 1999, the Company increased its investment in ABIT Computer (H.K.) Co., Ltd. by US$6,000,000, equivalent to NT$189,601,650, resulting in increase in ownership to 100% and the equity method is used as a consequence. The investment was approved by MOEA Ruling Letter No.(2)89001529 of 2000.

8) Although ownership by the Company of ABIT Computer (U.K.) Corp., Ltd., AMOR Computer B.V., ABIT Computer (H.K.) Co., Ltd., ABITNET Technology Inc., and ABIT Investment Holding Ltd. exceeded 50% in 2000 and 1999 and controlling interests existed over these investee companies, total assets and operating revenue thereof did not exceed 10% of the respective accounts of the Company. According to generally accepted accounting principles, consolidated financial statements were not required as a consequence.

II. In 2000, the subsidiary, Treasure World Holdings Inc., did not subscribe to new shares issued by the investee company, Timerwell Technology Holdings Ltd., in its capital increase in cash per shareholding ratio. Consequently its retained earnings decreased by US$153,574, equivalent to $4,909,761.

5. Fixed Assets

1. As of December 31, 2000 and 1999, insurance coverage for fixed assets amounted to approximately $277,994,000 and $271,680,000, respectively.
2. In 2000 and 1999, capitalized interests amounted to $29,486 and $0, respectively.

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

5. Fixed Assets (cont'd)

3. On February 2, 1999, the Company entered into a joint venture construction agreement with Ho-Feng Constructive Planning Co., Ltd. with separate ownership of floor units for its property in Taipei—land parcels Nos. 141, 142, and 146 of 2,032.92m² of Wen-Deh Section in Neihu District. The Company would further subsidize Ho-Feng Constructive Planning Co., Ltd. for the land appreciation tax reserve of $49,200,000 (VAT included) in order to obtain commensurate ownership of the floor plan. The Company was assigned the 9th and 10th floors as well as part of the 8th (553.21 pings), totaling 2,138.95 pings of floor plan. In addition, to better utilize the 8th floor, the Company purchased the remaining space of 368.12 pings and land of 119.7 pings for $83,930,000 (VAT included). Total amount of contract was $133,130,000 (tax included) and was payable in 5 installments. As of December 31, 2000 and 1999, payment amounted to $48,000,000, including taxes, and guarantee deposits-in related to the project were $26,000,000 and $32,000,000, respectively.

4. On August 24, 1999, the Company entered into an agreement with Mr. Yi-Cheng Chan, Mr. Yi-Chien Chan, Mr. Loong-Chu Lee, Ms. Jin-Mei Chen, and Ho-Feng Constructive Planning Co., Ltd. for advance purchase of land and building (floors 1 to 4) in Wen-Deh Section of Neihu District, Taipei. Total amount of contract was $896,000,000, including VAT, with building for $268,800,000 and land for $627,200,000. Amount of such transactions was appraised by Honda Property Appraisal Corporation and China Credit Information Service Ltd. to be $909,246,300 and $897,868,556, respectively. As of December 31, 2000 and 1999, payment for land and building amounted to $423,292,000 and $145,774,000, respectively.

5. On October 25, 2000, the Company entered into an agreement with Mr. Yi-Cheng Chan, Mr. Yi-Chien Chan, Mr. Loong-Chu Lee, Ms. Jin-Mei Chen, and Ho-Feng Constructive Planning Co., Ltd. for advance purchase of land and building (floors 5 to 7) in Wen-Deh Section of Neihu District, Taipei. Total amount of contract was $639,000,000, including VAT, with building for $191,700,000 and land for $447,300,000. Amount of such transactions were appraised by Honda Property Appraisal Corporation and China Credit Information Service Ltd. to be $654,779,700 and $646,721,904, respectively. As of December 31, 2000 payment for land and building amounted to 300,000,000.

6. Please refer to Note 6 for details on collateralized fixed assets.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

6. Short-Term Borrowings

December 31, 2000	Period	Amount
Loans to purchase raw materials - domestic	Within one year	$ 549,078,663
Loans to purchase raw materials - foreign	〃	297,993,786
Credit loans	〃	266,513,000
Collateralized loans	〃	225,000,000
Total		$ 1,338,585,449
December 31, 1999		
Loans to purchase raw materials - domestic	Within one year	$ 121,978,724
Loans to purchase raw materials - foreign	〃	533,891,822
Credit loans	〃	100,000,000
Collateralized loans	〃	140,000,000
Bank overdraft	〃	33,017,625
Total		$ 928,888,171

In 2000 and 1999, interest rates borne by short-term borrowings were floating and ranged from 1.59% to 9% and from 5.40% to 8.53%, respectively.

7. Commercial Paper

December 31, 2000	Period	Amount
Commercial paper	August 3, 2000 to May 08, 2001	$394,000,000
Less: Unamortized discount		(2,711,389)
Net book value		$391,288,611

December 31, 1999	Period	Amount
Commercial paper	October 19, 1999 to June 5, 2000	$90,000,000
Less: Unamortized discount		(1,229,153)
Net book value		$88,770,847

In 2000 and 1999, outstanding period of short-term notes payable were within 180 days with annual interest ranging from 5.47% to7.57% and from 5.63 to 6.27%, respectively.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

8. Long-Term Loans

Item	Repayment Term	Amount
December 31, 2000		
Loan with land and building as collateral	Repayable in fixed installments on the 23rd of each month from October 1997.	$ 24,592,485
"	Repayable in fixed monthly installments from July 1997.	110,439,001
"	Lump-sum repayment. Three years from the first date of loan withdrawal.	212,000,000
Loan with machinery as collateral	Repayable in fixed installments in January, April, July, and October each year from October 1997.	2,670,000
"	"	26,775,000
"	Quarterly repayment of principal from June 1997.	28,620,000
Loan with certificate of time deposits as collateral	Repayable in fixed quarterly installments from June 2001.	100,000,000
		505,096,486
Less: Current portion		(55,355,511)
Net		$ 449,740,975
December 31, 1999		
Loan with land and building as collateral	Monthly repayment of principal from October 1997.	$ 26,401,218
"	"	115,792,705
"	Lump-sum repayment. Three years from the first date of loan withdrawal.	212,000,000
Loan with machinery as collateral	Quarterly repayment of principal in January, April, July, and October each year from June 1997.	3,382,000
"	"	33,915,000
"	Quarterly repayment of principal from June 1990.	33,500,000
Loan with certificate of time deposits as collateral	Lump-sum repayment. Two years from the first date of loan withdrawal.	25,000,000
		449,990,923
Less: Current portion		(44,894,416)
Net		$ 405,096,507

In 2000 and 1999, interest rate of long-term loans were floating and ranged from 6.63% to 8.725% and from 6.64% to 8.60%, respectively.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

9. Capital Stock

Formation of capital stock of the Company is as follows:

Date of Capital Collection	Registered Capital	Paid-in Capital	Description
September 25, 1989	$ 5,000,000	$ 5,000,000	Inauguration
May 20, 1991	20,000,000	20,000,000	Capital increase in cash by $15,000,000
December 27, 1991	29,000,000	29,000,000	Capital increase in cash by $9,000,000
October 30, 1992	60,000,000	60,000,000	Capital increase in cash by $31,000,000
January 28, 1993	100,000,000	100,000,000	Capital increase in cash by $40,000,000
July 17, 1996	120,000,000	120,000,000	Capital increase in cash of $20,000,000
December 5, 1996	190,000,000	190,000,000	Capital increase in cash by $69,000,000 and credit in lieu of paid-in capital by $1,000,000
May 29, 1997	950,000,000	364,800,000	Capital increase in cash by $174,800,000
May.31, 1997	950,000,000	402,800,000	Capitalization of retained earnings of $38,000,000
June 6, 1998	950,000,000	720,000,000	Capital increase in cash by $236,640,000 and capitalization of retained earnings of $80,560,000
December 23, 1998	950,000,000	950,000,000	Capital increase in cash by $230,000,000
June 25, 1999	2,550,000,000	1,350,000,000	Capital increase in cash by $210,000,000, capitalization of capital surplus of $76,000,000, and retained earnings of $114,000,000
July 9, 2000	2,550,000,000	1,921,200,000	Capitalization of capital surplus of $189,000,000, retained earnings of $351,000,000, and employee bonus of $31,200,000
October 11, 2000	3,050,000,000	2,200,000,000	Capital increase in cash by $278,800,000

10. Earnings Distribution

Articles of Incorporation of the Company prescribe that after-tax earnings should first offset cumulative losses then 10% thereof be set aside as legal reserve, 2% of the rest, if any, should be distributed as employee bonus and remuneration to directors and supervisors each. The remaining balance may be appropriated in accordance with proposal submitted by the Board of Directors to Stockholders' Meeting for resolutions.

4. <u>SUMMARY OF MAJOR ACCOUNTS</u> (CONT'D)

10. <u>Earnings Distribution</u> (cont'd)

On August 20, 1999, Articles of Incorporation on earnings distribution were revised as follows: after-tax earnings shall first offset cumulative losses, then 10% thereof be set aside as legal reserve. Special surplus will be appropriated if necessary. The remainder shall be appropriated by the following ratio: 90% as dividends, 2% as remuneration to directors and supervisors, and 8% as employee bonus.

Dividend policy as approved in the temporary Stockholders' Meeting on September 20, 2000 was incorporated into Articles of Incorporation per SFC Letter Ruling No.(1)100116 dated January 3, 2000 and detailed as follows:

The Company is in hi-tech industry and currently is in the growth phase of business life cycle. To expand business and pursue permanent operation by sound financial planning, dividends shall be distributed per rules set forth in the preceding paragraph, in light of operation needs and future capital expenditures of the Company. At least 80% of distributable earnings of the current year shall be appropriated as dividends, of which between 5% and 20% shall be set aside as cash dividends with the rest as stock dividends.

Earnings distribution of 1999 as approved in Stockholders' Meeting was as follows:

Legal reserve	$ 47,101,868
Dividends	351,000,000
Employees bonus	31,200,000
Compensation to directors and supervisors	7,800,000
	$ 437,101,868

11. <u>Income Taxes</u>

1. In 2000 and 1999, components of income tax expense of the Company and subsidiaries were as follows:

	Expressed in Thousands of New Taiwan Dollars	
	2000	1999
Domestic		
Current income tax expense	$ 68,619	$ 38,399
Deferred income tax expense	1,323	15,726
10% surtax on unappropriated earnings	1,284	-
Overseas		
Current income tax expense	17,017	13,732
Deferred income tax expense (benefit)	182	-
Total	$ 88,425	$ 67,857

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

11. Income Taxes (cont'd)

2. As of December 31, 2000 and 1999, deferred income tax assets (liabilities) of the Company and subsidiaries were as follows:

Expressed in Thousands of New Taiwan Dollars

	2000	1999
Current:		
Deferred income tax assets	$ 24,750	$ 8,502
Valuation allowance - deferred income tax assets	-	-
Deferred income tax assets, net	24,750	8,502
Deferred income tax liabilities	(9,100)	(11)
Current deferred income tax assets, net	$ 15,650	$ 8,491
Non-current:		
Deferred income tax assets	$ 1,986	$ 716
Valuation allowance - deferred income tax assets	(329)	-
Deferred income tax assets, net	1,657	716
Deferred income tax liabilities	(15,532)	(6,345)
Non-current deferred income tax liabilities, net	($ 13,875)	($ 5,629)

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

4. <u>SUMMARY OF MAJOR ACCOUNTS</u> (CONT'D)

11. <u>Income Taxes</u> (cont'd)

3. As of December 31, 2000 and 1999, deferred income tax assets/liabilities of the Company and subsidiaries due to temporary differences and effects on income taxes were as follows:

	December 31, 2000			December 31, 1999		
		Income Tax Effect			Income Tax Effect	
	Amount	Current	Non-current	Amount	Current	Non-current
Deductible temporary difference due to inventory market decline	$5,100,000	$12,750,000	$ -	$5,000,000	$1,250,000	$ -
Deductible temporary difference due to employee pension expense	5,604,111	-	1,400,000	2,865,208	-	716,302
Deductible temporary difference due to estimation difference of deductible state taxes	1,400,000	-	585,699	-	-	-
Deductible temporary difference due to unrealized exchange loss	-	-	-	15,389,086	3,847,272	-
Deductible temporary difference due to employee benefits	-	-	-	200,000	50,000	-
Deductible temporary difference resulting from unrealized sales profit	48,524,011	12,000,000	-	13,417,655	3,354,414	-
Subtotal		24,750,000	1,985,699		8,501,686	716,302
Less: Valuation allowance		-	(329,100)		-	
		24,750,000	1,656,599		8,501,686	716,302
Taxable temporary difference due to recognition of investment income	(62,356,022)	-	(15,500,000)	(25,378,880)	-	(6,344,720)
Taxable temporary difference due to difference in depreciation policy	(412,761)	-	(32,384)	(69,380)	(10,407)	-
Taxable temporary difference due to unrealized exchange gain	(36,406,182)	(9,100,000)			-	-
		$15,650,000	($13,875,785)		$8,491,279	($5,628,418)

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

11. Income Taxes (cont'd)

4. As of December 31, 2000 and 1999, information on unappropriated earnings was as follows:

	Expressed in Thousands of New Taiwan Dollars	
	2000	1999
Accumulated prior to 1997 (included)	$ 839	$ 839
Accumulated after 1998	647,147	487,410
Total	$ 647,986	$ 488,249

In 2000 and 1999, investment tax credits due to purchase of automatic machinery, human resource training, establishing brand image, and research and development was $33,612,631 and $16,803,490, which were offset against current income tax payable then of $33,612,631and $16,803,490, respectively. Further, income before tax of $341,862,000 and $249,090,000 of 2000 and 1999, respectively, qualified for the 5-year tax holiday.

The Company's corporate income tax returns through 1997 were assessed by the Tax Authority.

As of December 31, 2000, balance of stockholders' imputation credit account was $38,022,000. It was estimated that after filing of corporate income tax for 2000, deductible ratio of earnings distributed for R.O.C. residents was approximately 11.85%.

12. Earnings per Share

Earnings per share is calculated by the weighted-average number of shares outstanding during the year. In the event of stock spilt or capitalization of retained earnings and capital surplus, earnings per share is retroactively adjusted, regardless of the outstanding period of incremental shares. The weighted-average number of common shares outstanding in 2000 and 1999 were 198,383,452 and 124,931,507, respectively. Retroactively adjusted number of common shares outstanding in 2000 and 1999 were 198,383,452 and 177,791,416, respectively.

13. Pension Plan

The Company deposited the pension fund into a designated account at the Central Trust of China. In 2000 and 1999, changes in pension fund account were as follows:

	Expressed in Thousands New Taiwan Dollars	
	2000	1999
Beginning balance	$ 14,526	$ 9,862
Current contribution	4,697	4,014
Current interest yield	1,199	650
Ending balance	$ 20,422	$ 14,526

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

13. Pension Plan

Effective December 31, 1996, the Company adopted the FAS Statement No.18 "Accounting for Pensions", and actuarial reports on pensions dated February 15, 2001 and January 28, 2000 were secured with December 31, 2000 and 1999 as the measurement dates. Components of net pension cost were as follows:

	Expressed in Thousands New Taiwan Dollars	
	2000	1999
Service cost	$ 6,259	$ 4,528
Interest cost	1,684	967
Projected return on pension plan assets	(1,199)	(665)
Amortization and deferred amount	692	338
Net periodic pension cost	$ 7,436	$ 5,168

Actuarial assumptions adopted to calculate net periodic pension cost and reconciliation of funding status and accrued pension liabilities per books at year-end are as follows:

	2000	1999
Discount rate	6.00%	6.75%
Future salary increase rate	4.00%	5.40%
Projected long-term rate of return on pension plan assets	6.00%	6.75%

Benefit obligation:	2000	1999
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(14,978)	(13,536)
Accumulated benefit obligation	(14,978)	(13,536)
Effect of future salary increase	(15,486)	(12,369)
Projected benefit obligation	(30,464)	(25,905)
Fair value of pension plan assets	20,423	14,526
Funding status	(10,041)	(11,379)
Unrecognized net transitional benefit obligation	4,052	4,420
Unrecognized gain (loss) on pension plan assets	323	4,032
Retroactive accrual of pension liabilities	-	-
Accrued pension liabilities	($ 5,666)	($ 2,927)

As of December 31, 2000 and 1999, vested benefit obligation for both years amounted to $0.

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

14. Financial Instruments

1. Financial Derivatives:

Receivables and payables arising from foreign exchange forward contracts held by the Company for hedging offset against one another with the difference recognized as current asset or current liability. As of December 31, 2000 and 1999, the balance was zero. Further, in 2000 and 1999, exchange gain and loss from forward contracts for hedging purpose was $0 and $275,000, respectively, and was reflected as non-operating income.

2. Fair Value of Financial Instruments:

Expressed in Thousands of New Taiwan Dollars

	2000		1999	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Book value equal to fair value	$4,047,736	$4,047,736	$2,232,483	$2,232,483
Long-term equity investments	1,633,885	-	555,338	-
Financial Liabilities:				
Book value equal to fair value	3,357,041	3,355,822	1,845,789	1,845,789
Long-term liabilities	506,109	506,109	452,359	452,359
Off-balance-sheet financial instruments				
Letters of credit	-	NT$319,861	-	NT$131,798
	-	US$ 386	-	US$ 58

Methods and assumptions adopted by the Company in estimating the fair value of financial instruments are as follows:

(i) Financial assets and liabilities with fair value equal to book value refer to short-term financial instruments of which fair value is the book value reflected on the balance sheets. Since such financial instruments will mature with short notice, book value is a reasonable basis in estimating the fair value. This comprises of cash and cash equivalents, notes and accounts receivable and payable, other receivables and payables, restricted deposits, short-term bank loans, other short-term borrowings, short-term bills payable, income tax payable, accrued expenses, collection on behalf of others, long-term loans, guarantee deposits-in and refundable deposits, and accrued pension liabilities.

4. SUMMARY OF MAJOR ACCOUNTS (CONT'D)

14. Financial Instruments (cont'd)

2. Fair Value of Financial Instruments (cont'd):

(ii) Long-term equity investments held by the Company and subsidiaries refer to domestic and overseas investee companies held. Since these companies are not publicly traded, fair value thereof cannot be estimated in practice. As of December 31, 2000 and 1998, original investment was $1,658,173,000 and $579,623,000, respectively, and their book value amounted to $1,633,885,000 and $555,338,000, respectively. In 2000 and 1999, there were 6 and 4 investee companies, respectively. As of December 31, 2000 and 1999, total assets of these companies amounted to $3,929,380,000 and $338,100,000 with stockholders' equity equal to $3,089,164,000 and $258,853,000, respectively. In 2000 and 1999, total operating revenue amounted to $13,662,280,000 and $828,091,000 and net loss and income amounted to $80,596,000 and $8,878,000, respectively.

(iii) Letters of credit/guarantees: Fair value thereof is the amount of contracts.

3. Financial Instruments with Off-Balance-Sheet Credit Risks:

As of December 31, 2000 and 1999, unused letters of credit was $319,861,377, US$385,860 and $131,798,021,US$58,892, respectively. Terms of these letters of credit vary between 5 to 7 months, and they are primarily used for purchases from others. Fair value of these letters of credit is equal to the amount of contracts.

4. Information on Concentration of Credit Risks:

Primary implicit credit risk of the Company and subsidiaries arises from cash and receivables. Cash held by the Company is deposited at various financial institutions. The Company further controls exposure to credit risks with each financial institution, and deems that cash of the Company and subsidiaries is not subject to significant concentration of credit risk.

Clients of the Company and subsidiaries concentrate in the retail business. To minimize credit risk, the Company and subsidiaries evaluate financial positions of their clients on a periodical basis and will request for collateral or guarantee if deemed necessary. The Company and subsidiaries also regularly assess the collectibility of accounts receivable and provide for allowance for doubtful accounts accordingly, and loss on bad debts is generally within management's expectation. As of December 31, 2000 and 1999, a total of 5 and 7 clients accounted for 76% and 75%, respectively, of accounts receivable of the Company and subsidiaries, resulting in concentration of credit risk. Nevertheless, the Company and subsidiaries will reinforce credit control and account management to reduce credit risk.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

5. RELATED-PARTY TRANSACTIONS

1. Name of Related-Party and Relationship of the Company

Name of Related-Party	Relationship
ABIT－H.K.	Subsidiary
ABIT－U.K.	〃
AMOR	〃
Rolly Technology Holdings Ltd.	An investee company accounted for under the equity method by a subsidiary of the Company (from October 2000)
Timerwell Technology Holdings Ltd.	An investee company accounted for under the equity method by a subsidiary of the Company (from January 2000)
Mr. Yen-Hui Lu	Chairman of the Company
Mr. Steven Chu	Vice-Chairman of the Company (from September 1998)

2. Significant Transactions with Related-Parties

1. Sales

As of December 31, 2000 and 1999, sales to related-parties were as follows:

	2000		1999	
	Amount	%	Amount	%
AMOR	$ 337,101,161	4%	$ 288,158,557	3%
ABIT－U.K.	207,267,548	3%	106,960,931	1%
ABIT－H.K.	203,495,750	3%	354,972,686	4%
Rolly Technology Holdings Ltd.	1,042,478,523	13%	-	-
Timerwell Technology Holdings Ltd.	852,950,499	10%	-	-
	$ 2,643,293,481	33%	$ 750,092,174	8%

In 2000 and 1999, collection period for sales to related-parties was 90 days, and that for other customers in general was T/T to 90 days and 30 to 60 days, respectively.

In 2000 and 1999, prices of sales to related-parties were 4.55%-12.65% and 6%-10%, respectively, lower than those to other customers in general, and there was no significant difference in other terms of transactions. Furthermore, sales to Rolly Technology Holdings Ltd. and Timerwell Technology Holdings Ltd. comprised mainly of computer parts and peripherals. Since prices changed swiftly and there were no sales to non-related-parties in the period as these transactions occurred, there was no basis of price comparison.

For information on the elimination of unrealized gain on downstream transactions and transactions between investee companies, please refer to Note 4.4.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

5. RELATED-PARTY TRANSACTIONS (CONT'D)

2. Significant Transactions with Related-Parties (cont'd)

2. Purchases

	2000		1999	
	Amount	%	Amount	%
Rolly Technology Holdings Ltd.	$ 210,308,042	3%	$ -	-

In 2000, purchases from Rolly Technology Holdings Ltd. by subsidiaries of the Company comprised of products not purchased from others, there was no basis for price comparison as a result. Payment was remitted via wire transfer.

3. Receivables and Payables

Receivables and payables, all exempt from interests, with related-parties were as follows:

	December 31, 2000		December 31, 1999	
Accounts Receivable:	Amount	%	Amount	%
ABIT-U.K.	$ 9,412,260	3	$ 1,689,562	4
AMOR	142,846,545	46	34,704,661	82
ABIT-H.K.	92,520,279	30	6,223,831	14
Rolly Technology Holdings Ltd.	4,622,045	2	-	-
Timerwell Technology Holdings Ltd.	59,033,007	19	-	-
	$ 308,434,136	100	$ 42,618,054	100
Other Receivables:				
Mr. Yen-Hui Lu	1,842,960	83	-	-
ABIT-H.K.	365,657	17	-	-
	$ 2,208,617	100	$ -	-
Other Payables:				
Timerwell Technology Holdings Ltd.	$ 159,219	100	$ -	-

4. Property Transactions

In 1999, the Company sold transportation equipment Mr. Steve Chu for $696,215 with no gain or loss resulted.

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

5. RELATED-PARTY TRANSACTIONS (CONT'D)

5. Others

(i) Services

In 2000 and 1999, payment to subsidiaries for repair and maintenance services rendered by the Company to customers along with commissions and expenses in connection with business referral between the Company and subsidiaries were as follows:

	2000	1999
Commission income:		
ABIT-H.K.	$ -	$ 695,081
Repairs and maintenance expense:		
AMOR	$ 3,444,878	$ 7,030,343
ABIT-U.K.	675,597	3,310,149
	$ 4,120,475	$ 10,340,492
Commission expense:		
ABIT-U.K.	$ 1,275,743	$ 4,717,142
AMOR	2,769,972	4,597,935
	$ 4,045,715	$ 9,315,077

The Company agreed to pay sales commissions to AMOR and ABIT U.K. for orders referred by these companies, with terms as follows:

(1) In 2000 and 1999, commissions paid to AMOR and ABIT U.K. were 5% and 2%, respectively, for fewer than 3,000 pieces of motherboards per month;

(2) In 2000 and 1999, commissions paid to AMOR and ABIT U.K. were 5% and 3%, respectively, for over 3,000 pieces of motherboards per month.

(ii) Others

In January 2000, a subsidiary rented a building to Mr. Yen-Hui Lu with contract terms as follows:

Lease Period	Lessee	Address	Monthly Rent	Rental Income
January 1, 2000 to January 1, 2002	Mr. Yen-Hui Lu	3340 Monta Sereno Terrace, Fremont, CA 94539, U.S.A.	$ 160,538	$1,926,450

(Expressed in New Taiwan Dollars, Unless Otherwise Stated)

6. PLEDGED ASSETS

As of December 31, 2000 and 1999, the following assets were pledged as collateral for long- and short-term loans or their use is restricted:

Assets	2000	1999
Restricted deposits – current	$ 281,536,680	$ 264,378,330
Restricted deposits – non-current	20,000,000	6,250,000
Fixed assets	594,422,073	612,851,270
Total	$ 895,958,753	$ 883,479,600

7. MAJOR COMMITMENTS AND CONTINGENCIES

(1) As of December 31, 2000 and 1999, unused letters of credit amounted to $319,867,377, US$385,860 and $131,798,021,US$58,892, respectively.

(2) As of December 31, 2000 and 1999, promissory notes issued for loans from financial institutions amounted to $1,922,405,482 and $1,224,315,048, respectively.

(3) As of December 31, 2000 and 1999, promissory notes received from operations amounted to $176,000,000 and $95,000,000, respectively.

(4) Please refer to Note 4.5(3) for details regarding the joint venture construction agreement between the Company and Ho-Feng Constructive Planning Co., Ltd. In addition, please refer to Notes 4.5(4) and 4.5(5) for details on advance land purchase agreement with 4 parties including Mr. Chan Yi-Cheng and advance building purchase agreement with Ho-Feng Constructive Planning Co., Ltd.

(5) As of December 31, 2000 and 1999, deposits received in connection with joint venture construction amounted to $26,000,000 and $32,000,000, respectively.

8. SIGIFICANT CATSTROPHIC LOSSES: None.

9. SIGNIFICANT SUBSEQUENT EVENTS: None.

10. OTHERS: None.

11. BUSSINESS SEGMENT FINANCIAL INFORMTION

1. Information by industry:

Primary segment of the Company engages in trade and maintenance of computer hardware and peripherals, manufacturing and processing of computers, and trade of parts and components, and related imports and exports, and dealership of bidding and quotation.

11. BUSSINESS SEGMENT FINANCIAL INFORMTION (CONT'D)

2. Information by geographical region and on exports:

In 2000 and 1999, exports amounted to $7,870,159,000 and $8,393,312,000, respectively.

	Expressed in Thousands of New Taiwan Dollars	
Area	2000	1999
Europe	$ 2,535,756	$ 2,858,715
Asia	3,518,194	3,770,786
America	1,816,209	1,763,811
Total	$ 7,870,159	$ 8,393,312

3. Information on major clients:

In 2000 and 1999, clients with revenue over 10% of totals as reflected in the statements of income are as follows:

	Expressed in Thousands of New Taiwan Dollars			
	2000		1999	
	Total Sales	%	Total Sales	%
Rolly Technology Holdings Ltd.	$1,042,478	13%	$ 2,028,100	23%
Major Alliance Ltd.	-	-	1,037,393	12%
	$ 1,042,478	13%	$769,869,075	35%