

Test-Rite International Co., Ltd.

**Financial Statements for the Three-Month
Periods Ended March 31, 2005 and 2004 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Test-Rite International Co., Ltd.

We have reviewed the accompanying balance sheets of Test-Rite International Co., Ltd. (the "Company") as of March 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity, and cash flows for the three-month periods then ended (all expressed in thousands of New Taiwan dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to report on these financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 36 "Review of Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As mentioned in Note 10, the Company's investments accounted for by the equity-method that amounted to \$3,447,606 thousand and \$3,161,175 thousand as of March 31, 2005 and 2004, respectively, and the equity in earnings of such investees that amounted to \$90,869 thousand and \$98,607 thousand for the three-month periods then ended, respectively, were based on unreviewed financial statements of the investees.

Based on our reviews, except for such adjustments, if any, on the reported amounts of equity investments and the related equity in earnings of such investees had we reviewed the financial statements of such investees as mentioned above, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the Republic of China.

April 22, 2005

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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.

For the convenience of readers, the independent accountants' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent accountants' review report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TEST-RITE INTERNATIONAL CO., LTD.

BALANCE SHEETS

MARCH 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2005		2004		LIABILITIES AND STOCKHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 3,345,309	27	\$ 1,561,899	15	Short-term bank borrowings (Note 14)	\$ 2,900,760	23	\$ 1,089,660	10
Short-term investments (Notes 2 and 5)	29,460	-	10,000	-	Notes payable	204	-	-	-
Notes receivable (Notes 2 and 6)	9,760	-	3,706	-	Accounts payable	838,473	7	950,231	9
Notes receivable, affiliates (Notes 2, 6 and 29)	5,626	-	3,447	-	Income tax payable (Notes 2 and 27)	185,612	1	50,753	-
Accounts receivable (Notes 2 and 6)	997,966	8	1,058,371	10	Other payables (Note 15)	358,919	3	378,314	4
Accounts receivable, affiliates (Notes 2, 6 and 29)	1,588,674	13	1,334,657	13	Current portion of long-term liabilities (Note 16)	585,834	5	370,000	4
Other receivables (Note 7)	238,581	2	295,083	3	Other current liabilities (Note 17)	147,768	1	41,247	-
Other financial assets, current (Note 8)	194,844	1	67,113	1					
Inventories (Notes 2 and 9)	73,975	1	47,121	-	Total current liabilities	5,017,570	40	2,880,205	27
Prepayments	133,333	1	149,571	1					
Other current assets (Note 27)	20,500	-	45,000	-	LONG-TERM LIABILITIES				
Total current assets	6,638,028	53	4,575,968	43	Bonds payable (Note 18)	194,258	1	705,269	7
					Long-term debt (Note 19)	1,105,775	9	1,337,166	12
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 10)					Total long-term liabilities	1,300,033	10	2,042,435	19
Long-term equity investments at equity method	3,676,947	29	3,191,685	30					
Long-term equity investments at cost method	215,108	2	239,773	2	OTHER LIABILITIES				
Total long-term equity investments	3,892,055	31	3,431,458	32	Customers deposits	74,789	-	74,028	1
					Deferred credits (Notes 2 and 20)	205,613	2	182,452	2
OTHER FINANCIAL ASSETS, NONCURRENT (Note 11)					Others (Notes 2 and 10)	327,533	3	159,907	1
	67,054	-	508,431	5	Total other liabilities	607,935	5	416,387	4
					Total liabilities	6,925,538	55	5,339,027	50
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 12)					STOCKHOLDERS' EQUITY				
Cost					Capital stock (Note 21)	3,979,463	32	3,873,427	37
Land	519,724	4	519,724	5	Capital surplus				
Buildings and improvements	1,496,716	12	1,496,716	14	Additional paid-in capital	496,766	4	473,578	5
Transportation equipment	25,508	-	28,978	-	Treasury stock	10,703	-	10,692	-
Other equipment and leasehold improvements	306,691	3	281,037	3	Retained earnings (Note 22)				
	2,348,639	19	2,326,455	22	Legal reserve	413,748	3	395,542	4
Less accumulated depreciation	(624,447)	(5)	(516,420)	(5)	Unappropriated earnings	1,264,038	10	693,344	6
Prepayments for property, plant and equipment	5,585	-	2,104	-	Cumulative translation adjustments (Note 2)	21,175	-	5,257	-
Property, plant and equipment, net	1,729,777	14	1,812,139	17	Treasury stock (Notes 2 and 23)	(546,510)	(4)	(205,687)	(2)
					Total stockholders' equity	5,639,383	45	5,246,153	50
OTHER ASSETS (Notes 2 and 13)					TOTAL	\$12,564,921	100	\$10,585,180	100
	238,007	2	257,184	3					
TOTAL	\$12,564,921	100	\$10,585,180	100					

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

(With Deloitte & Touche review report dated April 22, 2005)

TEST-RITE INTERNATIONAL CO., LTD.

STATEMENTS OF INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 24)				
Sales	\$ 4,085,154	99	\$ 3,760,982	98
Less sales returns and allowances	<u>(32,574)</u>	<u>(1)</u>	<u>(19,406)</u>	<u>-</u>
	4,052,580	98	3,741,576	98
Rental income	55,280	1	52,966	1
Commission income	<u>23,782</u>	<u>1</u>	<u>46,148</u>	<u>1</u>
Total operating revenues	4,131,642	100	3,840,690	100
OPERATING COST (Note 25)	<u>3,497,770</u>	<u>85</u>	<u>3,267,364</u>	<u>85</u>
GROSS PROFIT	633,872	15	573,326	15
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>517,906</u>	<u>12</u>	<u>471,155</u>	<u>12</u>
INCOME FROM OPERATIONS	<u>115,966</u>	<u>3</u>	<u>102,171</u>	<u>3</u>
NON-OPERATING INCOME				
Interest income	4,250	-	3,119	-
Equity in net earnings of investees (Notes 2 and 10)	102,328	2	98,607	3
Gain on disposal of property, plant and equipment	862	-	728	-
Net gain on sale of investments	13,372	-	13,716	-
Exchange gains, net	26,289	1	18,221	-
Others	<u>27,663</u>	<u>1</u>	<u>29,264</u>	<u>1</u>
Total non-operating income	<u>174,764</u>	<u>4</u>	<u>163,655</u>	<u>4</u>
NON-OPERATING EXPENSES				
Interest expenses	35,734	1	31,478	1
Net investment loss (Note 28)	540	-	-	-
Others	<u>34,117</u>	<u>1</u>	<u>11,114</u>	<u>-</u>
Total non-operating expenses	<u>70,391</u>	<u>2</u>	<u>42,592</u>	<u>1</u>
INCOME BEFORE INCOME TAX	220,339	5	223,234	6
PROVISION FOR INCOME TAX (Notes 2 and 27)	<u>(21,500)</u>	<u>-</u>	<u>(26,000)</u>	<u>(1)</u>
NET INCOME	<u>\$ 198,839</u>	<u>5</u>	<u>\$ 197,234</u>	<u>5</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD.

STATEMENTS OF INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	<u>2005</u>		<u>2004</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
BASIC EARNINGS PER SHARE (Notes 2 and 21)	<u>\$ 0.60</u>	<u>\$ 0.54</u>	<u>\$ 0.60</u>	<u>\$ 0.53</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 21)	<u>\$ 0.60</u>	<u>\$ 0.53</u>	<u>\$ 0.57</u>	<u>\$ 0.51</u>

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

(With Deloitte & Touche review report dated April 22, 2005)

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	Capital Stock (Note 21)	Capital Surplus		Retained Earnings (Note 22)		Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 23)	Total
		Additional Paid-in Capital	Treasury Stock	Legal Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2005	\$3,973,113	\$494,007	\$ 10,703	\$413,748	\$1,065,199	\$ 23,624	\$ (546,510)	\$5,433,884
Translation adjustments on long-term equity investments	-	-	-	-	-	(2,449)	-	(2,449)
Convertible bonds converted into common stock (Note 18)	6,350	2,759	-	-	-	-	-	9,109
Net income for the three-month period ended March 31, 2005	-	-	-	-	198,839	-	-	198,839
BALANCE, MARCH 31, 2005	<u>\$3,979,463</u>	<u>\$496,766</u>	<u>\$ 10,703</u>	<u>\$413,748</u>	<u>\$1,264,038</u>	<u>\$ 21,175</u>	<u>\$ (546,510)</u>	<u>\$5,639,383</u>
BALANCE, JANUARY 1, 2004	\$3,707,386	\$398,482	\$ 10,692	\$395,542	\$ 496,110	\$ 15,480	\$ (161,052)	\$4,862,640
Translation adjustments on long-term equity investments	-	-	-	-	-	(10,223)	-	(10,223)
Treasury stock	-	-	-	-	-	-	(44,635)	(44,635)
Convertible bonds converted into common stock	166,041	75,096	-	-	-	-	-	241,137
Net income for the three-month period ended March 31, 2004	-	-	-	-	197,234	-	-	197,234
BALANCE, MARCH 31, 2004	<u>\$3,873,427</u>	<u>\$473,578</u>	<u>\$ 10,692</u>	<u>\$395,542</u>	<u>\$ 693,344</u>	<u>\$ 5,257</u>	<u>\$ (205,687)</u>	<u>\$5,246,153</u>

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

(With Deloitte & Touche review report dated April 22, 2005)

TEST-RITE INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS

THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 198,839	\$ 197,234
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	46,324	50,494
Amortization for the cost of issuing bonds and unrealized interest expense	928	1,222
Provision for short-term investment valuation	540	-
(Recovery from) provision for loss on devaluation of inventory	(786)	230
Equity in net earnings of affiliates	(102,328)	(98,607)
Net gains on disposal of property, plant and equipment	(29)	(728)
Loss on abandoned property, plant and equipment	17	14
Net changes in operating assets and liabilities		
Short-term investments for trading purpose	(30,000)	(10,000)
Notes receivable	(1,472)	(849)
Notes receivable, affiliates	5,271	(1,809)
Accounts receivable	(165,019)	(293,534)
Accounts receivable, affiliates	(897)	31,136
Other receivables	120,454	206,269
Inventories	(1,080)	12,359
Prepayments	23,896	(35,997)
Forward foreign exchange receivable for trading purpose	8,381	6,654
Other current assets	39,279	-
Deferred income tax assets, current	12,500	(3,000)
Other financial assets, noncurrent	2,042	411
Deferred income tax assets, noncurrent	(5,000)	(1,000)
Other assets	2,664	(1,149)
Notes payable	204	(42)
Accounts payable	84,259	79,398
Income tax payable	12,253	29,997
Other payables	(75,274)	19,573
Other current liabilities	107,674	11,161
Interest expense compensation payable	1,651	2,408
Deferred credits	(8,782)	(7,949)
Net cash provided by operating activities	<u>276,509</u>	<u>193,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Forward foreign exchange receivable for avoiding the risk of foreign currencies exchange	(116,591)	(46,629)
Payments for long-term equity investments	-	(159,278)
Acquisition of property, plant and equipment	(5,810)	(17,183)
Proceeds from disposal of property, plant and equipment	29	2,349
Increase in certificate of deposits, restricted	-	(440,000)
Increase in refundable deposits	(153)	(633)
Increase in deferred charges	(4,967)	(2,975)
Net cash used in investing activities	<u>(127,492)</u>	<u>(664,349)</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD.

STATEMENTS OF CASH FLOWS

THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank borrowings	\$ 2,670,760	1,089,660
Decrease in short-term obligations	(20,000)	-
Increase in long-term debt	10,000	-
Payments for long-term debt	(11,457)	(4,500)
Payments for lease obligations	-	(1,135)
Decrease in deposits received	-	(151)
Payments for treasury stock	-	(44,635)
	<u>2,649,303</u>	<u>1,039,239</u>
Net cash provided by financing activities	<u>2,649,303</u>	<u>1,039,239</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,798,320	568,786
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>546,989</u>	<u>993,113</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,345,309</u>	<u>\$ 1,561,899</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest	\$ 58,878	\$ 45,656
Income tax	<u>\$ 1,747</u>	<u>\$ 3</u>
Cash paid during the period for acquisition of property, plant and equipment		
Property, plant and equipment acquired	\$ 5,233	\$ 11,783
Add liabilities for acquisition of property, plant and equipment at beginning of period	1,429	5,400
Deduct liabilities for acquisition of property, plant and equipment at end of period	<u>(852)</u>	<u>-</u>
Cash paid during the period for acquisition of property, plant and equipment	<u>\$ 5,810</u>	<u>\$ 17,183</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on long-term equity investments	<u>\$ (2,449)</u>	<u>\$ (10,223)</u>
Transfer of long-term equity investments to other liabilities	<u>\$ 26,803</u>	<u>\$ (4,639)</u>
Convertible bonds converted into common stock	<u>\$ 9,109</u>	<u>\$ 241,137</u>
Transfer of current portion of long-term debt to current liabilities	<u>\$ 145,834</u>	<u>\$ 70,000</u>
Transfer of current portion of bonds payable to current liabilities	<u>\$ 440,000</u>	<u>\$ 300,000</u>

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

(With Deloitte & Touche review report dated April 22, 2005)

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD.

NOTES TO FINANCIAL STATEMENTS

THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Test-Rite International Co., Ltd. (the “Company”) was established in August 1978 with an initial capital of \$2,000 thousand.

The Company is engaged mainly in the import and export of hand tools, auto parts, machinery, furniture, and various home appliances. The Company’s marketplaces are primarily located in the United States of America, Canada, Great Britain, France, Germany, Australia, etc.

The Taiwan Securities and Futures Commission approved in February 1993 the Company’s application for stock listing in the Taiwan Stock Exchange. As of March 31, 2005, the Company has 398 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. The Company makes an estimate of allowance for doubtful accounts, allowance for inventory loss, depreciation, pension cost, contingent loss of lawsuit and allowance for indemnity losses which are based on uncertain circumstances and may have differences with actual circumstances.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau (SFB, formerly the “Securities and Futures Commission” before July 1, 2004) for their oversight purposes.

The Company’s significant accounting policies are summarized as follows:

Classification of Current and Non-Current

Assets expected to be converted into cash, sold, or consumed in twelve months or in the normal operating cycle are recorded as current assets. Liabilities expected to be liquidated in twelve months or in the normal operating cycle are recorded as current liabilities. Assets (liabilities) not being recorded as current assets (liabilities) are recorded as non-current assets (liabilities).

Cash and Cash Equivalents

Cash includes cash on hand and unrestricted bank deposits. Cash equivalents refer to time certificates of deposit and commercial paper which can be readily converted into cash without significant penalty or which value will not be significantly affected by variation of interest.

Short-Term Investments

Short-term investments are stated at the lower of cost or market. Cost of short-term investments sold is determined based on the weighted average method. Short selling stocks without hedging is individually valued by lower of cost or market; while short selling stocks with hedging is valued with hedged stock in aggregate. Stock dividends received from marketable equity securities do not represent revenue; instead the stock dividends serve to reduce the cost per share of the investment.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the collectibility of accounts.

Factoring Accounts Receivable

According to Statement of Financial Accounting Standards (“SFAS”) No. 33 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” a transfer of financial assets (all or a portion of a financial asset) in which the transferor surrenders control over those financial assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange.

Inventories

Inventories are stated at the lower of cost or market (net realizable value). Cost of inventories is determined using the weighted average method.

Long-Term Equity Investments

Investments in companies in which the Company’s ownership interest is 20% or more, or where the Company can exercise significant influence, are accounted for using the equity method of accounting. Other long-term equity investments are carried at cost. When equity method of accounting is used, purchased goodwill is amortized over a five-year to ten-year period.

The Company defers one year the recognition of investment income or losses from an overseas investee if the Company holds less than 50% of the investee’s outstanding common stocks and not able to exercise significant influence over the investee so as to obtain the financial statements in time.

If the Company owns directly and indirectly more than 50% equity interest, or where the Company can exercise significant influence, equity in earnings or losses of the investee is recognized based on financial statements of the investee for the same period reported on by the Company.

If the Company’s share of an investee company’s losses equals to or exceeds the carrying amount of an investment accounted for under the equity method and the Company guarantees obligations of an investee company, or is otherwise committed to provide further financial support for an investee company, or an investee company’s losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company

continues to recognize investment losses in proportion to the stock ownership percentage. Such credit balance on the book value of long-term equity investments is treated as a liability on the balance sheet.

The cost basis of the securities, which is accounted for under the equity method, is written down to a new cost basis if the decline is judged to be permanent. The amount of nontemporary writedown is accounted for as a realized loss.

The cost basis of the securities, which is accounted for under the cost method and not traded on the Taiwan Stock Exchange or the Over-the-Counter Exchange in Taiwan, is written down to a new cost basis if the decline is judged to be permanent. The amount of nontemporary writedown is accounted for as a realized loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the assets are capitalized. Interest is capitalized during the construction period.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is charged to non-operating income or expense.

Depreciation is provided using the straight-line method over the estimated service lives prescribed.

Buildings and improvement	35~40 years
Transportation equipment	5 years
Furniture, fixture and office equipment	5 years
Computers and accessories	3 years
Leased hold improvements	3 years
Molds and tools	2 years

An additional service life and a new residual value will be determined for any depreciable asset which is still in use after the end of its prescribed useful life, and the original residual value is depreciated on the straight-line method.

Impairment loss is recognized immediately for any significant decline in the value of property, plant and equipment. If the loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is immediately recognized as gain.

If property, plant and equipment revaluation based on certain regulation shows impairment loss, this loss should be recognized as a reduction of the capital surplus-property, plant and equipment revaluation increment. If the impairment loss is greater than this revaluation increment, the difference is recognized a loss. A reversal of an impairment loss on a revalued asset is recognized as the addition to the revaluation increment. However, to the extent that an impairment loss on the same revalued asset was previously recognized as loss, a reversal of the impairment loss on property, plant and equipment revaluation is recognized as gain.

Capital Leases

If a lease contract is qualified as a capital lease, the value of the leased property is the smaller of the present value of all future rental payments (less the lessee's executory costs) plus the bargain purchase price or lessee's guaranteed residual value, and the leased property's market value at the inception date of the lease. And it is recorded by debiting the leased assets accounts and crediting the lease obligation payable account. Depreciation is provided over its estimated useful life.

Deferred Charges

Deferred charges are amortized on the straight-line method over a three-year period. Issuing costs of bonds are amortized over the term of bonds.

Patents

Patents are amortized on the straight-line method over a five-year period.

Allowance for Indemnity Losses on Export

The indemnity losses on export sales should be estimated and expensed at the time of sale. Allowance for indemnity losses on export is debited when the indemnity losses are paid and indemnity losses paid in excess of the allowance for indemnity losses on export are charged to expense.

Retirement Plan

The Company has a defined benefit pension plan covering all employees. The benefits are based primarily upon an employee's years of service and average compensation for the last six-month period before retirement. In accordance with the Labor Standards Law of the Republic of China, such plan is funded at 4% of employee salaries and wages and deposited with the Central Trust of China.

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions," which require that pension expense shall be computed at actuarial basis.

Deferred Credits

Intercompany profits not realized through transactions with third parties are deferred. The profits are not recognized until they are realized through transactions with third parties.

Foreign Currency Transactions

Foreign currency transactions are recorded at exchange rates prevailing on transaction dates. Gains or losses, caused by different foreign exchange rates applied when foreign currency assets and liabilities are settled, are credited or charged to non-operating income or expense. Assets and liabilities denominated in foreign currencies are translated at the exchange rates on balance sheet date, any resulting gains or losses are credited or charged to non-operating income or expense.

A forward exchange contract is recorded at the exchange rate as of the contract date if the contract is acquired for the purpose of hedging. The difference between the current spot rate at the contract date and the forward rate is amortized over the life of the contract. Additionally, such contract should be adjusted at the current rate as at the balance-sheet-date. Any exchange gain or loss should be recognized in the current period.

Cumulative Translation Adjustments on Long-Term Equity Investments

Under the equity method, the foreign investee's assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rates. Stockholders' equity accounts should be translated at the historical rate except for the beginning balance of the retained earnings, which is carried at the translated amount of the last period. Income statement accounts are translated at the current rate or weighted-average rate of the current period. The related translation adjustments are included in stockholders' equity, and upon sale or liquidation of the foreign business, these adjustments are charged to income.

Long-term equity investments denominated in foreign currencies are restated at the balance sheet date exchange rates. The related translation adjustments are reported as a separate component of stockholders' equity.

Treasury Stock

Treasury stock is the Company's own stock acquired according to the Stock Exchange Law. When the Company does not dispose or write off these stocks, their cost is listed as a deduction of stockholders' equity.

The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 30 "Accounting for Treasury Stock," the Company treats intercompany stockholding as treasury stock.

Income Tax

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

Under the Amended Income Tax Law of ROC, undistributed earnings of the Company from 1998 onward are subject to 10% additional income tax. Such tax is to be reported as income tax expense in the following year when the decision to retain the earnings is made by the stockholders in their meeting.

Earnings Per Share

Basic earnings per common share are calculated by dividing net earnings applicable to common stock by the weighted average number of common stocks outstanding.

On a diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of convertible bonds from the date of issue.

Derivative Financial Instruments

Forward exchange contracts that are designated and effective as a hedge of net foreign assets or liabilities positions are recorded on the respective transaction date. Assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rates, and any resulting gains or losses are credited to or charged against current income. The discounts or premium (the differences between the contract rates and the spot rates on the date of purchase multiplied by principal amount of foreign currencies) involved in all forward contracts are separately accounted for and amortized to income over the duration of the contracts.

Receivables or payables from forward foreign currency exchange contracts are shown on the accompanying balance sheets in net balances.

From December 31, 2004, contracts used for trading purposes are marked to market, with the related gain or loss recognized as other income or expense.

Non-Derivative Financial Instruments

The recognition, valuation, and measurement of non-derivative financial assets and liabilities are made in accordance with these accounting policies and generally accepted accounting principles.

Sales, Sales Returns and Allowances

Sales are recognized when title of the products and the risks of ownership are transferred to customers, primarily upon shipment. Sales returns and allowances are subtracted from sales as incurred and the related costs of goods sold are eliminated.

3. ACCOUNTING CHANGE

The Company adopted Statement of Financial Accounting Standards No. 35 "Impairment of Assets" from January 1, 2005. There is no effect on the financial statements for the three-month period ended March 31, 2005.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Petty cash	\$ 2,179	\$ 2,129
Demand deposits	96,694	128,296
Savings deposits	269,296	33,531
Foreign currency deposits	612,321	312,743
Commercial paper	2,364,723	1,080,200
Cash equivalent	<u>96</u>	<u>5,000</u>
	<u>\$3,345,309</u>	<u>\$1,561,899</u>

Time certificates of deposit in the amount of \$440,000 thousand as of March 31, 2004 was pledged to secure bonds payable. The amount was reported as certificate of deposit - restricted under other financial assets, noncurrent (see Notes 11 and 30).

5. SHORT-TERM INVESTMENTS

The carrying value and market value of short-term investments as of March 31, 2005 and 2004 are summarized as follows:

	2005		2004	
	Carryin g Value	Market Value	Carryin g Value	Market Value
Open-end balanced funds	\$30,000	\$29,460	\$10,000	\$10,031
Less allowance for decline in market value	<u>(540)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$29,460</u>	<u>\$29,460</u>	<u>\$10,000</u>	<u>\$10,031</u>

The market value of open-end balanced funds is determined by the published fair value per unit on March 31.

Marketable securities were valued at the lower of aggregate cost or market value. Valuation allowance of \$540 thousand was provided as of March 31, 2005 and was reported as investment loss (see Note 28).

6. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Non-affiliate		
Notes receivable	\$ <u>9,760</u>	\$ <u>3,706</u>
Accounts receivable	1,023,966	1,064,719
Less allowance for doubtful accounts	<u>(26,000)</u>	<u>(6,348)</u>
	<u>997,966</u>	<u>1,058,371</u>
	<u>\$1,007,726</u>	<u>\$1,062,077</u>
Affiliates		
Notes receivable	\$ <u>5,626</u>	\$ <u>3,447</u>
Accounts receivable	1,588,674	1,334,657
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>1,588,674</u>	<u>1,334,657</u>
	<u>\$1,594,300</u>	<u>\$1,338,104</u>

In November 2004, the Company concluded an accounts receivable factoring agreement with a bank. The agreement declared that the Company should not be responsible for the credit risk of accounts receivable not being collected.

As of March 31, 2005, the accounts receivable factoring is summarized as follows:

Object	Interest Rate	Amount of Accounts Receivable Factoring (In Thousands)	Advance from Factor (In Thousands)	Net Amount Due from Factor (In Thousands)
Shanghai Commercial & Saving Bank, Ltd.	Basic loan rate plus 0.4% divided by 94.45%	US\$3,675 (About \$115,857 thousand)	US\$3,264 (About \$102,900 thousand)	US\$411 (About \$12,957 thousand)

Net amount due from factor was reported under other receivables (see Note 7).

7. OTHER RECEIVABLES

Other receivables as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Value-added tax refunds receivable	\$ 6,824	\$ 7,244
Advances for related parties (see Note 29)	149,398	202,913
Service fees receivable from related parties (see Note 29)	21,328	14,705
Commissions receivable (see Note 29)	25,031	36,580
Retention for sales of accounts receivable (see Note 6)	12,957	-
Other	<u>23,043</u>	<u>33,641</u>
	<u>\$238,581</u>	<u>\$295,083</u>

Advances for related parties include amounts related to operating expense payments made by the Company on behalf of its affiliates.

Service fees receivable from related parties represent the Company's charges to its affiliates for management fees.

8. OTHER FINANCIAL ASSETS, CURRENT

Other financial assets, current as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Futures deposit	\$ 217	\$ 217
Receivable on forward contracts, net (see Note 32)	<u>194,627</u>	<u>66,896</u>
	<u>\$194,844</u>	<u>\$ 67,113</u>

9. INVENTORIES

Inventories as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Merchandise	\$ 81,114	\$ 59,027
Less valuation allowance	<u>(7,139)</u>	<u>(11,906)</u>
	<u>\$ 73,975</u>	<u>\$ 47,121</u>

As of March 31, 2005 and 2004, insurance coverage for inventories amounted to \$250,000 thousand and \$340,000 thousand.

10. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments as of March 31, 2005 and 2004 consist of the following:

	2005			2004	
	Original Accumulate d Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Fortune Co., Ltd.	\$ 13,466	\$ 6,033	100.00	\$ 12,701	100.00
Test-Rite Star Co., Ltd.	48,027	55,633	100.00	42,099	100.00
Test-Rite Investment (B.V.I.)	33,381	31,446	100.00	33,768	100.00
Test-Rite Retailing Co., Ltd.	6,513	1	100.00	5,843	100.00
B&S Link Co., Ltd. (Cayman)	27,473	25,913	100.00	24,993	100.00
Test-Rite Trading Co., Ltd.	31,224	1	100.00	980	100.00
Test-Rite Pte Ltd. (Singapore)	66,625	66,094	100.00	41,816	100.00
Test-Rite Products (Hong Kong) Ltd.	105,560	15,863	100.00	16,697	100.00
Lih Chiou Co., Ltd.	332,737	434,136	100.00	403,282	100.00
Lih Teh Int'l Co., Ltd.	312,920	246,987	100.00	-	-
B&S Link Co., Ltd.	79,994	64,623	100.00	50,166	100.00
Fusion International Distribution, Inc.	30,721	45,072	100.00	44,771	100.00
Chung Cin Enterprise Co., Ltd.	866,906	951,137	100.00	1,023,556	100.00
Quality Master Co., Ltd.	99,318	82,039	100.00	76,918	92.08
Test-Rite Development Co., Ltd.	146,224	120,530	80.00	147,490	80.00
U2 Industry Design Co., Ltd.	6,789	2,415	64.00	2,179	64.00
TRS Investment Co., Ltd.	5,875	5,033	50.00	5,723	50.00
Test-Rite B&Q Co., Ltd. ("B&Q")	500,000	1,496,406	49.99	1,233,314	49.99
Test-Rite Int'l (U.S.) Co., Ltd.	129,191	1	49.00	1	49.00
Test-Rite Int'l (Mexico) Ltd.	672	986	49.00	2,605	49.00
Test-Rite Int'l (Thailand) Ltd.	21,009	12,841	48.99	15,605	48.99
Test-Rite Int'l (Australia) Pty Ltd.	475	13,757	48.00	6,576	48.00
Test-Rite Int'l (France) Ltd.	2,184	-	48.00	-	48.00
Everrich Global Co., Ltd	-	-	-	<u>602</u>	100.00
	<u>2,867,284</u>	<u>3,676,947</u>		<u>3,191,685</u>	
At cost method					
Maltaitech Corporation Sdn Bhd.	31,910	24,318	15.00	26,073	15.00

	2005			2004	
	Original Accumulate d Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
TB Commerce Network Co.	31,900	31,530	10.59	31,900	10.59
Test-Rite Int'l (Baparoma) Ltd.	64,670	64,670	10.00	64,670	10.00
Test-Rite Products Preferred Stock	\$ 104,370	\$ 94,590	-	\$ 99,060	-
Emit Technology Co., Ltd.	-	-	-	18,070	5.93
	<u>232,850</u>	<u>215,108</u>		<u>239,773</u>	
	<u>\$3,100,134</u>	<u>\$3,892,055</u>		<u>\$3,431,458</u>	

For the three-month periods ended March 31, 2005 and 2004, the Company recognizes its share in earnings (losses) of equity method investees in which the Company's ownership interest is over 50%, or investees in which the Company can exercise significant influences (including B&Q) based on the unreviewed financial statements of the investees for the three-month periods ended March 31, 2005 and 2004, except its indirect investment on and equity in earning of Hola (58.93% of shares held by Lih Chion, Lih Teh and Fusion, collectively), which amounted to 196,723 thousand as of March 31, 2005 and 11,459 thousand for the three month period then ended, were based on the reviewed financial statements of the investee.

Equity in earnings (losses) for the three-month periods ended March 31, 2005 and 2004 which were not based on reviewed financial statements are summarized as follows:

	2005	2004
TR Fortune	\$ 496	\$ (103)
TR Star	2,476	-
TR Investment (B.V.I.)	(503)	31
TR Retailing	(13,766)	(167)
B&S Link (Cayman)	4,196	(1,922)
TR Trading	(13,038)	(4,574)
TR Singapore	11,412	4,776
TR HK	(2,112)	(25,149)
Lih Chiou	20,651	15,769
Lih Teh	(2,886)	-
B&S Link	4,065	4,866
Fusion	(192)	772
Chung Cin Enterprise	(15,014)	14,799
Quality Master	87	2,031
TR Development	4,943	(1,740)
U2 Industry Design	(1,187)	(712)
B&Q	102,700	90,594
Everrich	-	(664)
	<u>\$102,328</u>	<u>\$ 98,607</u>

TR Fortune is engaged in making investments in packaging industries. In 2004, TR Fortune decreased its capital stock and returned investment US\$204 thousand to the Company and the Company's investment was reduced from US\$615 thousand to US\$411 thousand, ownership percentage remained 100%.

TR Star is engaged in making investment in products designing, packing and hardware selling industries.

TR Investment (B.V.I.) is engaged in making investments in various industries.

TR Retailing is engaged in making investments in retailing industries. During 2005, TR Retailing operations resulted in loss and the net value became negative. Because the Company provides financial support to TR Retailing, the Company holds \$1 thousand for long-term equity investment and \$61,471 thousand was reported as other liability - others.

B&S Link (Cayman) is primarily engaged in providing e-commerce service.

TR Trading and TR Development are engaged in making investment in import and export industries. In January 2004 and December 2004, TR Trading increased its capital stock by \$4,721 thousand and \$24,798 thousand, respectively in which the Company participated. During 2004, TR Trading operations resulted in loss and the net value became negative. Because the Company provides financial support to TR Trading, the Company holds \$1 thousand for long-term equity investment and \$65,396 thousand was reported as other liability - others.

TR Singapore, TR HK, TRS Investment, TR Mexico, TR Thailand, TR Australia and TR France are primarily engaged in importation and exportation.

Lih Chiou Co., Ltd. (original name: Lih Chiou Investment Co., Ltd.) (“Lih Chiou”) is engaged in international trading, investment consultant, sale of precision instrument and weight and measures instrument and product design. In March 2004, Lih Chiou increased its capital stock \$151,740 thousand, and was participated by the Company.

Lih Teh Co., Ltd. (original name: Lih Teh Investment Co., Ltd.) (“Lih Teh”) is engaged in providing information software, electronic information and product design. The Company purchased all ownership from related party - Lih Chiou at net value. In November 2004, it increased its capital stock \$120,000 thousand, and was participated by the Company.

B&S Link is engaged in providing information software and electronic information.

Fusion International Distribution, Inc. is engaged in trade and agent of goods.

Chung Cin Enterprise is engaged in construction engineering, rental and sale of building. Chung Cin Enterprise has completed the procedure of real estate securitization on September 10, 2004, and recognized gain on disposal of assets. In December 2004, Chung Cin Enterprise decreased its capital stock by \$200,000 thousand and returned investment to the Company and the Company’s ownership percentage remained 100%.

Quality Master Co., Ltd. is engaged in making investments in various industries. In, December 2004, the Company purchased all ownership from Lih Teh at net value. The Company’s ownership was increased from 92.08% to 100%.

U2 Industry Design Co., Ltd. is engaged in designing new product.

B&Q is engaged in the sale of house decoration, hardware and construction materials.

TR U.S. is primarily engaged in importation and exportation. During 2004, TR U.S. operations resulted in loss and the net value became negative. Because the Company stand guarantee for TR U.S., the Company holds \$1 thousand for long-term investment and \$200,666 thousand was reported as other liability - others.

Everrich Global Co., Ltd. (“Everrich”) is engaged in international trading. Everrich has a capital deficiency due to operating losses and, accordingly, on April 23, 2004, Everrich decided to dissolve.

Maltaitech Corporation Sdn Bhd., a company incorporated in Malaysia, is engaged in the manufacturing and sale of horn door knobs and European style door locks.

TB Commerce Network Co. is engaged in researching electronic business software.

TR Baparoma is engaged in the designing, manufacturing and marketing of cooking equipment.

TR Products which TR U.S. holds a 89.47% ownership interest increased its capital stock and issued preferred stock US\$3,000 thousand, the Company participated in its capital stock. The preferred stock didn’t provide the right of voting.

Emit Technology Co., Ltd. is engaged in the manufacturing, assembling and sale of optical fiber components, parts and accessories. In December 2004, the Company sold all shares to related party - Lih Teh Co., Ltd. (the selling price is determined based on the book value).

11. OTHER FINANCIAL ASSETS, NONCURRENT

Other financial assets as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Prepaid income tax (Note 27)	\$ 13,957	\$ 13,957
Refundable deposits	51,736	51,528
Certificate of deposit - restricted (Note 4)	-	440,000
Others	<u>1,361</u>	<u>2,946</u>
	<u>\$ 67,054</u>	<u>\$ 508,431</u>

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2005 and 2004 consist of the following:

	2005			2004
	Original	Accumulate	Carrying	Carrying
	Cost	d Depreciation	Value	Value
Land	\$ 519,724	\$ -	\$ 519,724	\$ 519,724
Buildings and improvements	1,496,716	368,511	1,128,205	1,198,941
Transportation equipment	25,508	21,613	3,895	8,164
Furniture, fixtures and office equipment	71,660	53,279	18,381	23,944
Computers and accessories	48,887	32,764	16,123	14,149
Leasehold improvements	139,657	114,913	24,744	29,425
Molds and tools	46,487	33,367	13,120	15,688
Prepayments for property, plant and equipment	<u>5,585</u>	<u>-</u>	<u>5,585</u>	<u>2,104</u>
	<u>\$ 2,354,224</u>	<u>\$ 624,447</u>	<u>\$ 1,729,777</u>	<u>\$ 1,812,139</u>

As of March 31, 2005 and 2004, the cost of the leased-out land was \$200,195 thousand and \$181,729 thousand and the carrying value of leased-out buildings and improvements was \$659,571 thousand and \$643,029 thousand, respectively.

As of March 31, 2005 and 2004, the carrying value of property, plant and equipment pledged to secure bonds payable and long-term debt was as follows (see Note 19):

	2005	2004
Land	<u>\$267,519</u>	<u>\$267,519</u>

As of March 31, 2005 and 2004, insurance coverage for property, plant and equipment, excluding land and prepayments for property, plant and equipment, amounted to \$1,768,592 thousand and \$1,934,395 thousand, respectively.

13. OTHER ASSETS

Other assets as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Deferred tax asset, noncurrent (see Note 27)	\$172,000	\$116,000
Deferred charges (see Note 2)	51,822	123,160
Prepaid pension cost	11,972	15,686
Patents (see Note 2)	302	427
Other	<u>1,911</u>	<u>1,911</u>
	<u>\$238,007</u>	<u>\$257,184</u>

Deferred charges are mainly the expenditure of computer softwares for e-trading and issuing expense of bonds.

14. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of March 31, 2005 and 2004 consist of the following:

	<u>2005</u>		<u>2004</u>	
	Interest Rate %	Amount	Interest Rate %	Amount
Credit loans	3.07~3.88	\$2,900,760	1.68~1.95	\$1,089,660

15. OTHER PAYABLES

Other payables as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Accrued expenses	\$243,831	\$267,624
Interest payable	27,220	22,705
Accrued expenses with outstanding notes	14,312	19,115
Payables for purchase of property, plant and equipment	852	-
Other	<u>72,704</u>	<u>68,870</u>
	<u>\$358,919</u>	<u>\$378,314</u>

16. CURRENT PORTION OF LONG-TERM LIABILITIES

Current portion of long-term liabilities as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Bonds payable (see Note 18)	\$440,000	\$300,000
Long-term debt (see Note 19)	<u>145,834</u>	<u>70,000</u>
	<u>\$585,834</u>	<u>\$370,000</u>

17. OTHER CURRENT LIABILITIES

Other current liabilities as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Advance receipts from customers	\$ 22,764	\$ 3,965
Allowance for indemnity losses on exports (see Note 2)	36,752	15,578
Discount on forward exchange contract, net	69,133	15,987
Other	<u>19,119</u>	<u>5,717</u>
	<u>\$147,768</u>	<u>\$ 41,247</u>

18. BONDS PAYABLE

Bonds payable as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Domestic unsecured bonds (Bonds I & II)	\$440,000	\$300,000
Domestic secured bonds (Bonds I)	-	440,000
Domestic convertible bonds (Bonds III)	184,700	260,900
Interest expense compensation payable	9,558	4,369
Less current portion	<u>(440,000)</u>	<u>(300,000)</u>
	<u>\$194,258</u>	<u>\$705,269</u>

Domestic Unsecured Bonds

Bonds I

The Company issued \$500,000 thousand of secured corporate bonds on February 4, 1999, for the purpose of building warehouse center. The bonds, with a face value of \$500,000 thousand, have maturity of \$440,000 thousand and \$60,000 thousand on February 4, 2006 and February 4, 2002, respectively. The bonds' annual contract rate is index rate plus 1.2% and 0.8%, respectively, and the compound interest is paid quarterly. The interest rate of the bonds with maturity of \$440,000 thousand is changed to single interest 6.41% per annum from February 4, 2000.

The restricted certificate of deposit which was pledged to secure the bond of \$440,000 thousand was taken back in December 2004, and the Company did not provide other collateral to the Trust Bank. Therefore, the nature of the bond was changed to unsecured.

Bonds II

The Company issued \$300,000 thousand of unsecured corporate bonds on April 9, 2002, for the purpose of paying \$60,000 thousand of secured corporate bonds (Bonds I) and retiring \$270,000 thousand of secured corporate bonds to get back guaranty for assets assignment. The bonds with a face value of \$300,000 thousand, have maturity of two years and bear interest rate of 3.20% per annum, payable per year. On April 9, 2004, the Company made a remnant payment in advance.

Domestic Convertible Bonds

Bonds III

The Company issued \$500,000 thousand of domestic registered convertible bonds on October 9, 2003, for the purpose of investing long-term equity investments, constructing computer system and software and paying unsecured bonds (Bonds II).

Terms and conditions of bonds are outlined as follows:

- (a) Date of maturity: October 9, 2008
- (b) Interest rate: 0% per annum
- (c) The Company can request for redeeming the bonds from three months after issuing date to 40 days before maturity day.
The redemption is outlined as follows:
 - (i) The bonds may be redeemed when the closing price of the shares on each of 30 consecutive trading days is over 50% of the conversion price.
 - (ii) The bonds may be redeemed when the outstanding bonds are less than 10% of total issued bonds.
- (d) Conversion: see conversion terms.
- (e) Except as defined above, the bonds will be repaid in full on the maturity date.

Conversion Terms

Bondholders may exercise their redemption right during 30 days before October 9, 2006, October 9, 2007 and October 9, 2008. The redemption price is par value plus 3.5% interest expense compensation.

Bondholders may exercise their conversion right from the day after 30 days of issued day to 10 days before maturity day.

The conversion price was set at \$13.70 per share. The conversion price is subject to adjustment based on changes of the Company's capital account or the market value which is lower than the conversion price.

Bondholder may request the Company to redeem the bonds in cash at face value plus the interest premium and interest payable after January 8, 2004. And bondholder may convert the bonds into common stock at any time according to the conversion terms and related laws of ROC. The Company has already recognized the interest-premium as a liability by crediting interest expense compensation payable account.

As of March 31, 2005, the Company's bondholders have converted bonds into 22,151,884 common shares, which resulted in \$98,284 thousand additional paid-in capital.

19. LONG-TERM DEBT

Long-term debt as of March 31, 2005 and 2004 consists of the following:

	2005		2004
	Interest Rate %	Amount	Amount
International Bank of Taipei			
Pledged loan from August 28, 2002 to August 28, 2007. In October 2004, the Company paid back the debt in advance of the due date.	-	\$ -	\$ 275,500
Pledged loan from August 28, 2002 to August 26, 2005. In October 2004, the Company paid back the debt in advance of the due date.	-	-	91,666
Pledged loan from October 28, 2004 to August 28, 2007. Interest is paid monthly, principal due on August 28, 2007. Interest rate is one year deposit rate plus 0.575%.	2.175	261,400	-
Pledged loan from November 1, 2004 to November 1, 2006. Interest is paid monthly, principal due in quarterly installments. Interest rate is one year deposit rate plus 0.775%.	2.375	80,209	-
United-Credit Commercial Bank			
Unsecured loan from February 4, 2002 to February 4, 2005. In October 2004, the Company paid back the debt in advance of the due date.	-	-	70,000
Tainan Business Bank			
Unsecured loan from May 16, 2003 to May 16, 2006. Interest is paid monthly. In October and December 2004, the Company paid back the debt in advance of due date paid.	-	-	70,000
Kaohsiung Business Bank			
Unsecured loan from July 25, 2003 to July 25, 2005. Interest is paid monthly. In December 2004, the Company had paid back the debt in advance.	-	-	100,000
Taipei Bank			
Unsecured loan from July 25, 2003 to July 25, 2008, interest is paid monthly, principal due on July 25, 2008. Interest rate is discount rate plus 0.90%.	2.530	300,000	300,000

	<u>2005</u>		<u>2004</u>
	Interest Rate %	Amount	Amount
Credit Lyonnais			
Unsecured loan from September 29, 2003 to September 29, 2008. Interest is paid monthly, principal due on September 29, 2008. Interest rate is 2.79%.	2.79	500,000	500,000
E. Sun Bank			
Unsecured loan from September 3, 2004 to September 3, 2007, the first installment on September 3, 2005 and due in quarterly installment. Interest rate is 2.40%. In April 2005, the Company paid the debt in advance of the due date.	2.40	100,000	-
East Asia Bank			
Unsecured loan from February 25, 2005 to February 25, 2008, the first installment on August 25, 2006 and principal due in half year installment. Interest rate is 2.40%.	2.40	<u>10,000</u>	-
		1,251,609	1,407,166
Less current portion		<u>(145,834)</u>	<u>(70,000)</u>
		<u>\$1,105,775</u>	<u>\$1,337,166</u>

See Note 12 for collateral on bank borrowings in 2005 and 2004.

See Note 29 for guarantee on bank borrowing in 2005 and 2004.

20. DEFERRED CREDITS

Deferred credits as of March 31, 2005 and 2004 consist of the following:

	2005	2004
Unrealized profit on disposal of long-term equity investments from intercompany transactions	\$ 127,294	\$ 151,034
Unrealized profit from intercompany transactions	<u>78,319</u>	<u>31,418</u>
	<u>\$205,613</u>	<u>\$182,452</u>

21. CAPITAL STOCK

Capital stock as of March 31, 2005 and 2004 consists of the following:

	2005	2004
Registered capital		
Share (thousand shares)	<u>550,000</u>	<u>550,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>

	2005	2004
Capital	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>
Issued capital		
Share (thousand shares)	<u>397,946</u>	<u>387,343</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 3,979,463</u>	<u>\$ 3,873,427</u>

The Company's outstanding capital stock as of December 31, 2004, amounted to \$3,973,113 thousand. In 2005, the Company's bondholders have converted bonds amounting to \$8,700 thousand, into 635,028 common shares and capital stock amounting \$6,350 thousand. Consequently, as of March 31, 2005, the Company's capital stock was increased to \$3,979,463 thousand consisting of 397,946,375 outstanding common shares having a par value of \$10 dollars each.

For the three-month periods ended March 31, 2005 and 2004, earnings per share is calculated as follows:

	2005			Earnings per Share	
	<u>Amount (Numerator)</u>			<u>Income</u>	<u>Income</u>
	<u>Income</u>	<u>Income</u>	<u>Shares</u>	<u>Before</u>	<u>After</u>
	<u>Before</u>	<u>After</u>	<u>(Denominator)</u>	<u>Tax</u>	<u>Tax</u>
	<u>(In</u>	<u>(In</u>		<u>Dollars)</u>	<u>(In</u>
	<u>Dollars)</u>	<u>Dollars)</u>			<u>Dollars)</u>
Net income	<u>\$ 220,339</u>	<u>\$ 198,839</u>			
Basic earnings per share					
Net income to stockholders of common stock	<u>\$ 220,339</u>	<u>\$ 198,839</u>	<u>367,421,242</u>	<u>\$ 0.60</u>	<u>\$ 0.54</u>
The effects of dilutive potential ordinary shares					
Convertible bonds with real interest rate of 3.50%	<u>6,465</u>	<u>4,848</u>	<u>13,481,752</u>	<u>-</u>	<u>(0.01)</u>
Diluted earnings per share					
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 226,804</u>	<u>\$ 203,687</u>	<u>380,902,994</u>	<u>\$ 0.60</u>	<u>\$ 0.53</u>

	2004 (After Giving Retroactive Effects)				
	Amount (Numerator)			Earnings per Share	
	Income Before Tax	Income After Tax	Shares (Denominator)	Income Before Tax (In Dollars)	Income After Tax (In Dollars)
Net income	\$ 223,234	\$ 197,234			
Basic earnings per share					
Net income to stockholders of common stock	<u>\$ 223,234</u>	<u>\$ 197,234</u>	<u>375,088,919</u>	<u>\$ 0.60</u>	<u>\$ 0.53</u>
The effects of dilutive potential ordinary shares					
Convertible bonds with real interest rate of 3.50%	<u>2,283</u>	<u>1,712</u>	<u>18,118,056</u>	<u>(0.03)</u>	<u>(0.02)</u>
Diluted earnings per share					
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 225,517</u>	<u>\$ 198,946</u>	<u>393,206,975</u>	<u>\$ 0.57</u>	<u>\$ 0.51</u>

Earnings per share for the three-month period ended March 31, 2004 was based upon the weighted average number of common shares outstanding during the three-month period then ended, after giving retroactive effects to the stock dividends and stock bonuses declared in 2004.

22. RETAINED EARNINGS

According to the Company Law of the Republic of China and the Company's Articles of Incorporation, 10% of the Company's earnings, after paying tax and offsetting deficit, if any, shall first be appropriated as legal reserve. The remaining balance, if any, shall be distributed in the following order:

- (a) bonuses to employees - 8%,
- (b) bonuses to directors and supervisors - 2%, and
- (c) the remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

23. TREASURY STOCK

The changes of treasury stock for the three-month period ended March 31, 2005 are summarized as follows (in shares):

Reason	2005.1.1	Increase	Decrease	2005.3.31
Buy the stock back to transfer to employees	30,000,000	-	-	30,000,000
Shares held by subsidiaries	<u>21,490</u>	<u>-</u>	<u>-</u>	<u>21,490</u>
	<u>30,021,490</u>	<u>-</u>	<u>-</u>	<u>30,021,490</u>

As of March 31, 2005, the treasury stock of the Company was 30,021,490 shares, cost \$546,510 thousand, including \$546,238 thousand bought by the Company and \$272 thousand held by subsidiaries.

According to the Stock Exchange Law of ROC, the shares of treasury stock should not be over 10% of the Company's issued and outstanding shares and the amount of treasury stock should not be over the total of retained earnings and realized additional paid-in capital. The highest number of shares of treasury stock that the Company held as of March 31, 2005 was 30,000,000 shares and the total amount was \$546,238 thousand pursuant to the law.

According to the Stock Exchange Law of ROC, the treasury stock of the Company should not be pledged and can not have the same right as the common stock.

24. OPERATING REVENUES

Operating revenues for the three-month periods ended March 31, 2005 and 2004 are summarized as follows:

	2005	2004
Net sales	\$4,052,580	\$3,741,576
Rental income	55,280	52,966
Commission income	<u>23,782</u>	<u>46,148</u>
	<u>\$4,131,642</u>	<u>\$3,840,690</u>

25. OPERATING COST

Operating cost for the three-month periods ended March 31, 2005 and 2004 is summarized as follows:

	2005	2004
Cost of goods sold	\$3,472,448	\$3,244,389
Rental cost	<u>25,322</u>	<u>22,975</u>
	<u>\$3,497,770</u>	<u>\$3,267,364</u>

26. PERSONNEL, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES

Personnel, depreciation, depletion and amortization expenses for the three-month periods ended March 31, 2005 and 2004 are summarized as follows:

Expense Item \ Function	2005			2004		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expense						
Salary	\$ -	\$ 92,197	\$ 92,197	\$ -	\$ 89,535	\$ 89,535
Labor/health insurance	-	4,968	4,968	-	5,223	5,223
Pension	-	2,432	2,432	-	2,452	2,452
Other	-	3,034	3,034	-	3,435	3,435
Depreciation	12,052	17,862	29,914	11,074	20,255	31,329
Depletion	-	-	-	-	-	-
Amortization	-	16,410	16,410	-	19,165	19,165

27. INCOME TAX

The income tax for the three-month period ended March 31, 2005 is current income tax expenses \$21,500 thousand.

The tax effects of deductible temporary differences that gave rise to deferred tax assets as of March 31, 2005 are as follows:

Unrealized inventory devaluation losses	\$ 2,000
Unrealized net exchange gain	(17,500)
Unrealized loss from equity investment	176,000
Unrealized profit from intercompany transactions	20,000
Unrealized sales allowance	10,000
Unrealized indemnity losses	6,000
Pension cost differ from financial affairs and taxed	<u>(4,000)</u>
Deferred tax assets, net	192,500
Deferred tax assets, noncurrent (included in other assets)	<u>(172,000)</u>
Deferred tax assets, current (included in other current assets)	<u>\$ 20,500</u>

Current income tax for the three-month period ended March 31, 2005 and income tax payable as of March 31, 2005 are generated as follows:

Income tax expense at statutory rate of 25%	\$ 55,500
Increase (decrease) in tax resulting from	
Tax-exempt gain on disposal of investment	(3,000)
Equity in net earnings of affiliates	<u>(31,000)</u>
Current income tax expense	21,500
Provision for (reversal of) deferred tax assets	
Unrealized net exchange gain	(20,500)
Unrealized sales allowance	3,000
Unrealized indemnity losses	5,000
Unrealized loss from equity investment	<u>5,000</u>
Income tax payable	14,000
Less prepayments and withholdings in 2005	(1,747)
Add income tax payable for the prior years	<u>173,359</u>
Income tax payable as of March 31, 2005	<u>\$185,612</u>

The reported prepaid income tax and withholdings of \$13,957 thousand as of March 31, 2005 is prior year's income tax pre-payments. This was included in other financial assets, noncurrent in the balance sheets.

The information about Imputation Credit ("IC") on the undistributed earnings as of March 31, 2005 is summarized as follows:

IC on undistributed earnings as of March 31, 2005	\$ 17,643
Undistributed earnings in years from 1997 and before	\$ 222,231
Undistributed earnings in years from 1998 and after	\$ 1,041,807
Expected IC ratio on distributed earnings in 2005	20.20%
Actual IC ratio on distributed earnings in 2004	14.31%

The expected IC ratio of the Company for the year of 2005 has considered the income tax payable for 2004 and 2005.

The Company's income tax reports until 2000 had been approved by the tax authority.

28. NET INVESTMENT LOSS

Net investment loss for the three-month periods ended March 31, 2005 and 2004 is summarized as follows:

	2005	2004
Provision for short-term investment valuation (see Note 5)	<u>\$ 540</u>	<u>\$ -</u>

29. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are outlined as follows:

Name	Relationship
Fortune Miles Trading ("Fortune Miles")	The Company holds 100.00% ownership interest
Test-Rite Fortune Co., Ltd. ("TR Fortune")	The Company holds 100.00% ownership interest
Test-Rite Star Co., Ltd. ("TR Star")	The Company holds 100.00% ownership interest
Test-Rite Retailing Co., Ltd. ("TR Retailing")	The Company holds 100.00% ownership interest
Test-Rite Trading Co., Ltd. ("TR Trading")	The Company holds 100.00% ownership interest
Test-Rite Pte Ltd. ("TR Singapore")	The Company holds 100.00% ownership interest
Test-Rite Products (Hong Kong) Ltd. ("TR HK")	The Company holds 100.00% ownership interest
Test-Rite Development Co., Ltd. ("TR Development")	The Company holds 80.00% ownership interest
Test-Rite Int'l (U.S.) Co., Ltd. ("TR U.S.")	The Company holds 49.00% ownership interest
Test-Rite Int'l (Mexico) Ltd. ("TR Mexico")	The Company holds 49.00% ownership interest
Test-Rite Int'l (Thailand) Ltd. ("TR Thailand")	The Company holds 48.99% ownership interest
Test-Rite Int'l (Australia) Pty Ltd. ("TR Australia")	The Company holds 48.00% ownership interest
Lih Teh Warehouse Co., Ltd. ("Lih Teh Warehouse")	TR Fortune holds 100.00% ownership interest
Test-Rite Fortune Consultant Co., Ltd. ("TR Fortune Consultant")	TR Trading holds 100.00% ownership interest
Hola Shanghai Consultant Co., Ltd. ("Hola Shanghai Consultant")	TR Retailing holds 100.00% ownership interest
Northcote	TR Star holds 48.00% ownership interest
CENDYNE	Fortune Miles holds 50.00% ownership interest

Name	Relationship
Test-Rite CZ S.R.O. (“TR CZ”)	TR Development holds 70.00% ownership interest
Test-Rite International Hungary K.F.T. (“TR HU”)	TR Development holds 70.00% ownership interest
Test-Rite Hellas S.A. (“TR GR”)	TR Development holds 70.00% ownership interest
ASB-Riteing (“TR RUS”)	TR Development holds 70.00% ownership interest
Test-Rite International (Romania) S.R.L. (“TR ROU”)	TR Development holds 70.00% ownership interest
Test-Rite International - TR Dis Ticaret Limited Sirketi (“TR TR”)	TR Development holds 70.00% ownership interest
Test-Rite International D.O.O. (“TR HR”)	TR Development holds 70.00% ownership interest
Test-Rite Polska SP.Z.O.O. (“TR PL”)	TR Development holds 70.00% ownership interest
Test-Rite International (Germany) Gmbh (“TR GI”)	TR Development holds 65.00% ownership interest (owned in November 2004)
Test-Rite Products Corp. (“TR PC”)	Test-Rite Int’l (U.S.) holds 89.47% ownership interest
Master Design Inc. (“MDI”)	TR PC holds 100.00% ownership interest
North America Cord. & Cable (“NACC”)	TR PC holds 100.00% ownership interest
Landia Co., Ltd (“Landia”)	TR PC holds 100.00% ownership interest
Lih Chiou Co., Ltd. (“Lih Chiou”)	The Company holds 100.00% ownership interest
B&S Link Co., Ltd. (“B&S Link”)	The Company holds 100.00% ownership interest
Fusion International Distribution, Inc. (“Fusion”)	The Company holds 100.00% ownership interest
Chung Cin Enterprise Co., Ltd. (“Chung Cin Enterprise”)	The Company holds 100.00% ownership interest
Lih Teh International Co., Ltd. (“Lih Teh”)	The Company holds 100.00% ownership interest
Quality Master Co., Ltd. (“Quality Master”)	The Company holds 100.00% ownership interest
U2 Industry Design Co., Ltd. (“U2 Industry Design”)	The Company holds 64.00% ownership interest
Test-Rite B&Q Int’l Co., Ltd. (“B&Q”)	The Company holds 49.99% ownership interest
Hola Homefurnishings Co., Ltd. (“Hola”)	Lih Chiou holds 51.33% ownership interest
Tong Ying Construction Co., Ltd. (“Tong Ying Construction”)	Chung Cin Enterprise holds 100.00% ownership interest
Chung Cin Construction Co., Ltd. (“Chung Cin Construction”)	Chung Cin Enterprise holds 100.00% ownership interest
Test Cin M&E Engineering Co., Ltd. (“Test Cin M&E”)	Chung Cin Enterprise holds 100.00% ownership interest
Tong Ying Investment Co., Ltd. (“Tong Ying Investment”)	Tong Ying Construction holds 100.00% ownership interest
Test-Rite Quickbuy Co., Ltd. (“TR Quickbuy”)	Lih Teh holds 100.00% ownership interest
Homy Homefurnishings Co., Ltd. (“Homy”)	Lih Teh holds 80.00% ownership interest
Up Master Investment Co., Ltd. (“Up Master”)	Same chairman as the Company

Name	Relationship
X-Cel Relationship Management Co., Ltd.	Related party in substance
Compass Home, Inc. (“Compass Home”)	Related party in substance
Lih Xiong Co., Ltd. (“Lih Xiong”)	Up Master holds 100.00% ownership interest
Tony Ho	Chairman of the Company
Judy Lee	One of the immediate family members of the Company’s chairman

The Company’s transactions with its related parties are summarized as follows:

Sales

Sales to related parties for the three-month periods ended March 31, 2005 and 2004 are summarized below:

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
TR PC	\$ 378,941	9	\$ 357,962	9
B&Q	270,263	7	232,208	6
MDI	190,462	5	230,546	6
TR CZ	53,775	1	84,971	2
NACC	39,366	1	50,112	1
TR RUS	29,556	1	-	-
Hola	8,596	-	22,794	1
TR HU	6,481	-	48,347	1
Landia	5,978	-	20,607	1
Others	<u>33,322</u>	<u>1</u>	<u>46,569</u>	<u>1</u>
	<u>\$1,016,740</u>	<u>25</u>	<u>\$1,094,116</u>	<u>28</u>

The Company’s sales revenue from foreign parties is received by T/T, accounts receivable is about 120 days to 180 days and annual interest rate is 5.00% to 6.00%. Other condition of receivable is almost the same as the other clients.

Rental Income

Rental income from related parties for the three-month periods ended March 31, 2005 and 2004 is summarized below:

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
B&Q	\$ 28,200	51	\$ 27,554	52
Hola	14,421	26	14,139	27
Others	<u>5,951</u>	<u>11</u>	<u>4,740</u>	<u>8</u>
	<u>\$ 48,572</u>	<u>88</u>	<u>\$ 46,433</u>	<u>87</u>

The Company’s rental income from related parties is according to market price.

Commission Income

Commission income from related parties for the three-month periods ended March 31, 2005 and 2004 is summarized below:

	2005		2004	
	Amount	%	Amount	%
NACC	\$ 9,443	40	\$ -	-
MDI	<u>6,216</u>	<u>26</u>	<u>6,421</u>	<u>14</u>
	<u>\$ 15,659</u>	<u>66</u>	<u>\$ 6,421</u>	<u>14</u>

Interest Income

Interest income from related parties for the three-month periods ended March 31, 2005 and 2004 is summarized below:

	2005		2004	
	Amount	%	Amount	%
TR HU	\$ 1,578	37	\$ 39	1
Compass Home	433	10	-	-
TR PC	387	9	629	20
TR ROU	257	6	158	5
TR CZ	-	-	1,214	39
Others	<u>56</u>	<u>2</u>	<u>4</u>	<u>-</u>
	<u>\$ 2,711</u>	<u>64</u>	<u>\$ 2,044</u>	<u>65</u>

Service Income

Service income from related parties for the three-month periods ended March 31, 2005 and 2004 is summarized below:

	2005		2004	
	Amount	%	Amount	%
B&Q	\$ 1,708	27	\$ 1,708	33
Hola	1,318	21	1,296	25
Homy	226	4	466	9
U2 Industry Design	204	3	306	6
B&S Link	111	2	476	10
Others	<u>386</u>	<u>5</u>	<u>287</u>	<u>7</u>
	<u>\$ 3,953</u>	<u>62</u>	<u>\$ 4,539</u>	<u>90</u>

Other Income

Other income from related parties for the three-month periods ended March 31, 2005 and 2004 is summarized below:

	2005		2004	
	Amount	%	Amount	%
B&Q	\$ 15,935	59	\$ 12,805	53
Hola	5,701	21	2,979	12
B&S Link	2,629	10	57	-
Others	<u>1,588</u>	<u>6</u>	<u>365</u>	<u>1</u>
	<u>\$ 25,853</u>	<u>96</u>	<u>\$ 16,206</u>	<u>66</u>

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the three-month periods ended March 31, 2005 and 2004 are summarized below:

	2005		2004	
	Amount	%	Amount	%
TR PC	\$ 21,110	20	\$ 8,615	11
Landia	5,292	5	4,050	5
TR Australia	4,660	4	4,226	5
TR Mexico	3,917	4	4,100	5
Others	<u>3,032</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>\$ 38,011</u>	<u>36</u>	<u>\$ 20,991</u>	<u>26</u>

Commission expenses to related parties are based on gross profit while commission expenses to non-related parties are based on selling prices.

Selling, General and Administrative Expenses - Export Expenses

Export expenses to related parties for the three-month periods ended March 31, 2005 and 2004 are summarized below:

	2005		2004	
	Amount	%	Amount	%
TR Fortune Consultant	\$ 67,429	76	\$ 3,360	6
TR HK	15,000	17	46,181	80
Others	<u>53</u>	<u>-</u>	<u>68</u>	<u>-</u>
	<u>\$ 82,482</u>	<u>93</u>	<u>\$ 49,609</u>	<u>86</u>

Export expenses to related parties are paid to foreign TR to inspect and test export goods.

Selling, General and Administrative Expenses - Advertisement Expenses

Advertisement expenses to related parties for the three-month periods ended March 31, 2005 and 2004 are summarized below:

	2005		2004	
	Amount	%	Amount	%
B&Q	\$ 13,322	43	\$ 13,241	29
Others	55	-	-	-
	<u>\$ 13,377</u>	<u>43</u>	<u>\$ 13,241</u>	<u>29</u>

Selling, General and Administrative Expenses - Rental Expenses

Rental expenses to related parties for the three-month periods ended March 31, 2005 and 2004 are summarized below:

	2005		2004	
	Amount	%	Amount	%
Lih Teh Warehouse	\$ 1,931	17	\$ 1,634	15
Up Master	1,857	16	1,721	16
Others	405	4	591	5
	<u>\$ 4,193</u>	<u>37</u>	<u>\$ 3,946</u>	<u>36</u>

Rental expenses to related parties are according to market price and the rental expenses are paid monthly.

Due from Related Parties

Due from related parties as of March 31, 2005 and 2004 are summarized below:

	2005		2004	
	Amount	%	Amount	%
Notes receivable				
U2 Industry Design	\$ 2,886	19	\$ 938	13
Homy	2,526	17	2,509	35
Others	214	1	-	-
	<u>\$ 5,626</u>	<u>37</u>	<u>\$ 3,447</u>	<u>48</u>
Accounts receivable				
TR PC	\$ 718,960	28	\$ 545,583	23
MDI	320,266	12	333,233	14
TR CZ	124,327	5	120,042	5
B&Q	116,713	5	96,884	4
NACC	77,724	3	57,130	2
TR RUS	69,278	3	-	-
TR HU	53,917	2	73,214	3
TR ROU	41,933	2	25,283	1
TR TR	16,993	1	13,749	1
TR HR	11,518	-	19,557	1
Landia	7,560	-	27,568	1
Hola	6,114	-	14,900	1
Others	23,371	1	7,514	-
	<u>\$1,588,674</u>	<u>62</u>	<u>\$1,334,657</u>	<u>56</u>

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
Advances for related parties				
CENDYNE	\$ 128,971	86	\$ 159,326	79
TR PC	6,257	4	9,090	4
TR Singapore	6,151	4	6,830	3
TR Retailing	4,008	3	3,051	2
Chung Cin Enterprise	167	-	10,717	5
TR HK	145	-	7,659	4
Others	3,699	3	6,240	3
	<u>\$ 149,398</u>	<u>10</u>	<u>\$ 202,913</u>	<u>10</u>
		<u>0</u>		<u>0</u>
Service fees receivable				
B&Q	\$ 16,610	82	\$ 12,701	86
Hola	3,901	15	1,676	11
Others	817	3	328	3
	<u>\$ 21,328</u>	<u>10</u>	<u>\$ 14,705</u>	<u>10</u>
		<u>0</u>		<u>0</u>
Commission receivable				
TR PC	\$ 9,365	37	\$ -	-
MDI	2,763	11	2,219	6
	<u>\$ 12,128</u>	<u>48</u>	<u>\$ 2,219</u>	<u>6</u>

Due to Related Parties

Due to related parties as of March 31, 2005 and 2004 are summarized below:

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
Accrued commission expenses				
TR PC	\$ 14,315	22	3,649	7
TR Mexico	6,794	11	2,058	4
NACC	6,661	10	6,393	13
Landia	2,371	4	4,050	8
Others	2,023	3	2,675	5
	<u>\$ 32,164</u>	<u>50</u>	<u>\$ 18,825</u>	<u>37</u>
Accrued export expenses				
TR Fortune Consulting	\$ 23,375	81	199	-
TR HK	5,000	17	14,638	87
Others	86	-	433	2
	<u>\$ 28,461</u>	<u>98</u>	<u>\$ 15,270</u>	<u>89</u>
Accrued advertisement expenses				
B&Q	\$ 27,826	56	\$ 18,335	41
Others	55	-	213	-

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
	<u>\$ 27,881</u>	<u>56</u>	<u>\$ 18,548</u>	<u>41</u>
Deposits received				
B&Q	\$ 51,804	69	\$ 51,804	70
Hola	14,540	19	14,200	19
Others	<u>3,373</u>	<u>5</u>	<u>3,373</u>	<u>5</u>
	<u>\$ 69,717</u>	<u>93</u>	<u>\$ 69,377</u>	<u>94</u>

Payment of Credit Guarantees

See Note 31.

As of March 31, 2005 and 2004, long-term debt of \$810,000 thousand and \$1,040,000 thousand were guaranteed by Tony Ho and Judy Lee, respectively.

30. PLEDGED ASSETS

Assets pledged for various purposes as of March 31, 2005 and 2004 are summarized as follows:

	2005	2004
Certificate of deposit - restricted	\$ -	\$440,000
Land	<u>267,519</u>	<u>267,519</u>
	<u>\$267,519</u>	<u>\$707,519</u>

31. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Outstanding letters of credit not reflected in the accompanying financial statement as of March 31, 2005 and 2004 are as follows:

	2005	2004
U.S. dollar	\$2,760	\$4,723

Endorsements and Guarantees

Outstanding endorsements and guarantees in standby letters of credit (L/C) and corporate guarantees as of March 31, 2005 and 2004 are as follows:

Standby L/Cs

	2005	2004
TR PC	US\$11,200	US\$ 1,900

Corporate Guarantees

	2005	2004
Hola Shanghai Consultant	US\$ 6,200	US\$ -
MDI	US\$ 6,000	US\$ 6,000
TR PC	US\$ 3,600	US\$ 11,200
TR Germany / Import	US\$ 3,000	US\$ 2,000
TR Fortune Consultant	US\$ 3,000	US\$ -
TR Development	US\$ 2,900	US\$ -
TR Singapore	US\$ 1,525	US\$ 1,631
TR Trading & TR Retailing	US\$ 1,250	US\$ -
TR HK	US\$ 900	US\$ 2,500
TR Thailand	US\$ 655	US\$ 799
TR Germany / International	US\$ -	US\$ 1,000
Lih Chiou	NT\$ 95,000	NT\$ 400,000
U2 Industry Design	NT\$ 5,000	NT\$ 5,000

Litigation

On July 29, 2003, the Company filed a complaint against CENDYNE (the Company indirectly holds a 50% ownership interest) and its key officers [including Edward Meadows, Dean Vahdati and Mohammad Vahdati (collectively, the “Individual Defendants”)] and an ex-parte application for writ of attachment against the assets of CENDYNE, with the Superior Court of Orange County, California, USA (the “Court”) on grounds that during 2002, when the Company invested in CENDYNE’s stock, CENDYNE’s officers made false statements to the Company, concealed information, concerning CENDYNE’s liabilities and CENDYNE’s losses derived from certain “Price Protection Obligation to Retailers” and “Mail-in Rebates to Consumers” in 2003, and the Company demanded for damages for at least US\$22,700 thousand as a result of its reliance on defendants’ false statements and concealment. The Company’s counsel in the United States petitioned the Court for appointment of a Receiver to take control of CENDYNE and liquidate and distribute its assets to creditors. The lawsuit is pending in the court and the possible outcome of this case cannot be estimated at this time, but the Company already recognized investment loss and bad debt amounted to \$156,530 thousand and \$449,956 thousand, respectively, reported as equity in net loss of affiliates and operating expenses.

As of the date hereof, pursuant to an agreement dated September 23, 2004, the Company settled its claims against the Individual Defendants. The Individual Defendants agreed to make a US\$30 thousand payment to the Company and the parties gave each other mutual general releases from all other matters. The receivership of CENDYNE is still pending before the Court, and a resolution of the receivership and payment to the Company in respect of its claim against the receivership estate is expected sometime in 2005. The receiver has stipulated in writing CENDYNE’s assets. As part of the settlement between the Company and the Individual Defendants, the Individual Defendants agreed to disclaim any interest in the receivership estate of CENDYNE.

32. OTHERS

According to Statement of Financial Accounting Standards (“SFAS”) No. 27, “Disclosure of Financial Instruments,” derivative financial instruments of the Company as of March 31, 2005 and 2004 are summarized as follows:

Nominal Amount and Credit Risk

The forward exchange contract as of March 31, 2005 and 2004 are summarized below:

Financial Instruments	Type	2005		2004	
		Nominal Amount	Credit Risk	Nominal Amount	Credit Risk
Non-trading purpose Forward exchange	Sale	US\$ 32,000	-	US\$ 138,000	-

The option contracts as of March 31, 2005 and 2004 are summarized below:

	Contract Amount	Call Option	Put Option	2005		Credit Risk
				Exchange Rate	Maturity Day	
Sell option contract Trading purpose Option	USD 5,000	JPY	USD	109.20	2005.09.15~ 2005.09.19	-
	EUR 3,000	USD	EUR	1.28	2005.05.23~ 2005.06.30	-
	EUR 5,000	EUR	USD	1.3525~1.38	2005.09.28~ 2005.09.30	-
Non-trading purpose Option	USD 65,000	USD	NTD	29.80~31.60	2005.04.06~ 2005.12.30	-
Cross Currency Swap	USD 39,000	NTD	USD	30.849~33.507	2005.05.09~ 2005.10.13	-
Interest rate swap	NTD200,000	-	-	4.00	2006.06.02	-
	NTD220,000	NTD	JPY	Floating	2006.02.04	-
	NTD220,000	NTD	USD	Floating	2006.02.04	-
2004						
	Contract Amount	Call Option	Put Option	Exchange Rate	Maturity Day	Credit Risk
Sell option contract Trading purpose Option	USD 9,500	USD	JPY	102.75~114.4	2004.09.23~ 2004.09.29	-
	USD 35,000	USD	NTD	34~34.6	2004.04.30~ 2005.02.24	-
	JPY 948,000	JPY	NTD	0.3045~0.3161	2004.04.14~ 2004.05.10	-
	EUR 9,000	EUR	USD	1.15~1.3	2004.07.07~ 2004.12.30	-
Non-trading purpose Option	USD 113,000	USD	NTD	32.698~33.976	2004.04.22~ 2005.03.07	-
Buy option contract Trading purpose						

	2004					
	Contract Amount	Call Option	Put Option	Exchange Rate	Maturity Day	Credit Risk
Option	USD 10,000	USD	NTD	32.85~32.93	2004.07.30~ 2004.09.07	-
Non-trading purpose Option	USD 113,000	USD	NTD	32.698~33.976	2004.04.22~ 2005.03.07	-
Interest rate swap	NTD270,000	-	-	4.65	2004.06.25	-
	NTD220,000	NTD	JPY	Floating	2006.02.04	-
	NTD220,000	NTD	USD	Floating	2006.02.27	-

The Company will suffer losses if the counterparties default. However, the Company's credit risk is insignificant on the basis of the reputable banks as counterparties.

Market Risk

For a derivative designated as hedging instruments, the gain or loss derived from the fluctuation of interest rate or exchange rate is to be offset by the loss or gain on the hedged item attributable to the risk being hedged and thus, the market risk is insignificant.

Liquidity Risk and Cash Flow Risk

The Company has the ability to meet its financial obligations under the derivative contracts and thus, liquidity risks virtually do not exist.

Foreign exchange rates embedded in the derivative contracts are fixed at the inception and thus, cash flow risks are insignificant.

Reporting of Derivative Instruments in the Financial Statements

As of March 31, 2005 and 2004, the receivable and payable derived from foreign exchange contracts are summarized below:

	2005	2004
Forward contract receivable	\$ 15,909,254	\$ 8,975,866
Less forward contract payable	<u>(15,714,627)</u>	<u>(8,908,970)</u>
Receivable on forward contracts, net	<u>\$ 194,627</u>	<u>\$ 66,896</u>

Foreign exchange gain of the Company from derivative financial instruments for the three-month period ended March 31, 2005 and 2004 was \$52,567 thousand and \$53,870 thousand and is reported as non-operating income - exchange gains.

Fair Value of Financial Instruments

The fair value of non-derivative financial instruments as of March 31, 2005 and 2004 is summarized as follows:

	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$ 3,345,309	\$3,345,309	\$ 1,561,899	\$ 1,561,899
Short-term investments	29,460	29,460	10,000	10,031
Notes receivable	9,760	9,760	3,706	3,706
Notes receivable, affiliates	5,626	5,626	3,447	3,447
Accounts receivable	997,966	997,966	1,058,371	1,058,371
Accounts receivable, affiliates	1,588,674	1,588,674	1,334,657	1,334,657
Other receivables	238,581	238,581	295,083	295,083
Other financial assets, current	194,844	194,844	67,113	67,113
Long-term investments	3,892,055	4,040,841	3,431,458	3,610,270
Other financial assets	67,054	67,054	508,431	508,431
Liabilities				
Short-term bank borrowings	2,900,760	2,900,760	1,089,660	1,089,660
Accounts payable	838,473	838,473	950,231	950,231
Other payable	358,919	358,919	378,314	378,314
Current portion of long-term liabilities	585,834	585,834	370,000	370,000
Other current financial liabilities	26,752	26,752	15,578	15,578
Long-term liabilities	1,300,033	1,300,033	2,042,435	2,042,435
Other financial liabilities	74,789	74,789	74,028	74,028

The fair value of derivative financial instruments as of March 31, 2005 is summarized as follows:

	Carrying Value	Carrying Value
Unsettled option transaction	\$ (6,131)	\$ (6,131)
Buy forward exchange asset	15,909,254	15,909,254
Sell forward exchange liability	15,714,627	15,714,627

Approaches and assumptions employed in assessing the fair value of financial instruments are summarized as follows:

- Financial instruments classified as current assets and liabilities, cash and cash equivalents, notes receivable, notes receivable, affiliates, accounts receivable, accounts receivable, affiliates, short-term bank borrowings, accounts payable, and other financial instruments etc., whose maturity dates are short-term recognize carrying value as fair value.
- Short-term investments and long-term investments, for which market prices exist, are valued at market prices. Otherwise, available financial or other useful information is employed to compute fair value.
- Long-term debt is stated at discount value.
- Refundable deposits and advance deposits from customers, is stated at discount value.

- (e) The fair value of derivative financial instruments is the amounts which the Company expects to receive or pay if the Company stops the contracts according to the agreement at the balance sheet date. Generally, the amounts included unrealized gain or loss on outstanding contracts and most of them have reference value from financial organizations.

33. OPERATING LEASE

Lease object: The land of warehouse center in Ne-Whu.

Lease period: From October 16, 1998 to October 15, 2018.

Limitation: None

List of rent expense that should be paid each year in the future as of March 31, 2005:

Period	Amount
2005	\$ 61,043
2006	62,874
2007	64,760
2008	66,703
2009	<u>68,704</u>
	<u>\$ 324,084</u>

List of rent expense and its present value for each 5 years after 2009 as of March 31, 2005:

Period	Amount	Present Value
2010~2014	\$ 375,703	\$ 295,666
2015~2018	<u>324,374</u>	<u>218,628</u>
	<u>\$ 700,077</u>	<u>\$ 514,294</u>

34. RECLASSIFICATIONS

Certain accounts in the 2004 financial statements have been reclassified to conform to the 2005 method of presentation.