INVENTEC APPLIANCES CORPORATION

FINANCIAL STATEMENTS

March 31, 2006 AND 2005

AND

INDEPENDENT AUDITORS' REVIEW REPORT

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Inventec Appliances Corporation

Financial Statements

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Independent Auditors' Review Report

To the Board of Directors and Stockholders of
Inventec Appliances Corporation:

We have reviewed the accompanying balance sheets of Inventec Appliances Corporation as of March 31, 2006 and 2005, and the related statements of operations, and cash flows for the three months then ended. These financial statements are the responsibility of the management of Inventec Appliances Corporation. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as described in the following paragraph, we conducted our reviews on these financial statements in accordance with Statements of Auditing Standard No. 36 "Review of Financial Statements." A review is limited primarily to inquiries of company personnel and applying analytical procedures to financial data and thus provides less assurance than an audit. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China. We did not perform an audit and, accordingly, we do not express an audit opinion.

As described in Note 4.f, Inventec Appliances Corporation had long-term equity investments of $5,518,327 thousand and $3,335,232 thousand, as of March 31, 2006 and 2005, respectively, accounting for 25.28% and 13.05% of total assets of March 31,2006 and 2005. Investment income for the three-month periods ended March 31, 2006 and 2005, of $242,765 thousand and $333,499 thousand, respectively, accounting for 34.81% and 56.11% of income before income tax, were recognized under the equity method based upon the financial statements prepared by the investee companies and not reviewed in compliance with the review procedures mentioned in the preceding paragraph.

Based on our review, except for the effects of any adjustments that might have been emerged had the financial statements of investee companies been reviewed by independent auditors, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles of the Republic of China.

Taipei, Taiwan, R.O.C.
April 21, 2006

Notice to Readers

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 review such financial statements are those generally accepted and applied in the Republic of China.

Reviewed only, not audited in accordance with generally accepted auditing standards

INVENTEC APPLIANCES CORPORATION

BALANCE SHEETS

March 31, 2006 and 2005

(New Taiwan Dollars in Thousands, Except for Share Data)

	March 31, 2006		March 31, 2005	
ASSETS	Amount	%	Amount	%
Current assets				
Cash (Note 4.a)	$ 2,689,396	13	2,478,798	10
Accounts receivable, net of allowance for doubtful accounts (Notes 2 and 4. d)				
-Related parties(Note5)	3,784,044	17	2,443,289	10
-Non-related parties	4,979,761	23	13,699,232	54
Other receivables				
-Related parties(Note5)	243,102	1	1,199	-
-Non-related parties	216,273	1	50,698	-
Inventories, less allowance for inventory valuation and obsolescence losses(Notes 2 and 4. e)	2,298,901	11	1,982,990	8
Other current assets	25,266	-	64,570	-
Deferred income tax assets - current (Notes 2 and 4. i)	607,575	3	138,626	1
	14,844,318	69	20,859,402	83
Long-term equity investments				
Long-term equity investments Accounted for under the equity method (Notes 2 and 4. f)	5,518,327	25	3,335,232	13
Financial assets carried at cost - non - current	75,200	-	91,850	-
Other financial assets - non-current	395,750	2	5,615	-
	5,989,277	27	3,432,697	13
Property, plant, and equipment (Notes 2 and 4. g)				
Land	279,855	1	279,855	1
Buildings	284,957	1	284,957	1
Machinery	634,828	3	559,076	2
Mold and tools	30,206	-	30,206	-
Furniture and office facilities	44,454	-	46,815	-
Other equipment	187,627	1	181,521	1
	1,461,927	6	1,382,430	5
Less: accumulated depreciation	(598,967)	(2)	(459,172)	(2)
Prepayment for equipment	9,528	-	2,254	-
	872,488	4	925,512	3
Intangible assets				
Deferred pension cost (Notes 2 and 4. h)	62,390	-	61,052	-
Other assets				
Deferred income tax assets - non-current (Notes 2 and 4.i)	-	-	245,189	1
Others	59,484	-	35,101	-
	59,484	-	280,290	1
TOTAL ASSETS	$ 21,827,957	100	25,558,953	100

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

Reviewed only, not audited in accordance with generally accepted auditing standards

INVENTEC APPLIANCES CORPORATION

BALANCE SHEETS (CONTINUED)

March 31, 2006 and 2005

(New Taiwan Dollars in Thousands, Except for Share Data)

	March 31,2006		March 31,2005	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
Current liabilities				
Financial liabilities at fair value through profit or loss - current (Notes 2 and 4.c)	$ -	-	25,755	-
Accounts payable				
-Related parties (Note 5)	6,539,826	30	13,563,254	53
-Non-related parties	261,030	1	1,125,457	4
Accrued expenses	359,429	2	404,804	2
Other financial liabilities - current	452,349	2	523,999	3
Other current liabilities	12,354	-	2,053	-
Estimated warranty reserve	1,265,325	6	1,571,525	6
	8,890,313	41	17,216,847	68
Other liabilities				
Accrued pension liabilities (Notes 2 and 4.h)	32,945	-	50,222	-
Other financial liabilities - non-current (Note 2)	296,213	1	219,741	1
Deferred Credits	273,534	1	176,388	1
Deferred income tax liabilities - non-current (Notes 2 and 4.i)	540,399	2	-	-
	1,143,091	4	446,351	2
Total liabilities	10,033,404	45	17,663,198	70
Stockholders' equity (Notes 2 and 4.j)				
Capital stock, par value $10 per share; authorized 400,000,000 and issued 333,000,000 shares as of March 31, 2006 ; authorized and issued 280,000,000 shares as of March 31, 2005	3,330,000	16	2,800,000	11
Capital surplus				
Additional paid-in capital	4,322,860	20	2,104,500	8
Others	1,110	-	1,110	-
Retained earnings				
Legal reserve	483,985	2	274,914	1
Undistributed earnings	3,662,902	17	2,880,685	11
Other adjustments to stockholders' equity				
Cumulative translation adjustments	2,911	-	(165,454)	(1)
Net loss not recognized as pension cost	(9,215)	-	-	-
Total stockholders' equity	11,794,553	55	7,895,755	30
Commitments and contingencies (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 21,827,957	100	25,558,953	100

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

Reviewed only, not audited in accordance with generally accepted auditing standards

INVENTEC APPLIANCES CORPORATION

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 and 2005

(New Taiwan Dollars in Thousands, Except for Earnings Per Share)

	Three Months Ended March 31,			
	2006		2005	
	Amount	%	Amount	%
Operating revenues:				
Gross sales (Note 2)	$ 24,668,628	100	23,330,301	100
Less: Sales returns	(4,087)	-	(67,606)	-
Sales allowances	(5,426)	-	(991)	-
Net sales	24,659,115	100	23,261,704	100
Cost of sales	(23,542,469)	(95)	(22,043,936)	(95)
Gross profit	1,116,646	5	1,217,768	5
Less: Unrealized inter-company profits	(273,534)	(1)	(171,676)	(1)
Add: Realized inter-company profits	111,582	-	158,132	1
	954,694	4	1,204,224	5
Operating expenses:				
Selling	(434,255)	(2)	(607,315)	(3)
Administration	(91,520)	-	(73,863)	-
Research and development	(209,595)	(1)	(283,075)	(1)
	(735,370)	(3)	(964,253)	(4)
Operating income	219,324	1	239,971	1
Non-operating income:				
Interest income	12,795	-	6,409	-
Investment income accounted for under the equity method (Note 4.f)	242,765	1	333,499	1
Gains on inventory value recoveries	40,922	-	-	-
Others	215,741	1	72,321	-
	512,223	2	412,229	1
Non-operating expenses and losses:				
Interest expense	(2,461)	-	(2,351)	-
Foreign exchange loss, net	(28,090)	-	(48,509)	-
Losses on inventory valuation and obsolescence	-	-	(3,178)	-
Others	(3,658)	-	(3,842)	-
	(34,209)	-	(57,880)	-
Income before income tax	697,338	3	594,320	2
Income tax expense (Notes 2 and 4.i)	(123,878)	(1)	(58,147)	-
Net income	$ 573,460	2	536,173	2
	Before Tax	**After Tax**	**Before Tax**	**After Tax**
Primary earnings per share (Notes 2 and 4.k)	$ 2.09	1.72	2.12	1.91
Primary earnings per share after retroactive adjustments			$ 1.92	1.73

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

Reviewed only, not audited in accordance with generally accepted auditing standards

INVENTEC APPLIANCES CORPORATION

STATEMENTS OF CASH FLOWS

For The Three Months Ended March 31, 2006 AND 2005

(New Taiwan Dollars in Thousands)

	Three Months Ended March 31, 2006	2005
Cash flows from operating activities:		
Net income	$ 573,460	536,173
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	63,277	63,792
Gain on disposal of property, plant, and equipment	-	(272)
Provision/(reversal) for inventory market decline	(40,922)	3,178
Investment income recognized under the equity method	(242,765)	(333,499)
Provision/(reversal) for Estimated warranty reserve	(130,939)	171,692
Provision for royalty reserve	15,382	19,738
Reversal for allowance for doubtful accounts	(118,461)	(3,074)
Change in operating assets and liabilities:		
Accounts receivable	12,894,330	1,170,433
Other receivables	(20,516)	14,713
Inventories	832,946	(307,856)
Other current assets	(8,147)	(29,303)
Deferred income tax assets and liabilities , net	72,820	(2,144)
Accounts payable	(13,946,567)	(2,258,513)
Accrued expenses	(444,390)	(75,817)
Other financial liabilities - current	84,880	158,689
Financial assets and liabilities at fair value through profit or loss, net	-	25,755
Other current liabilities	12,354	2,038
Accrued pension liabilities	(8,135)	(3,371)
Deferred credits	157,489	12,576
Net cash used in operating activities	(253,904)	(835,072)
Cash flows from investing activities:		
Increase in long-term equity investments accounted for under equity method	(16,073)	-
Increase in financial instruments carried at cost	(15,000)	-
Purchase of property, plant, and equipment	(38,276)	(72,253)
Purchase of other assets	(6,643)	(6,316)
Proceeds from disposal of property, plant, and equipment	-	946
Other financial assets - non-current	20,213	(745)
Decrease in other liabilities	-	(945)
Net cash used in investing activities	(55,779)	(79,313)
Net decrease in cash	(309,683)	(914,385)
Cash, the beginning of the year	2,999,079	3,393,183
Cash, the end of the year	$ 2,689,396	2,478,798
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 2,461	2,351
Cash paid during the period for income tax	$ 2,679	805
Purchase of property, plant, and equipment with cash and other payables:		
Increase in property, plant, and equipment	$ 37,087	16,677
Add: Other payables and rents payables - beginning of the period	13,270	59,273
Less: Other payables and rents payables- end of the period	(12,081)	(3,697)
Cash paid	$ 38,276	72,253

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

(1) Organization and Business

Inventec Appliances Corporation (the "Company") was organized on April 25, 2000 and incorporated on May 12, 2000. On November 22, 2002, the Company was merged with Inventec Online Corp., with the Company as the surviving entity in which Inventec Corporation is the4 primary shareholder. The Company engages primarily in manufacture and sales of wire and wireless communication and digital accessory products.

As of March 31, 2006, the Company had 1,109 employees.

(2) Summary of Significant Accounting Policies

The Company's financial statements were prepared in accordance with generally accepted accounting principles of the Republic of China. Summary of significant accounting policies and their measurement basis is as follows:

(a) Foreign Currency Translation and Financial Report Translation

The Company's functional currency is the New Taiwan dollar. Non financial derivatives are recorded at spot rates of the contract date and adjusted by the spot rates on the balance sheet date, with exchange gains and losses included in current earnings. Effective January 1, 2006, the Company adopted the revised Statement of Financial Accounting Standards No.14"Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements." Non-monetary assets and liabilities dominated in foreign currencies are recorded at spot rates as transactions occur; however, any non-monetary assets and liabilities denominated in foreign currencies carried at the fair value are recorded at spot rates on the balance sheet date. Whether the changes in fair value of non-monetary assets and liabilities dominated in foreign currencies are included in the current earnings or the adjustments to stockholders' equity, the differences arose from exchanges are recognized in consistence to the recognition of the fair value.

Under SFAS No. 14, the balance sheet accounts of any of the Company's offshore subsidiaries, which are denominated in currencies other than the New Taiwan dollar, are translated at exchange rates prevailing at the end of year. Stockholders' equity is translated at historical rates except for the beginning balance of retained earnings. Revenue and expense accounts are translated using the weighted-average exchange rates during the year. Gains and losses resulting from such translations are recorded as a cumulative translation adjustment, a separate component of stockholders' equity.

(b) Assets Impairment

Effective January 1, 2005, the Company adopted Statement of Financial Accounting Standards No.35 (SFAS 35) "Accounting for Asset Impairment". According to SFAS 35, the Company assesses at each 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.

The Company reserves an impairment loss recognized in prior periods for assets other than goodwill if there is indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(Continued)

(c) Financial instruments

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No.34 (SFAS 34) "Accounting for Financial Instruments". According to SFAS 34, the Company categorized the investments in financial assets as financial assets carried at cost.

Any transactions of financial instruments are recorded at trading date. The financial instruments are initially recognized at fair value plus transaction costs, except for the trading-purpose financial instruments.

1. Financial assets or liabilities carried at fair value through profit or loss:

   Financial assets or liabilities carried at fair value through profit or loss are those held by the Company for trading soon. Derivatives that do not meet the criteria for hedge accounting are falling into this categoty.

2. Financial assets carried at cost are the equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured; therefore, the Company carried these assets at the original investments costs. If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery in fair value is allowed.

As of March 31, 2005, the investments held by the Company are recorded as long-term investments according to the intention and propose of holding. Long-term investments falling into this category are carried at the original costs and accounted for under the cost method.

(d) Allowance for Doubtful Accounts

Allowance for doubtful accounts is based on the results of the Company's evaluation of the collectibility of outstanding receivable balances.

(e) Inventories

Inventories are carried at the lower of cost or fair value on a perpetual inventory basis. Cost is determined using the weighted-average method. Fair value is determined by replacement cost. A provision for inventory devaluation is recorded when the market values of inventories are less than their cost basis. Allowance for inventory obsolescence is provided for inventory items which remain unsold or incapable of using for over six months.

(f) Long-Term Investments accounted for under the Equity Method

Long-term equity investments in which the Company has less than 20% equity ownership and has no significant influence over the investee companies are stated at cost, unless the investee companies' shares are traded in the OTC exchange or listed on a stock exchange, where the lower of cost or market method is adopted. For the equity investments in non-listed investee companies, if evidence suggests that investment value impairment may be other than temporary and that possibility of recovery is remote, loss is recognized immediately.

Long-term equity investments in which the Company can exercise significant influence are accounted for under the equity method. Investee companies in which the Company has controlling interest are accounted for under the equity method and the Company is required to prepare consolidated financial statements for each of the periods ended December 31, and June 30.

Unrealized profits/losses on inter-company transactions are eliminated and deferred. Gains and losses which resulted from depreciable asset transactions are recognized ratably over the economic lives of these depreciable assets, while those from other assets are recognized immediately.

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(g) Property, Plant, Equipment and Depreciation

Property, plant, and equipment are stated at cost. Major additions, improvements, and replacements are capitalized. Maintenance and repairs are recognized as current expenses; Gain and loss on disposal of properties, plant, and equipment is reflected under non-operating income or expense.

Depreciation is calculated using the straight-line method over the economic useful lives less salvage value.

Economic lives of major property and equipment are as follows:

Building	3 to 55	years
Machinery	3 to 8	years
Mold and tools	1	year
Furniture and office facilities	3 to 10	years
Other equipment	3 to 15	years

(h) Deferred Expenses

Deferred expenses consist of telephone line charges, which are capitalized and amortized equally over five years. Molds and tools and software costs are amortized equally over 12 months.

(i) Warranty Reserve

A warranty reserve is provided for products sold with warranty and is charged against current expense based on estimated warranty cost.

(j) Royalty Reserve

A royalty reserve is provided for royalty being paid on certain products with royalty based on historical royalty charge and according to its nature. This reserve is classified under non-current liabilities.

(k) Pension Plan

The Company has a pension plan covering all regular employees, under which pension payment is commensurate with years of service. The Company contributes annually to the pension fund and deposits in a government designated account. The pension fund is not reflected in the Company's financial statements. Under the pension plan, the Company bears all the payment regarding to pensions. Effective July 1, 2005, the Company adopted the "Labor Pension Act" (the "Act") that prescribes a defined contribution pension scheme for those employees who were covered by the Labor Standards Law prior to the enforcement of the Act but chose to be subject to the pension mechanism under the Act or those employees who are employed after the enforcement of the Act. In accordance with the Act, the Company contributes monthly to the Labor Pension Fund for the employee individual pension fund accounts at the minimum rate of 6% of the employee's monthly wages. However, the Company has not yet revised its pension plan in coordination of the Act, thus any matters that is not covered by the pension plan are transacted in accordance to the act.

For defined benefit pension plan, the Company adopted SFAS No. 18 and secured an actuarial report on pension liabilities with December 31 as the measurement date. Provision for pension expense commenced on April 25, 2000, and unrecognized net transitional obligations are amortized equally over 15 years.

For defined contribution pension plan, the Company contributes to the Labor Pension Fund at the rate of 6% of the employee's monthly wages; contributions are reflected as current pension expense.

(Continued)

(l) Revenue Recognition

Revenue is recognized when title to the product and risk and reward of ownership are transferred to the customer. Otherwise recognition is deferred until criteria are met.

(m) Classification of Capital and Operating Expenditures

Expenditures that benefit the Company in future years are capitalized, while immaterial expenditures or those with no future benefits are treated as current expense or loss.

(n) Income Tax

The Company adoptes the SFAS No. 22, "Accounting for Income Taxes" to make inter- and intra-period income tax allocation. Tax effects of deductible temporary differences, loss carryforwards and unused investment tax credits are treated as deferred tax assets, whereas those of taxable temporary differences are accounted for as deferred tax liabilities. A valuation allowance is provided for deferred tax assets by assessing whether it is more likely than not such assets will be realized. Income tax expenses or Benefit that resulting in the recognitions of unrealized profit and changes in capital surplus, which reflected on stockholders' equity instead of current profit and loss, are respectively disclosed in net. Adjustments to prior years' income taxes are reflected as current income taxes.

The 10% surtax on undistributed earnings is reported as current expense on the date when the stockholders resolved not to distribute the earnings during their annual meeting.

(o) Earnings per Share (EPS)

Basic EPS is computed based on the weighted-average number of common shares issued and outstanding. In the event of capitalization of retained earnings, capital surplus, or employee bonus, the number of share is retroactively adjusted for additional shares issued.

(3) Reasons for and Effects of Accounting Changes:

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No.34 (SFAS 34) "Accounting for Financial Instruments". In accordance with SFAS 34, the beginning balances of financial assets and liabilities should be re-measured and reclassified by the fair value and costs after amortization upon initial adoption of the newly released SFASs. The changes caused by the re-measurement and the reclassification have no effects on the earnings for the three months ended March 31, 2006, nor result in any cumulative effects changes of accounting principle and adjustments in stockholders' equity.

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(4) Summary of Major Accounts

(a) Cash

	March 31, 2006	March 31, 2005
Cash on hand	$ 545	545
Cash at bank		
Demand deposits	494,921	503,507
Time deposits	800,000	600,000
Negotiable certificate of deposits	1,200,000	1,350,000
Foreign currency deposits	193,930	24,746
Total	$ 2,689,396	2,478,798

(b) Financial Assets carried at cost – non-current

Investment in common stock	March 31,2006	March 31,2005
Darly 3 Venture Corporation	10,200	17,000
Telewise Communications, Inc.	-	-
Hi Top Communications Corp.	30,000	30,000
Advanced Image Technology Corp.	-	44,850
Tai Yi Precision Corporation	12,000	-
Akom Technology Corporation	8,000	-
Gyro Signal Technology Co.,Ltd	15,000	-
Total	$ 75,200	91,850

As of three months ended March 31, 2006, the Company invested $15,000 in Gyro Signal Technology Co.,Ltd. The shareholding ratio was 3.87%. The investee is accounted for under the cost method.

Since the decline of value of investment in Telewise Communications, Inc. and Advanced Image Technology Corp. was judged to be permanently impaired, the Company wrote down the book value in 2005 and 2004, respectively, and recorded as loss on impairment of investment.

All of the common stock were investments without active market and whose fair value cannot be reliably measured, then these financial assets were carried at cost.

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(c) Financial Derivatives

As of March 31, 2005, the financial derivatives are as follows,

	March 31, 2005	
	Book Value	Nominal Principal
Financial derivatives liabilities		
Forward foreign currencies contracts	$ -	USD 38,000

In the three months ended March 31, 2005, the Company entered into a forward contract to sell US dollars to hedge its exposures to fluctuations of foreign-exchange rate of designate currency. As of March 31, 2005, the contracted nominal principal amounted to US$38,000, and the unrealized loss on the changes of market value amounted to $25,755.

(d) Accounts Receivable

	March 31, 2006	March 31, 2005
Accounts receivable - related parties	$ 3,789,527	2,443,289
Less: allowance for doubtful accounts	(5,483)	-
Net	3,784,044	2,443,289
Accounts receivable - non-related parties	5,028,332	13,744,099
Less: allowance for doubtful accounts	(48,571)	(44,867)
Net	4,979,761	13,699,232
Total	$ **8,763,805**	**16,142,521**

(e) Inventories

	March 31, 2006	March 31, 2005
Raw materials	$ 1,373,760	1,276,243
Work in process	142,846	193,898
Finished goods	981,762	206,229
Inventories in transit	-	351,899
Subtotal	2,498,368	2,028,269
Less: allowances for valuation and obsolescence losses	(199,467)	(45,279)
Net	$ **2,298,901**	**1,982,990**
Insurance coverage for inventories	$ **2,784,516**	**2,963,016**

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(f) Long-Term Investments under equity method

Investee	Cost of Investment	March 31, 2006 Shareholding Ratio	March 31, 2006 Book Value	March 31, 2005 Shareholding Ratio	March 31, 2005 Book Value
Carried under the equity method					
Inventec Appliances (Cayman) Holding Corp.	2006-USD 90,194 2005-USD 73,400	100.00%	$ 5,513,189	100.00%	3,330,197
Gainia Intellectual Asset Services, Inc.	6,400	48.30%	5,138	48.30%	5,035
Total			$ 5,518,327		3,335,232

Gains (loss) on investment accounted for under the equity method based on the financial statements prepared by investee companies for the three months ended March 31, 2006 and 2005 were as follows:

Investee	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Inventec Appliances (Cayman) Holding Corp.	$ 243,211	333,936
Gainia Intellectual Asset Services, Inc.	(446)	(437)
Total	$ 242,765	333,499

The Company invested in Inventec Appliances (Cayman) Holding Corp., a wholly-owned holding company, which engages in various investments. As of March 31, 2006, the amount of investment in Inventec Appliances (Cayman) Holding Corp. increased by US$500.

As of March 31, 2006 and 2005, any unrealized inter-company profits were eliminated by the stockholding ratio.

(g) Property, Plant, and Equipment

For the three months ended March 31, 2006 and 2005, no interest expenses generated by purchasing property, plant and equipment were capitalized.

As of March 31, 2006 and 2005, insurance coverage for the property, plant, and equipment amounted to $1,175,157 and $1,144,600, respectively.

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(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(h) Pension Plan

The Company has a pension plan covering all employees, and payment is commensurate with years of service. 2 units are granted for each of the first 15 years of service, and 1 unit for each of the years thereafter, up to a maximum of 45 units. Any fraction of a year shorter than 6 months is counted as half a year and any fraction of a year longer than 6 months is counted as 1 year of service. Effective July 2000, the Company contributed to the pension fund deposited with Central Trust of China. As of March 31, 2006 and 2005, the changes in the pension fund account were shown below:

	Three Months Ended March 31,	
	2006	2005
Beginning Balance	$ 325,590	259,682
Add: Current Contributed	16,500	15,243
Current Interest earned	2,211	-
Less: Current pension expenses	(3,523)	-
Ending Balance	$ 340,778	274,925

For the three months ended March 31, 2006 and 2005, actuarial assumptions used in pension costs calculation were summarized as follows:

	Three Months Ended March 31,	
	2006	2005
Pension fund asset balance	$ 340,778	274,925
Pension expense:		
For defined benefit retirement plan	8,364	11,873
For defined contribution plan	9,092	-
Accrued pension liability	32,945	50,222

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(i) Income Tax

(i) Deferred income tax assets and liabilities:

	March 31,2006		March 31,2005	
	Amount	Income Tax Effects	Amount	Income Tax Effects
Deferred tax assets arising from deductible temporary differences:				
-Recognition of unrealized foreign exchange loss	162,209	40,552	214,459	53,615
-Bad debt losses	76,747	19,186	-	-
-Recognition of allowance for inventory valuation and obsolescence losses	199,467	49,867	45,279	11,320
-Recognition of income from long-term investment accounted for under the equity method	(2,454,273)	(613,569)	(1,044,614)	(261,154)
-Cumulative translation adjustment	(3,881)	(971)	220,606	55,152
-Investement tax credit	-	112,559	-	28,445
-Reserve for employee retirement benefit	(53,317)	(13,329)	(17,406)	(4,352)
-Reserve for employee welfare	5,144	1,286	7,002	1,750
-Unrealized inter-company profit	273,534	68,384	176,388	44,097
-Unrealized warranty reserve	1,265,325	316,331	1,571,525	392,881
-Royalty reserve	292,660	73,165	214,236	53,559
-Compensation reserve	-	-	24,000	6,000
-Unrealized impairment loss on long-term investment under the cost method	54,858	13,715	10,008	2,502
		$ 67,176		383,815

(ii)

	March 31,2006	March 31,2005
Deferred tax assets - current	$ 607,575	138,626
Deferred tax liabilities - current	-	-
Net	$ 607,575	138,626
Deferred tax assets - non-current	$ 87,470	510,695
Deferred tax liabilities - non-current	(627,869)	(265,506)
Net	$ (540,399)	245,189

(iii) The components of income tax expenses were summarized as follows:

	March 31,2006	March 31,2005
Current income tax expense (includes 10% surtax on undistributed earnings)	$ 48,380	60,291
Deferred income tax expense (benefit)	72,819	(2,144)
Under/(over) accrual of prior year's income tax	2,679	-
Income tax expense	$ 123,878	58,147

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(iv) Effective January 1, 2006, the company adopted the "Income Basic Tax Act" and applied a income tax rate at 25%.The income tax expenses for the three months ended March 31, 2006 and 2005 were calculated as follows:

	Three Months Ended March 31,	
	2006	2005
Income tax calculated by statutory rate	$ 174,325	148,570
Permanent differences	111	(340)
Income tax separately levied	-	523
Tax-exempt income	(505)	(2,392)
Investment tax credits used	(48,380)	(59,769)
Unused investment tax credit	(4,352)	(28,445)
Under/(over) accrual of prior year's income tax	2,679	-
Income tax expense	$ 123,878	58,147

(v) The Company's tax returns and stockholders' imputation tax credit account through the calendar year 2002 have been assessed by the Tax Authority.

(vi) The Company's wireless communication and digital accessory products conform to "the Regulations Regarding Awards for Newly Emerging and Strategic Industries Under Manufacturing and Technical Service Industries" and "the Statute for Upgrading Industries ". Approbated by the Tax Authority, the Company is eligible for five-year income tax exemption since year 2003.

(vii) The balance of unused investment tax credit which may be used to offset against future income tax liabilities were as follows:

Incurred Year	Investment Tax Credit	Year of Expiration
2005 (as filed)	$ 59,827	2009
March 31,2006 (as estimated)	52,732	2010
	$ 112,559	

(viii) Stockholders' Imputation Tax Credit Account and Tax Rate:

As of March 31, 2006 and 2005, the balance of stockholders' imputation tax credit account was $307,170 and $385,285, respectively.

After filing the corporate income tax returns, tax credit for earnings distributed to R.O.C resident stockholders in year 2005 and 2004 were as follows:

	2005 (Estimated)	2004 (Actual)
Creditable ratio for first earnings distributed (cash dividend)	9.94%	20.79%
Creditable ratio for second earnings distributed (stock dividend)	9.94%	20.89%

As of March 31, 2006, the balance of undistributed retained earnings amounted to $3,662,902, of which the entire portion was accumulated after January 1, 1998.

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(j) Stockholders' equity

(i) Common Stock:

On May 10, 2005, pursuant to resolutions of the annual stockholders' meeting, the Company increased its capital by capitalizing its earnings of $280,000 and employee bonuses of $20,000, for a total of $300,000 and the record date was July 20, 2005. The Company also resolved to further increase its capital in cash by issuing additional 23,000,000 of shares at $108 per share. Its outstanding capital following these capital increases amounted to $3,330,000 with November 8, 2005 as the record date. The Company had completed relevant registration process for these capital increases.

(ii) Dividend Policy:

In consideration of the Company's long-term financial planning, demand for capital and the stockholders' satisfaction regarding to cash in-flow, when after-tax earning occurs, annual cash dividends shall be distributed and shall be greater than 10% of the current year's total cash and stock dividends.

(iii) Legal reserve and Capital surplus

Under the Company Law, legal reserve can only be used to offset deficit when the reserve reaches 50% of the Company's paid-in capital up to one half thereof may be transferred to capital.

According to the Company Law, the capital surplus is used exclusively to offset deficit and to increase capital stock. The proportion of capital surplus used to increase capital stock will be in accordance with rules set forth by the Securities and Futures Bureau ("ROC SFB") under the Ministry of Finance ("MOF").

(iv) Special Reserve

If an item under stockholders' equity is negative, an equal amount of special reserve is provided from current and prior years' retained earnings. Such special reserve may be reverted to retained earnings should the item recover.

(v) Undistributed Earnings

The Company's Articles of Incorporation requires that after-tax earnings shall first offset deficit, and 10% of the remainder be set aside as legal reserve. The remaining balance is appropriated according to any proposals presented at the annual stockholders' meeting by the Board of Directors, of which remuneration of directors and supervisor cannot exceed 3% and 2% to 7% for employee bonus.

For the three months ended March 31, 2006 and 2005, the changes of the unappropriated retained earnings were as follows:

	Three Months ended March 31	
	2006	2005
Beginning balance, January 1	$ 3,089,442	2,344,512
Add: Net income current period	573,460	536,173
Ending balance, March 31,	$ 3,662,902	2,880,685

The Board of Directors has yet to submit the appropriation proposal for 2005 earnings to the stockholders' meeting for resolutions. Information on earnings appropriation can be accessed on Market Observation Post System on the internet after convocation of the related meetings.

(k) Earnings per Share (EPS)

For the three months ended March 31, 2006 and 2005, the primary earning per share is computed as follows:

	Three Months ended March 31			
	2006		2005	
	Before Tax	After Tax	Before Tax	After Tax
Net income	$ 697,338	573,460	594,320	536,173
Weighted-average shares outstanding (in thousands)	333,000	333,000	280,000	280,000
Stock Dividends Distributable			30,000	30,000
Retroactively adjusted weighted average number of shares outstanding (in thousands)			310,000	310,000
Primary earnings per share	$ 2.09	1.72	2.12	1.91
Primary earnings per share-retroacticely			$ 1.92	1.73

(l) Financial Instruments

(i) Fair Value of Financial Instrument

	March 31,2006		March 31,2005	
Financial Assets	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Book value equal to fair value	$ 12,308,326	12,308,326	18,770,681	18,770,681
Financial assets carried at cost - non-current	75,200	69,935	91,850	72,435
Total financial assets	$ 12,383,526	12,378,261	18,862,531	18,843,116
Financial Liabilities				
Book value equal to fair value	$ 7,941,792	7,941,792	15,913,232	15,913,232

Methods and assumptions used to establish the fair values of financial instruments are as follows:

1. The fair value of short-term financial instruments is determined by their face values stated on the balance sheet. Because such instruments will mature on short notice, the face value serves as reasonable basis for establishing the fair value. The method is applied to cash, accounts receivable, other current assets, accounts payable and other current liabilities.

2. Financial assets carried at cost—non-current: The fair value of financial assets carried at cost-non-current is accounted for under cost method in accordance with audited or self-prepared financial statements of investee companies. Because there are no market quotes or reference reports for non listed companies, the fair value of the investments is determined by their net book value or cost.

3. With respect to financial instruments such as refundable deposits that are indispensable guarantee for the on-going operation of the Company, it is impossible to estimate the time necessary to accomplish the exchange of assets. Consequently, the fair market value of such financial instruments cannot be established. Therefore, the book value is used as the fair market value.

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(ii) Financial Instrument with Off-Balance-Sheet Credit Risk:

Guarantee and Endorsements provided by the Company for related parties' bank loans are stated in note 5.

(iii) Liquidity Risks:

The capital and working fund of the Company are sufficient to perform its entire contracted obligation; therefore, such liquidity risks do not exist.

(iv) Concentration of Credit Ricks:

Implicit credit risk of the Company arises from cash and accounts receivable. Cash is deposited in different financial institution and it might not cause any credit risks. As of March 31, 2006 and 2005, the amounts of due from company A were 35% and 77% of the balance of the Company's accounts receivable. To minimize credit risk, the company periodically evaluates company A's financial positions and the possibility of collecting trade receivables due from it. The Company believes that the possibility of arising bad debt losses is remote, since the condition of collecting these outstanding receivables is satisfied.

As of March 31, 2006 and 2005, the Company's contracts with credit risk concentration were the following:

Accounts Receivable-By Region		March 31, 2006	March 31, 2005
Domestic	$	246,859	442,753
Asia		552,877	2,103,741
Europe		1,517,083	2,274,514
Americas		6,110,461	10,663,952
Other		390,579	702,428
Total	$	8,817,859	16,187,388

(5) Related Party Transactions

(a) Names of Related Parties and their Relationship with the Company

Name of Related Party	Relationship with the Company
Inventec Corporation	An investor company accounted for under the equity method
Inventec Appliances (Cayman) Holding Corp.	A subsidiary
Inventec Appliances (BVI) Corp.	A third level subsidiary of the Company
Inventec Appliances (USA) Distribution Corp.	〃
Inventec Appliances (Shanghai) Co., Ltd.	〃
Inventec Appliances (Pudong) Co., Ltd.	〃
Inventec Appliances (Nanjing) Co., Ltd.	〃
Inventec Appliances (Jiangning) Co., Ltd.	〃
Inventec Appliances (Shanghai) International Marketing Co., Ltd.	〃
Inventec Besta Co., Ltd.	An investee of Inventec Corporation

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(b) Significant Transactions with Related Parties:

(i) Sales

For the three months ended March 31, 2006 and 2005, sales to related parties were as follows:

	Three Months ended March 31			
	2006		2005	
	Amount	% of Net Sales	Amount	% of Net Sales
Inventec Appliances (BVI) Corp.	$ 58,875	-%	472,377	2%
Inventec Appliances (USA) Distribution Corp.	3,537,829	14%	1,870,762	8%
Others	89	-%	144	-%
Total	$ 3,596,793	14%	2,343,283	10%

Prices of raw materials and work-in-process sold to Inventec Appliances (BVI) Corp. were negotiated. The collection term was approximately two to three months.

In 2005, the company sold materials and work in process for further processing to Inventec Appliances (Shanghai) Co., Ltd. and Inventec Appliances (Pudong) Co., Ltd. via Inventec Appliances (BVI) Corp. All of the finished goods are repurchased back by the Company. To prevent double recording of sales, the inventory items sold to Inventec Appliances (BVI) Corp. is disclosed in net, yet receivables and payables are disclosed in aggregate.

Prices of graphic calculators and Personal Digital Assistant (PDA) sold to Inventec Appliances (USA) Distribution Corp. were negotiated. The collection term was approximately 70 to 90 days.

As of March 31, 2006 and 2005, unrealized gross margin of sales to related parties, which is recognized as other liabilities - Deferred credit, was $273,534 and $171,676, respectively.

(ii) Purchases

For the three months ended March 31, 2006 and 2005, purchases from related parties were as follows:

	Three Months ended March 31			
	2006		2005	
	Amount	% of Net Purchases	Amount	% of Net Purchases
Inventec Appliances (BVI) Corp.	$22,711,958	98%	20,897,054	96%

Prices of graphic calculators, PDAs, and MP3 players purchased from Inventec Appliances (BVI) Corp. were negotiated. The payment term was three months.

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(iii) Property Transaction

1. For the three months ended March 31, 2006, the Company sold properties and deferred assets to Inventec Appliances (BVI) Corp. at cost $3,465. Unrealized gain on disposal of properties and deferred assets amounted to $272.

2. For the three months ended March 31, 2006, the Company has purchased machinery, at cost of $5,257, from Inventec Corporation.

(iv) Others

For the three months ended March 31, 2006 and 2005, business consulting fee and computer system expense paid to Inventec Corporation amounted to $5,989 and $5,186, respectively.

(v) Financing to related parties

The Company's financing to a related party for the year ended December 31, 2005 was as follows:

	March 31, 2006				
	Maximum Balance		Ending Balance	Interest Rate	Current Interest
Inventec Appliances (BVI) Corp.	$	223,725	223,725	-	-
Inventec Appliances (Pudong) Co., Ltd.		523,558	523,558	5%	5,991
Total	$	747,283	747,283		

Part of accounts receivable from Inventec Appliances (BVI) Corp., which have been over the due date six months are classified as other receivables (disclosed as financing to related-parties) and sufficient allowance for doubtful account is provided thereon.

On June 28, 2005, pursuant to resolutions of the Board of Directors meeting, the Company leased the machineries to Inventec Appliances (Pudong) Co., Ltd. by capital leasing. The rents receivable is reclassified to other receivable - current/non-current in accordance to the nature of financing.

(vi) Accounts Receivable (Payable)

	March 31, 2006			March 31, 2005	
	Balance		%	Balance	%
Accounts receivable:					
Inventec Appliances (BVI) Corp.	$	390,579	4	702,428	4
Inventec Appliances (USA) Distribution Corp.		3,398,864	39	1,740,833	11
Others		84	-	28	-
Total	$	3,789,527	43	2,443,289	15

(Continued)

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

	March 31, 2006		March 31, 2005	
	Balance	%	Balance	%
Other receivables:				
Inventec Appliances (BVI) Corp.	$ -	-	1,199	1
Accounts payable:				
Inventec Appliances (BVI) Corp.	$ 6,539,826	96	13,563,254	92
Accrued expenses				
Inventec Appliances (BVI) Corp.	$ 39,898	11	-	-

(vii) Guarantee and Endorsements

As of March 31, 2006 and 2005, endorsements and guarantees provided by the Company for related parties' bank loans were as follows:

	Amount of Guarantee	
	March 31, 2006	March 31, 2005
Inventec Appliances (Cayman) Holding Corp.	US$ 61,550	US$ 61,550
Inventec Appliances (BVI) Corp.	6,500	6,500
Inventec Appliances (USA) Distribution Corp.	8,000	8,000
Inventec Appliances (Shanghai) Co., Ltd.	23,000	23,000
Inventec Appliances (Pudong) Co., Ltd.	55,000	35,000
Inventec Appliances (Jiangning) Co., Ltd.	44,000	19,000
Inventec Appliances (Nangjing) Co., Ltd.	1,500	1,500
Inventec Appliances (Shanghai) International Marketing Co., Ltd.	26,000	-
Total	US$ 225,550	US$ 154,550

(6) Pledged Assets

Assets pledged as collateral as of March 31, 2006 and 2005, were summarized as follows:

	March 31, 2006	March 31, 2005	Purpose of pledge
Refundable deposits	$ 5,692	5,615	Deposits for buildings

(7) Significant Commitments and Contingencies

(a) As of March 31, 2006 and 2005, unused letters of credit were US$1,662, JPY 119,506 and US$160, JPY 11,300, respectively.

(b) As of March 31, 2006 and 2005, the promissory notes issued for bank credit limits, Industrial Development Bureau (IDB) subsidies, and IDB Cooperation funds amounted to US$ 25,500, EUR$ 500, $1,829,633 and US$15,000, $2,022,336, respectively.

(c) As of March 31, 2006 and 2005, promissory notes received for business demands and applications to the Ministry of Economic Affairs amounted to $89,800 and $150,248, respectively.

(Amounts expressed in thousand, except for per share information and unless otherwise noted)

(d) For the three months ended March 31, 2006 and 2005, the Company entered into a lease agreement to lease computers and software. Information regarding rental expense and future lease payments are as follows:

		Future rent due			
Year	**Rent expense**	**2005**	**2006**	**2007**	**2008**
2006	$ 6,166	-	15,385	12,338	4,285
2005	$ 5,257	14,824	14,581	5,367	-

(e) In October 2001, FeiMa Communication (Qing Dao) Co., Ltd. filed a lawsuit against the Company. The local peoples' court in China ruled that the Company breached an agreement and is required to pay RMB5,000 and litigation expense of RMB33. In April 2003, the Company filed for an appeal. On May 20, 2005, the Company settled with FeiMa Communication (Qing Dao) Co., Ltd. out of court and paid RMB3,990.

(f) Two international well-known technology companies alleged that the Company infringes certain patents by producing and selling mobile phone products. However, these two companies are not yet filing any law suit against the Company. The Company is aggressively preparing relevant data and intently negotiating with these two companies. As of March 31, 2006, the Company has exercised appropriate accounting procedures corresponding to such claim for infringement and believes the event mentioned above will not have material effect on the Company's operations.

(g) Any guarantee and endorsement and significant commitments and contingencies that the Company provides to related-parties are stated in note 5.

(8) Significant Catastrophic Losses: None.

(9) Significant Subsequent Events: None.

(10) Others

(a) Upon the adoption of SFAS NO.34, certain accounts in the financial statements as of and for the three months ended March 31, 2005 were reclassified to conform with the financial statements as of and for the three months ended March 31, 2006.

(b) Personnel cost, depreciation, and amortization incurred categorized as operating cost or expenses are as follows:

	Three months ended March 31, 2006			Three months ended March 31, 2005		
Categorized as Nature	**Operating Cost**	**Operating Expenses**	**Total**	**Operating Cost**	**Operating Expenses**	**Total**
Personnel Cost						
Salary	84,383	218,512	302,895	129,537	183,180	312,717
Health and labor insurance	5,970	12,045	18,015	6,454	8,551	15,005
Pension	4,130	13,326	17,456	3,701	8,172	11,873
Other	1,832	1,243	3,075	13,325	7,303	20,628
Depreciation	16,295	22,306	38,601	15,718	18,609	34,327
Amortization	12,360	12,316	24,676	16,527	12,938	29,465

(11) Segment Information

The income proportion of each department has not changed significantly. In accordance with Statement of Financial Accounting Standards No. 23 Section 25, the disclosure of each department's financial information is not required.