

BES Engineering Corporation

**Financial Statements for the
Years Ended December 31, 2006 and 2005 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
BES Engineering Corporation

We have audited the accompanying balance sheets of BES Engineering Corporation (the "Corporation") as of December 31, 2006 and 2005, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2006 and 2005 of BES Construction & Development Corp., Huatung Power Corp., BES Investment Corp., Chung Kung Safeguarding & Securities Corp., BES Construction Corporation (BES, U.S.A.) and Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.). We also did not audit the financial statements as of and for the year ended December 31, 2005 of Smartnet Corp. The investments in these companies, which were directly owned by the Corporation or by its wholly owned subsidiaries, were all accounted for by the equity method. As of December 31, 2006 and 2005, the carrying values of these investments were 2.00% (NT\$719,391 thousand) and 1.52% (NT\$570,301 thousand), respectively, of the Corporation's total assets. As of December 31, 2005, the credit balance on the carrying value of these investments (including in other liabilities) was 0.01% (NT\$2,009 thousand) of the Corporation's total assets. The equity in the investees' net gain was 5.02% (NT\$43,209 thousand) and the equity in the net loss was 22.00% (NT\$119,362 thousand) of the Corporation's income before income tax in 2006 and 2005, respectively. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to these investments, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of BES Engineering Corporation as of December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, starting on January 1, 2006, the Corporation adopted the newly released ROC Statements of Financial Accounting Standards (“Statements” or SFAS) No. 34 - “Accounting for Financial Instruments ” and SFAS No. 36 - “Disclosure and Presentation of Financial Instruments” and related revisions of previously issued Statements. The Corporation adopted SFAS No. 35 - “Accounting for Asset Impairment” on January 1, 2005.

We have also audited the consolidated financial statements of BES Engineering Corporation as of and for the years ended December 31, 2006 and 2005 and have issued a modified unqualified opinion thereon in our report dated March 23, 2007.

Our audits also comprehended the 2006 and 2005 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 23, 2007

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

For the convenience of readers, the auditors’ 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 auditors’ report and financial statements shall prevail.

BES ENGINEERING CORPORATION

BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

(Dollars and Shares in Thousands, Except Par Value)

ASSETS	2006			2005			LIABILITIES AND STOCKHOLDERS' EQUITY	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%		New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash (Note 4)	\$ 1,463,334	\$ 44,894	4	\$ 1,230,096	\$ 37,446	3	Short-term debts (Notes 14 and 27)	\$ 6,146,494	\$ 188,572	17	\$ 7,003,703	\$ 213,203	19
Available-for-sale financial assets - current (Notes 2, 3 and 5)	69,415	2,130	-	184,135	5,605	-	Short-term notes and bills payable (Notes 15 and 27)	1,294,633	39,719	4	2,519,805	76,706	7
Accounts receivable, net of allowance for doubtful accounts of NT\$127,675 thousand (Notes 2, 19 and 26)	4,953,274	151,964	14	4,768,058	145,147	13	Notes payable (Note 19)	471,592	14,468	1	407,592	12,408	1
Receivables on the development of industrial districts (Notes 2, 6 and 19)	15,701,140	481,704	44	15,976,376	486,343	43	Accounts payable (Notes 19 and 26)	3,422,092	104,988	10	3,589,086	109,257	10
Inventories (Notes 2 and 7)	11,637	357	-	34,578	1,053	-	Accrued expenses (Notes 18 and 26)	164,398	5,044	-	172,064	5,238	-
Buildings and land held for sale (Notes 2, 19 and 27)	326,813	10,026	1	62,112	1,891	-	Payables for development of industrial districts (Notes 2, 16 and 19)	1,151,839	35,338	3	1,037,180	31,573	3
Construction in progress (Notes 2 and 19)	1,778,722	54,570	5	1,909,862	58,139	5	Advance construction receipts (Notes 2 and 19)	780,558	23,947	2	501,752	15,274	1
Prepaid expenses	229,289	7,035	1	256,509	7,808	1	Current portion of long-term debts (Notes 17 and 27)	890,060	27,307	3	534,401	16,268	1
Deferred income taxes - current (Notes 2 and 23)	72,983	2,239	-	85,966	2,617	-	Construction warranty (Note 19)	142,395	4,368	-	173,052	5,268	1
Restricted assets (Notes 19, 26 and 27)	1,524,986	46,786	4	1,719,524	52,345	5	Guarantee deposits on construction contracts (Note 19)	444,003	13,622	1	424,356	12,918	1
Refundable deposits on construction contracts (Note 19)	93,245	2,861	-	34,807	1,060	-	Other current liabilities (Notes 2 and 23)	595,957	18,284	2	702,024	21,371	2
Other current assets (Note 26)	455,148	13,964	1	551,453	16,787	1							
Total current assets	26,679,986	818,530	74	26,813,476	816,241	71	Total current liabilities	15,504,021	475,657	43	17,065,015	519,484	46
LONG-TERM INVESTMENTS (Notes 2, 3, 8, 9, 10, 26 and 27)							LONG-TERM DEBTS						
Equity-method investments	2,929,132	89,864	8	2,692,725	81,970	7	Bank loans, net of current portion (Notes 17 and 27)	839,803	25,765	2	651,267	19,825	2
Prepayments for long-term equity investments	10,651	327	-	-	-	-							
Financial assets carried at cost - noncurrent	679,931	20,860	2	1,211,412	36,877	4	RESERVE FOR LAND REVALUATION INCREMENT TAX (Note 11)	1,312,774	40,275	4	1,627,659	49,548	4
Bonds carried at amortized cost - noncurrent	66,600	2,043	-	66,600	2,027	-							
Total long-term investments	3,686,314	113,094	10	3,970,737	120,874	11	OTHER LIABILITIES						
PROPERTIES (Notes 2, 3, 11, 26 and 27)							Guarantee deposits received (Note 12)	22,376	686	-	22,579	687	-
Cost							Other (Notes 2 and 8)	-	-	-	2,009	61	-
Land	904,094	27,737	3	896,262	27,284	2	Total other liabilities	22,376	686	-	24,588	748	-
Land improvements	20,542	630	-	20,542	625	-	Total liabilities	17,678,974	542,383	49	19,368,529	589,605	52
Buildings and structures	134,683	4,132	-	133,306	4,058	-	STOCKHOLDERS' EQUITY						
Machinery and equipment	201,073	6,169	1	236,005	7,184	1	Capital stock - NT\$10.00 par value						
Transportation equipment	29,557	907	-	31,951	973	-	Authorized - 1,800,000 thousand shares						
Miscellaneous equipment	10,258	315	-	8,809	268	-	Issued and outstanding - 1,450,217 thousand shares	14,502,168	444,920	40	14,502,168	441,466	39
	1,300,207	39,890	4	1,326,875	40,392	3	Capital surplus						
Revaluation increment	2,354,652	72,240	6	2,532,316	77,087	7	Additional paid-in capital in excess of par value	18,861	579	-	18,861	574	-
Total cost and appreciation	3,654,859	112,130	10	3,859,191	117,479	10	Treasury stock transactions	1,757	54	-	965	29	-
Accumulated depreciation	296,153	9,086	1	299,547	9,119	1	From long-term equity investments	104,806	3,215	-	47,142	1,435	-
Accumulated impairment	172,483	5,292	-	159,406	4,852	-	Total capital surplus	125,424	3,848	-	66,968	2,038	-
Net properties	3,186,223	97,752	9	3,400,238	103,508	9	Retained earnings						
OTHER ASSETS							Legal reserve	212,057	6,506	1	175,228	5,334	1
Leased assets, net (Notes 2, 11, 12, 26 and 27)	1,957,002	60,040	6	2,878,421	87,623	8	Special reserve	412,107	12,643	1	412,107	12,545	1
Refundable deposits (Note 26)	31,728	973	-	19,078	581	-	Unappropriated earnings	1,016,803	31,195	3	506,330	15,414	1
Deferred charges, net (Notes 2 and 13)	123,880	3,801	-	100,959	3,073	-	Total retained earnings	1,640,967	50,344	5	1,093,665	33,293	3
Long-term accounts receivable - related parties (Note 26)	241,812	7,419	1	285,684	8,697	1	Others						
Certificates of deposit - restricted (Note 27)	28,000	859	-	16,000	487	-	Cumulative translation adjustments	(74,865)	(2,297)	-	(88,961)	(2,708)	-
Miscellaneous (Notes 2, 18 and 23)	5,024	154	-	8,027	244	-	Unrealized valuation gain (loss) on financial assets	442	14	-	(162,123)	(4,935)	(1)
Total other assets	2,387,446	73,246	7	3,308,169	100,705	9	Unrealized revaluation increment	2,066,859	63,410	6	2,713,104	82,591	7
TOTAL	\$35,939,969	\$ 1,102,622	100	\$37,492,620	\$ 1,141,328	100	Total others	1,992,436	61,127	6	2,462,020	74,948	6
							Treasury stock (cost) - 323 thousand shares in 2005	-	-	-	(730)	(22)	-
							Total stockholders' equity	18,260,995	560,239	51	18,124,091	551,723	48
							TOTAL	\$35,939,969	\$ 1,102,622	100	\$37,492,620	\$ 1,141,328	100

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

(With Deloitte & Touche audit report dated March 23, 2007)

BES ENGINEERING CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

(Dollars and Shares in Thousands, Except Earnings Per Share)

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%
OPERATING REVENUES						
Construction income (Notes 2 and 26)	\$ 12,386,183	\$ 380,002	99	\$ 13,188,874	\$ 401,488	98
Other (Notes 2 and 26)	<u>169,152</u>	<u>5,190</u>	<u>1</u>	<u>321,225</u>	<u>9,778</u>	<u>2</u>
Total operating revenues	<u>12,555,335</u>	<u>385,192</u>	<u>100</u>	<u>13,510,099</u>	<u>411,266</u>	<u>100</u>
OPERATING COSTS						
Construction (Notes 2, 24 and 26)	12,456,660	382,165	99	12,992,403	395,507	96
Other (Note 26)	<u>62,674</u>	<u>1,923</u>	<u>-</u>	<u>64,657</u>	<u>1,968</u>	<u>1</u>
Total operating costs	<u>12,519,334</u>	<u>384,088</u>	<u>99</u>	<u>13,057,060</u>	<u>397,475</u>	<u>97</u>
GROSS INCOME	<u>36,001</u>	<u>1,104</u>	<u>1</u>	<u>453,039</u>	<u>13,791</u>	<u>3</u>
OPERATING EXPENSES (Notes 24 and 26)						
Marketing	38,144	1,170	-	31,218	950	-
Administrative	174,949	5,367	2	156,724	4,771	1
Research and development	<u>10,598</u>	<u>325</u>	<u>-</u>	<u>11,585</u>	<u>353</u>	<u>-</u>
Total operating expenses	<u>223,691</u>	<u>6,862</u>	<u>2</u>	<u>199,527</u>	<u>6,074</u>	<u>1</u>
OPERATING INCOME (LOSS)	<u>(187,690)</u>	<u>(5,758)</u>	<u>(1)</u>	<u>253,512</u>	<u>7,717</u>	<u>2</u>
NONOPERATING INCOME AND GAINS						
Interest (Notes 6 and 26)	359,816	11,039	3	429,799	13,084	3
Investment income recognized under the equity method (Notes 2, 3 and 8)	4,038	124	-	-	-	-
Gain on sales of properties (Notes 12 and 26)	1,464,578	44,932	12	163,827	4,987	1
Gain on sale of investments, net	24,273	745	-	17,364	528	-
Rental (Notes 12, 24 and 26)	55,506	1,703	-	54,391	1,656	1
Compensation gain on a lawsuit	28,599	877	-	303,530	9,240	2
Other (Note 26)	<u>77,460</u>	<u>2,377</u>	<u>1</u>	<u>70,046</u>	<u>2,133</u>	<u>1</u>
Total nonoperating income and gains	<u>2,014,270</u>	<u>61,797</u>	<u>16</u>	<u>1,038,957</u>	<u>31,628</u>	<u>8</u>
NONOPERATING EXPENSES AND LOSSES						
Interest (Note 12)	58,199	1,786	1	50,849	1,548	1
Investment loss recognized under the equity method (Notes 2 and 8)	-	-	-	140,741	4,284	1
Loss on sale of properties	10,899	334	-	24,612	749	-
Impairment loss (Notes 2, 3, 11, 12 and 13)	146,912	4,507	1	159,406	4,853	1
Loss on valuation of financial assets (Notes 2 and 3)	-	-	-	28,923	881	-
Impairment loss on financial assets (Notes 2, 3 and 9)	530,871	16,287	4	85,917	2,615	1
Other (Note 26)	<u>218,698</u>	<u>6,710</u>	<u>2</u>	<u>259,346</u>	<u>7,895</u>	<u>2</u>
Total nonoperating expenses and losses	<u>965,579</u>	<u>29,624</u>	<u>8</u>	<u>749,794</u>	<u>22,825</u>	<u>6</u>
INCOME BEFORE INCOME TAX	861,001	26,415	7	542,675	16,520	4
INCOME TAX (Notes 2 and 23)	<u>69,453</u>	<u>2,131</u>	<u>1</u>	<u>174,386</u>	<u>5,309</u>	<u>1</u>
NET INCOME	<u>\$ 791,548</u>	<u>\$ 24,284</u>	<u>6</u>	<u>\$ 368,289</u>	<u>\$ 11,211</u>	<u>3</u>

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

(Dollars and Shares in Thousands, Except Earnings Per Share)

	2006		2005	
	NT\$	NT\$	NT\$	NT\$
	Before	After	Before	After
	Income	Income	Income	Income
	Tax	Tax	Tax	Tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.59</u>	<u>\$ 0.55</u>	<u>\$ 0.37</u>	<u>\$ 0.25</u>

Pro forma information assuming that the shares of BES Engineering Corporation held by its subsidiaries were not treated as treasury stock (Notes 2, 21 and 22):

	2006		2005	
	NT\$	NT\$	NT\$	NT\$
	Before	After	Before	After
	Income	Income	Income	Income
	Tax	Tax	Tax	Tax
NET INCOME	<u>\$861,793</u>	<u>\$792,340</u>	<u>\$542,127</u>	<u>\$367,741</u>
EARNINGS PER SHARE	<u>\$ 0.59</u>	<u>\$ 0.55</u>	<u>\$ 0.37</u>	<u>\$ 0.25</u>

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

(With Deloitte & Touche audit report dated March 23, 2007)

(Concluded)

BES ENGINEERING CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005**

(New Taiwan Dollars and Shares in Thousands, Except Amounts Per Share)

	Capital Stock		Capital Surplus (Notes 2, 20 and 21)				Retained Earnings (Note 20)				Others (Notes 2, 3, 11, 12 and 20)			Treasury Stock (Notes 2 and 21)	Total Stockholders' Equity	
	Issued and Outstanding		Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative and Foreign Currency Translation Adjustments	Unrealized Valuation Gain (Loss) on Financial Assets	Unrealized Revaluation Increment			Total
	Shares	Amount														
BALANCE, JANUARY 1, 2005	1,450,217	\$ 14,502,168	\$ 18,861	\$ 965	\$ 65,021	\$ 84,847	\$ 162,821	\$ 412,107	\$ 303,103	\$ 878,031	\$ (143,239)	\$ (145,069)	\$ 1,612,102	\$ 1,323,794	\$ (730)	\$ 16,788,110
Reduction of land value-added tax	-	-	-	-	-	-	-	-	-	-	-	-	1,101,002	1,101,002	-	1,101,002
Appropriation of the 2004 earnings																
Legal reserve	-	-	-	-	-	-	12,407	-	(12,407)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(3,053)	(3,053)	-	-	-	-	-	(3,053)
Bonus to employees	-	-	-	-	-	-	-	-	(4,580)	(4,580)	-	-	-	-	-	(4,580)
Cash dividends - NT\$0.1 per share	-	-	-	-	-	-	-	-	(145,022)	(145,022)	-	-	-	-	-	(145,022)
Net income in 2005	-	-	-	-	-	-	-	-	368,289	368,289	-	-	-	-	-	368,289
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	53,796	-	-	53,796	-	53,796
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	482	-	-	482	-	482
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(17,054)	-	(17,054)	-	(17,054)
Reversal of capital surplus on long-term equity investments	-	-	-	-	(17,879)	(17,879)	-	-	-	-	-	-	-	-	-	(17,879)
BALANCE, DECEMBER 31, 2005	1,450,217	14,502,168	18,861	965	47,142	66,968	175,228	412,107	506,330	1,093,665	(88,961)	(162,123)	2,713,104	2,462,020	(730)	18,124,091
Appropriation of the 2005 earnings																
Legal reserve	-	-	-	-	-	-	36,829	-	(36,829)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(4,885)	(4,885)	-	-	-	-	-	(4,885)
Bonus to employees	-	-	-	-	-	-	-	-	(7,327)	(7,327)	-	-	-	-	-	(7,327)
Cash dividends - NT\$0.16 per share	-	-	-	-	-	-	-	-	(232,034)	(232,034)	-	-	-	-	-	(232,034)
Net income in 2006	-	-	-	-	-	-	-	-	791,548	791,548	-	-	-	-	-	791,548
Reclassification of the Corporation's shares sold by subsidiaries into disposal of treasury stock	-	-	-	792	-	792	-	-	-	-	-	-	-	-	730	1,522
Adjustment to unrealized revaluation increment due to disposal of properties	-	-	-	-	-	-	-	-	-	-	-	-	(646,245)	(646,245)	-	(646,245)
Capital surplus on long-term equity investments	-	-	-	-	57,664	57,664	-	-	-	-	-	-	-	-	-	57,664
Unrealized gain on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	130,458	-	130,458	-	130,458
Unrealized valuation gains on financial assets	-	-	-	-	-	-	-	-	-	-	-	32,107	-	32,107	-	32,107
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	13,403	-	-	13,403	-	13,403
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	693	-	-	693	-	693
BALANCE, DECEMBER 31, 2006	<u>1,450,217</u>	<u>\$ 14,502,168</u>	<u>\$ 18,861</u>	<u>\$ 1,757</u>	<u>\$ 104,806</u>	<u>\$ 125,424</u>	<u>\$ 212,057</u>	<u>\$ 412,107</u>	<u>\$ 1,016,803</u>	<u>\$ 1,640,967</u>	<u>\$ (74,865)</u>	<u>\$ 442</u>	<u>\$ 2,066,859</u>	<u>\$ 1,992,436</u>	<u>\$ -</u>	<u>\$ 18,260,995</u>

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

(With Deloitte & Touche audit report dated March 23, 2007)

BES ENGINEERING CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005
(U.S. Dollars and Shares in Thousands, Except Amounts Per Share)**

	Capital Stock		Capital Surplus (Notes 2, 20 and 21)				Retained Earnings (Note 20)				Others (Notes 2, 3, 11, 12 and 20)				Treasury Stock (Notes 2 and 21)	Total Stockholders' Equity
	Issued and Outstanding		Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative and Foreign Currency Translation Adjustments	Unrealized Valuation Gain (Loss) on Financial Assets	Unrealized Revaluation Increment	Total		
	Shares	Amount														
BALANCE, JANUARY 1, 2005	1,450,217	\$ 457,337	\$ 595	\$ 30	\$ 2,050	\$ 2,675	\$ 5,135	\$ 12,996	\$ 9,559	\$ 27,690	\$ (4,517)	\$ (4,575)	\$ 50,839	\$ 41,747	\$ (23)	\$ 529,426
Balance as previously reported translation adjustment	-	(15,871)	(21)	(1)	(71)	(93)	(179)	(451)	(331)	(961)	156	159	(1,764)	(1,449)	1	(18,373)
Balance as adjusted	1,450,217	441,466	574	29	1,979	2,582	4,956	12,545	9,228	26,729	(4,361)	(4,416)	49,075	40,298	(22)	511,053
Reduction of land value-added tax	-	-	-	-	-	-	-	-	-	-	-	-	33,516	33,516	-	33,516
Appropriation of the 2004 earnings																
Legal reserve	-	-	-	-	-	-	378	-	(378)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(93)	(93)	-	-	-	-	-	(93)
Bonus to employees	-	-	-	-	-	-	-	-	(139)	(139)	-	-	-	-	-	(139)
Cash dividends - US\$0.0030 per share	-	-	-	-	-	-	-	-	(4,415)	(4,415)	-	-	-	-	-	(4,415)
Net income in 2005	-	-	-	-	-	-	-	-	11,211	11,211	-	-	-	-	-	11,211
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	1,638	-	-	1,638	-	1,638
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	15	-	-	15	-	15
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(519)	-	(519)	-	(519)
Reversal of capital surplus on long-term equity investments	-	-	-	-	(544)	(544)	-	-	-	-	-	-	-	-	-	(544)
BALANCE, DECEMBER 31, 2005	1,450,217	441,466	574	29	1,435	2,038	5,334	12,545	15,414	33,293	(2,708)	(4,935)	82,591	74,948	(22)	551,723
Balance as previously reported translation adjustment	-	3,454	5	1	11	17	42	98	120	260	(21)	(39)	646	586	-	4,317
Balance as adjusted	1,450,217	444,920	579	30	1,446	2,055	5,376	12,643	15,534	33,553	(2,729)	(4,974)	83,237	75,534	(22)	556,040
Appropriation of the 2005 earnings																
Legal reserve	-	-	-	-	-	-	1,130	-	(1,130)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(150)	(150)	-	-	-	-	-	(150)
Bonus to employees	-	-	-	-	-	-	-	-	(225)	(225)	-	-	-	-	-	(225)
Cash dividends - US\$0.0049 per share	-	-	-	-	-	-	-	-	(7,118)	(7,118)	-	-	-	-	-	(7,118)
Net income in 2006	-	-	-	-	-	-	-	-	24,284	24,284	-	-	-	-	-	24,284
Reclassification of the Corporation's shares sold by subsidiaries into disposal of treasury stock	-	-	-	24	-	24	-	-	-	-	-	-	-	-	22	46
Adjustment to unrealized revaluation increments due to disposal of properties	-	-	-	-	-	-	-	-	-	-	-	-	(19,827)	(19,827)	-	(19,827)
Capital surplus on long-term equity investments	-	-	-	-	1,769	1,769	-	-	-	-	-	-	-	-	-	1,769
Unrealized gain on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	4,003	-	4,003	-	4,003
Unrealized valuation gains on financial assets	-	-	-	-	-	-	-	-	-	-	-	985	-	985	-	985
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	411	-	-	411	-	411
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	21	-	-	21	-	21
BALANCE, DECEMBER 31, 2006	<u>1,450,217</u>	<u>\$ 444,920</u>	<u>\$ 579</u>	<u>\$ 54</u>	<u>\$ 3,215</u>	<u>\$ 3,848</u>	<u>\$ 6,506</u>	<u>\$ 12,643</u>	<u>\$ 31,195</u>	<u>\$ 50,344</u>	<u>\$ (2,297)</u>	<u>\$ 14</u>	<u>\$ 63,410</u>	<u>\$ 61,127</u>	<u>\$ -</u>	<u>\$ 560,239</u>

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

(With Deloitte & Touche audit report dated March 23, 2007)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (Dollars in Thousands)

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 791,548	\$ 24,284	\$ 368,289	\$ 11,211
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	52,201	1,601	82,619	2,515
Loss on valuation of financial assets	-	-	28,923	880
Allowance for doubtful accounts	-	-	2,638	80
Gain on sales of investments, net	(24,273)	(745)	(17,364)	(529)
Gain on sales of properties, net	(1,453,679)	(44,598)	(139,215)	(4,238)
Asset impairment loss	146,912	4,507	159,406	4,853
Cash dividends from equity-method investees	25,739	790	84,224	2,564
Equity in net losses (gains) of investees, net	(4,038)	(124)	140,741	4,284
Impairment loss on financial assets	530,871	16,287	85,917	2,615
Gain on liquidation of financial assets carried at cost - noncurrent	(796)	(24)	-	-
Recognition of pension costs	3,003	92	5,678	173
Deferred income taxes	12,983	398	136,000	4,140
Net changes in operating assets and liabilities				
Accounts receivable	(185,216)	(5,682)	(620,108)	(18,877)
Construction in progress	57,867	1,775	(999,480)	(30,426)
Inventories	22,941	704	(8,837)	(269)
Building and land held for sale	(264,701)	(8,121)	47,783	1,455
Receivables on the development of industrial districts	275,236	8,444	2,566,688	78,134
Prepaid expenses	27,220	835	(42,042)	(1,280)
Restricted assets	194,538	5,968	405,392	12,341
Refundable deposits on construction contracts	(58,438)	(1,793)	94,761	2,885
Other current assets	93,305	2,863	487,496	14,840
Notes payable	64,000	1,963	160,942	4,899
Accounts payable	(166,994)	(5,123)	315,576	9,607
Accrued expenses	(7,666)	(235)	(221,615)	(6,746)
Payables for development of industrial districts	114,659	3,518	(104,789)	(3,190)
Advance construction receipts	278,806	8,554	(256,287)	(7,802)
Construction warranty	(30,657)	(941)	12,402	378
Guarantee deposits on construction contracts	19,647	603	11,257	343
Other current liabilities	<u>(106,067)</u>	<u>(3,254)</u>	<u>234,476</u>	<u>7,138</u>
Net cash provided by operating activities	<u>408,951</u>	<u>12,546</u>	<u>3,021,471</u>	<u>91,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in available-for-sale financial assets	(234,402)	(7,191)	(349,289)	(10,633)
Proceeds of the sale of available-for-sale financial assets	405,003	12,425	313,437	9,542
Acquisition of long-term equity investments	(69,710)	(2,139)	(378,718)	(11,529)
Increase in prepayments for long-term equity investments	(10,696)	(328)	-	-
Acquisition of financial assets carried at cost - noncurrent	(3)	-	-	-
Acquisition of bonds carried at amortized cost - noncurrent	-	-	(66,600)	(2,027)
Proceeds of the sale of long-term equity investments	-	-	1,327	41
Proceeds of the reduction of investees' capital	3,803	117	39,519	1,203
Proceeds of the liquidation of long-term equity investments	10,291	316	66,008	2,009
Proceeds of the sale of financial assets carried at cost - noncurrent	499	15	-	-
Additions to property	(9,275)	(285)	(47,787)	(1,455)
Proceeds of the sale of property	1,489,527	45,698	23,912	728
Increase in deferred charges	(1,030)	(32)	(8,921)	(272)

(Continued)

BES ENGINEERING CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (Dollars in Thousands)

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Decrease (increase) in refundable deposits	\$ (12,650)	\$ (388)	\$ 9,666	\$ 294
Decrease in long-term accounts receivable from related parties	46,872	1,438	56,087	1,707
Decrease (increase) in restricted deposits	(12,000)	(368)	14,000	426
Decrease in other assets	-	-	6,488	198
Net cash provided by (used in) investing activities	<u>1,606,229</u>	<u>49,278</u>	<u>(320,871)</u>	<u>(9,768)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term debts	(857,209)	(26,299)	(1,018,662)	(31,009)
Decrease in notes and bills payable	(1,225,172)	(37,588)	(410,751)	(12,504)
Increase (decrease) in long-term debts	544,195	16,696	(818,854)	(24,927)
Decrease in guarantee deposits received	(203)	(6)	(1,533)	(47)
Cash dividends	(232,034)	(7,118)	(145,022)	(4,415)
Payment of directors' remuneration and employees' bonuses	(12,212)	(375)	(7,633)	(232)
Net cash used in financing activities	<u>(1,782,635)</u>	<u>(54,690)</u>	<u>(2,402,455)</u>	<u>(73,134)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>693</u>	<u>21</u>	<u>482</u>	<u>15</u>
NET INCREASE (DECREASE) IN CASH	233,238	7,155	298,627	9,091
CASH, BEGINNING OF YEAR	<u>1,230,096</u>	<u>37,739</u>	<u>931,469</u>	<u>28,355</u>
CASH, END OF YEAR	<u>\$ 1,463,334</u>	<u>\$ 44,894</u>	<u>\$ 1,230,096</u>	<u>\$ 37,446</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid (excluding amounts capitalized)	<u>\$ 59,242</u>	<u>\$ 1,818</u>	<u>\$ 57,267</u>	<u>\$ 1,743</u>
Income tax paid	<u>\$ 31,485</u>	<u>\$ 966</u>	<u>\$ 79,575</u>	<u>\$ 2,422</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:				
Construction in progress transferred to deferred charges	<u>\$ 73,273</u>	<u>\$ 2,248</u>	<u>\$ -</u>	<u>\$ -</u>
Other current assets transferred to long-term accounts receivable from related parties	<u>\$ 3,000</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ -</u>
Other liabilities transferred to long-term equity investments	<u>\$ 2,009</u>	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ -</u>
Properties transferred to leased assets	<u>\$ 167,727</u>	<u>\$ 5,146</u>	<u>\$ 1,079,268</u>	<u>\$ 32,854</u>
Properties transferred to idle assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 3</u>
Current portion of long-term debts	<u>\$ 890,060</u>	<u>\$ 27,307</u>	<u>\$ 534,401</u>	<u>\$ 16,268</u>
Reduction of land value-added tax transferred to reserve for land revaluation increments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,002</u>	<u>\$ 33,516</u>

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

(With Deloitte & Touche audit report dated March 23, 2007)

(Concluded)

BES ENGINEERING CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

BES Engineering Corporation (the "Corporation"), a state-owned enterprise until June 22, 1994, engages mainly in civil engineering, building construction, and developing industrial districts for the government. Its stock has been traded on the Taiwan Stock Exchange since March 2, 1993.

The Corporation had 777 and 778 employees as of December 31, 2006 and 2005, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines, regulations and principles, the Corporation is required to make certain estimates and assumptions that could affect significant accounts such as allowance for doubtful accounts, property and leased asset depreciation, deferred expenses amortization, asset impairment losses, pension cost, losses on unsolved litigation, losses on long-term construction contracts, provision for construction warranty, and income tax. Actual results could differ from these estimates.

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.

The Corporation's significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash and those assets held mainly for trading or to be converted into cash or consumed within 12 months after the balance sheet date. All other assets such as property are classified as noncurrent assets. Current liabilities are obligations to be settled within 12 months after the balance sheet date. All other liabilities are classified as noncurrent.

The terms of the Corporation's construction contracts and the development of industrial districts vary but are typically over one year. Thus, the contract-related assets and liabilities are classified as current or noncurrent depending on the terms of the contracts.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. Gain or loss due to changes in fair value is recognized as adjustments to stockholders' equity, and the related cumulative gain or loss should be recognized in the current year when the financial asset is de-recognized from the balance sheet. A regular purchase or sale of financial assets is recognized and de-recognized using trade date accounting.

The fair value of equity securities is determined at their closing price as of the balance sheet date, and that of mutual funds, at their net asset value as of the balance sheet date.

Stock dividends received are accounted for as an increase in the number of shares held but are not recognized as investment income. Cost or carrying value per share is recomputed on the basis of total shares held after stock dividends are received. Cash dividends received are recognized as current income.

An impairment loss should be recognized if there is objective evidence that a financial asset is impaired. This impairment loss can be reversed to the extent of the original carrying value and recognized as an adjustment to stockholders' equity.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of a periodic review of the collectibility and aging of receivables as well as the evaluation of construction progress and economic circumstances.

Inventories

Inventories, including raw materials, supplies and fuel, are stated at the lower of weighted-average cost or market value (replacement cost).

Buildings and Land Held for Sale

Buildings and land held for sale are stated at the lower of cost or market value (net realizable value).

Long-term Construction Contracts

Revenues and costs of long-term construction contracts are recognized by the percentage-of-completion method. Under this method, the stage of completion of each contract is measured at the ratio of cumulative construction revenue to total estimated contract price.

Construction revenues and costs for the current year are the cumulative construction revenue and costs, determined using the percentage-of-completion method, in excess of the cumulative construction revenue and costs recognized in prior years. Estimated loss on a construction contract is recognized currently; any subsequent adjustment of this loss is recognized as either income or loss in the year of adjustment.

Long-term construction in progress is carried at cost plus estimated construction profit or less estimated losses. Installment payments or collections received from construction projects are credited to advances from construction. Upon completion of each project, these advances are offset against construction in progress.

At year-end, the balances of construction in progress and advances on construction are netted out, and the result is classified as current asset or current liability.

Development of Industrial Districts

The Ministry of Economic Affairs (MOEA) has engaged the Corporation to develop and market industrial districts. While the project is ongoing, the cumulative development costs are reported in the financial statements as receivables and the sales proceeds are shown as payables. Upon the completion and sale of each development project and the repayment of project-related debts, the receivable and payable accounts are offset against each other and then closed, and the resulting credit balance is remitted to the MOEA. Service income from each development project is recognized on the basis of contracts and the regulations governing development of industrial districts.

Financial Assets Carried at Cost

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks and emerging stocks, are measured at cost upon initial recognition. Any cash dividends received are recognized as income on the ex-dividend date, but dividends declared attributable to earnings before investments are acquired are recognized as reductions of the carrying values of the investments.

Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount of shares held is recalculated on the basis of the total number of shares held after stock dividends are received.

An impairment loss should be recognized and charged to current income if there is objective evidence that a financial asset is impaired. This loss cannot be reversed.

Bonds Carried at Amortized Cost

Bonds that have fixed or determinable payments and are not quoted in an active market are carried at amortized cost. Bonds should be measured at original cost plus transaction cost on initial recognition. Gains or losses are recognized when de-recognition, impairment loss or amortization occurs. Purchase or sale of bonds is recognized and de-recognized using trade date accounting.

An impairment loss should be recognized if there is objective evidence that a financial asset is impaired. If there is an indication that the impairment no longer exists or may have diminished, the impairment loss can be reversed to the extent that the increase in carrying amount would not exceed the carrying amount (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Equity-method Investments

Long-term investments in which the Corporation owns at least 20% of investees' common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess should be recognized proportionately and recorded as part of other liabilities. But, since 2005, for equity-method investees over which the Corporation has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Corporation recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the Corporation will have precedence over other stockholders in sharing in the investees' profits until the Corporation's losses are fully cancelled.

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over five years. As required, however, by the revised ROC Statements of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities," starting on January 1, 2006, the cost of acquisition is subjected to an initial analysis. The investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required when there is evidence indicating that goodwill might be impaired due to an event or a change in the economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets in proportion to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subject to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

If an investee issues additional shares of stock and the Corporation subscribes for these additional shares at a percentage not equal to the Corporation's current equity, the resulting increase in the Corporation's equity in the investee's net assets is credited to capital surplus. But if the result is a decrease in the Corporation's equity in the investee's net assets, the decrease is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings.

Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount of each share is recalculated on the basis of the total number of shares held after stock dividends are received. Cash dividends received are deducted from the investments.

Unrealized intercompany gains and losses from downstream transactions with equity-method investees that are not majority-owned are eliminated in proportion to the Corporation's ownership percentage but are entirely eliminated if the transactions are with subsidiaries. Unrealized intercompany gains and losses arising from upstream transactions with all equity-method investees are eliminated in proportion to the Corporation's ownership percentage. Unrealized intercompany gains and losses arising from transactions between investees are accounted for in proportion to the Corporation's ownership percentages. Unrealized intercompany gains and losses are deferred and amortized to income over future periods depending on the nature of transactions. All of the deferred gains are realized when the products are sold to third parties.

Costs of investments sold are determined using the weighted-average method.

Properties and Leased Assets

Properties and leased assets are stated at cost, or cost plus appreciation, less accumulated depreciation. Major additions, replacements and betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation is calculated using the fixed-percentage-on-declining-balance-method over service lives estimated as follows: land improvements, 8 to 40 years; buildings, 4 to 60 years; machinery and equipment, 2 to 13 years; transportation equipment, 3 to 13 years; and miscellaneous equipment, 3 to 20 years. Depreciation on appreciation is provided over the remaining service lives of the assets after revaluation. Properties and leased assets still being used by the Corporation beyond their initially estimated service lives are depreciated over their newly estimated service lives.

Upon sale or other disposal of properties and leased assets, the related cost, revaluation increment and accumulated depreciation are removed from the accounts, and any gain or loss is credited to nonoperating income or loss.

Deferred Charges

Deferred charges, consisting mainly of costs of engineering and construction facilities, are amortized over the duration of each project.

Lease Receivable

The cost of leased equipment and the imputed interest are accounted for as lease receivable. This imputed interest is treated as unearned income and is recognized as interest income in the period it is earned.

Asset Impairment

An impairment loss should be recognized when the carrying amount of properties, properties leased to others and deferred charges exceeds, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years can be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years.

Pension Costs

The Corporation has two types of pension plans: Defined benefit and defined contribution.

Under the defined benefit pension plan, net periodic pension costs are recognized on the basis of actuarial calculations. Under the defined contribution pension plan, the Corporation's required monthly contributions are charged to current cost throughout the employees' service periods.

If the defined benefit pension plan is revised, the prior service costs of the defined benefit pension plan are amortized using the straight-line method over the average years from the revision date until the benefits become vested. When the benefits become vested after plan revision, the Corporation should immediately recognize the prior service cost as expense.

If the defined benefit pension plan is curtailed or settled, the resulting gains or losses should be recognized as part of the net pension cost for the period.

Treasury Stocks

The shares of the Corporation held by subsidiaries should be reclassified from subsidiaries' investments in the Corporation's shares into treasury stock. The value of these shares was calculated at carrying value as shown in the subsidiaries' books as of January 1, 2002. Upon disposal of the treasury stock, the sales proceeds in excess of the cost are accounted for as capital surplus - treasury stock. If the sales proceeds are less than the cost, the difference is accounted for as a reduction of the remaining balance of capital surplus - treasury stock. If the remaining balance of capital surplus - treasury stock is insufficient to cover the difference, the remainder is recorded as a reduction of unappropriated earnings.

Income Tax

The Corporation uses inter-period allocation to account for income tax. The tax effects of deductible temporary differences and unused investment tax credits and operating loss carryforwards are recognized as deferred income tax assets, while those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets and liabilities are classified as current or noncurrent according to the classification of the related asset or liability for financial reporting. A deferred income tax asset or liability that cannot be related to an asset or liability for financial reporting is classified as current or noncurrent depending on the expected realization date of the temporary difference.

Investment tax credits used are recognized as a reduction of income tax expense.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax expense.

Income taxes (10%) on undistributed earnings generated since 1998 are recorded as expense in the year when the stockholders resolve to retain the earnings.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars or when nonmonetary foreign-currency denominated assets and liabilities are settled, are credited or charged to income in the year of settlement.

On the balance sheet date, the balances of nonmonetary foreign-currency denominated assets and liabilities evaluated at fair value, such as equity instruments, are restated at the prevailing exchange rates, and the resulting differences are recorded as adjustment to stockholders' equity or as profit or loss in the current year. Financial assets and liabilities carried at cost are stated at historical exchange rates; while equity-method investments are recorded as cumulative translation adjustments under stockholders' equity.

The accounts of foreign branches are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current exchange rates; and income and expenses - average exchange rates. The resulting differences are accounted for as foreign-currency translation adjustments under stockholders' equity. The cumulative foreign-currency translation difference attributable to a foreign branch that is closed is recognized as current income or loss.

Translation into U.S. Dollars

The financial statements are stated in New Taiwan dollars. The translations of the 2006 and 2005 New Taiwan dollar amounts are included solely for the convenience of readers, using the exchange rates as of December 31, 2006 and 2005 of NT\$32.595=US\$1.000 and NT\$32.85=US\$1.00, respectively, as published by the Bank of Taiwan. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could be, converted into U.S. dollars at these or any other exchange rates.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2005 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2006.

3. ACCOUNTING CHANGES

On January 1, 2006, the Corporation adopted the new Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and SFAS No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

The accounting changes are summarized as follows:

a. Reclassification of financial assets and liabilities

On the basis of the accounting changes, the Corporation reclassified financial assets and financial liabilities. Available-for-sale financial instruments measured at fair value are recognized as adjustments to stockholders' equity.

The adjustment based on the accounting changes is summarized as follows:

	As Adjustments to Stockholders' Equity (After Tax)	
	New Taiwan Dollars	U.S. Dollars (Note 2)
Available-for-sale financial assets	<u>\$ 17,864</u>	<u>\$ 548</u>

This accounting change resulted in a decrease of NT\$6,216 thousand (US\$191 thousand) in net income but had no effects on basic earnings per share after tax in 2006.

b. Reclassification of financial statement accounts

Under Announcement No. 16 (2005) issued by Accounting Research and Development Foundation in Taiwan, upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the year ended December 31, 2005 were reclassified to conform with the financial statements as of and for the year ended December 31, 2006. The 2005 financial statements need not be restated. Valuation methods applied to the reclassified accounts were disclosed in the footnotes to the financial statement but no pro forma financial information was prepared because this preparation was not practicable.

The accounting policies used by the Corporation before the accounting changes are summarized as follows:

1) Short-term investments

These investments are mainly in stocks listed on the ROC Taiwan Stock Exchange or traded over the over-the-counter (OTC) and in mutual funds. The investments are carried at the lower of aggregate cost or market value. If the aggregate carrying value of the investments exceeds their total market value, an allowance for losses is recognized and charged to current year's income. Recovery of the market value to the extent of the original carrying value is recognized as income. The costs of investment sold or redeemed are determined by the moving weighted-average method. Stock dividends received are recorded as an increase in the number of shares held but are not recognized as investment income. Cash dividends received within a year from investment acquisition are accounted for as a reduction of the carrying value of the investment and are recognized as investment income in subsequent years.

Market values are based on the average closing prices of the listed or OTC stocks on the last month of the reporting period, on the net asset values of the open-end mutual funds on the balance sheet date, and on the closing prices of the closed-end mutual funds on the balance sheet date.

2) Investments in share of stock under the cost method

Long-term investments in companies in which the Corporation owns less than 20% of the voting stock or has no significant influence over the investees are stated at cost. An allowance for loss is provided if the carrying value of the investment declines and this decline is considered other than temporary. This decline is charged to current income.

At year-end, the balances of foreign-currency investments under the cost method are restated at the prevailing exchange rates, and resulting differences are accounted for as translation adjustments under stockholders' equity if the restated balances are lower than their cost, otherwise, no adjustment is made.

3) Long-term bond investments

Long-term bond investments are carried at cost. The cost of a sold or redeemed bond is determined by the specific identification method.

As mentioned above, the accounting changes resulted in the reclassification of some accounts in the financial statements as of and for the year ended December 31, 2005, as follows:

	December 31, 2005			
	Before Reclassification		After Reclassification	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Balance sheet</u>				
Short-term investments	\$ 184,135	\$ 5,605	\$ -	\$ -
Investments in share of stock under the cost method	1,211,412	36,877	-	-
Long-term bond investments	66,600	2,027	-	-
Available-for-sale financial assets - current	-	-	184,135	5,605
Financial assets carried at cost - noncurrent	-	-	1,211,412	36,877
Bonds carried at amortized cost - noncurrent	-	-	66,600	2,027

	2005			
	Before Reclassification		After Reclassification	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Statement of income</u>				
Decline in value of long-term stock investments	\$ 85,917	\$ 2,615	\$ -	\$ -
Provision for loss on short-term investments	28,923	881	-	-
Impairment loss on financial asset	-	-	85,917	2,615
Loss on valuation of financial assets	-	-	28,923	881

Effective January 1, 2006, the Corporation adopted the newly revised SFAS No. 1 - "Conceptual Framework of Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No.25 - "Business Combinations - Accounting Treatment Under Purchase Method," which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change resulted in an increase of NT\$341 thousand (US\$10 thousand) in net income but had no effect in the 2006 basic earnings per share after tax.

Effective January 1, 2005, the Corporation adopted SFAS No. 35 - "Accounting for Asset Impairment." This accounting change resulted in (a) value declines of NT\$78,124 thousand (US\$2,378 thousand) in long-term stock investments and NT\$159,406 thousand (US\$4,853 thousand) in properties and (b) increases of NT\$78,124 thousand (US\$2,378 thousand) in investment loss and NT\$159,406 thousand (US\$4,853 thousand) in impairment loss.

4. CASH

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Cash				
Cash on hand	\$ 61	\$ 2	\$ 110	\$ 3
Petty cash	11,160	342	11,780	359
Checking and demand deposits	1,316,214	40,381	1,094,391	33,315
Time deposits	<u>135,899</u>	<u>4,169</u>	<u>123,815</u>	<u>3,769</u>
	<u>\$ 1,463,334</u>	<u>\$ 44,894</u>	<u>\$ 1,230,096</u>	<u>\$ 37,446</u>

As of the end of 2006 and 2005, the Corporation's overseas' deposits were as follows:

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Malaysia - Sabah (MYR49 thousand in 2006 and MYR5 thousand in 2005)	\$ 457	\$ 14	\$ 40	\$ 1
America - California (US\$18 thousand in 2006 and US\$2 thousand in 2005)	<u>571</u>	<u>18</u>	<u>80</u>	<u>2</u>
	<u>\$ 1,028</u>	<u>\$ 32</u>	<u>\$ 120</u>	<u>\$ 3</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Marketable equity securities - domestic	\$ 54,167	\$ 1,662	\$ 163,046	\$ 4,963
Mutual funds	<u>15,248</u>	<u>468</u>	<u>21,089</u>	<u>642</u>
	<u>\$ 69,415</u>	<u>\$ 2,130</u>	<u>\$ 184,135</u>	<u>\$ 5,605</u>

6. RECEIVABLES ON THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

The Ministry of Economic Affairs (MOEA) engaged the Corporation to develop and market industrial districts. The receivables on the development of industrial districts included the development cost and capital interest.

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Chung Hua Coastal Industrial Park	\$ 7,125,488	\$ 218,607	\$ 6,771,593	\$ 206,136
Litzer Industrial District	4,988,003	153,030	5,230,601	159,227
Yunlin Technology Industrial Park	945,057	28,994	1,151,707	35,060
Other Industrial District	<u>2,642,592</u>	<u>81,073</u>	<u>2,822,475</u>	<u>85,920</u>
	<u>\$ 15,701,140</u>	<u>\$ 481,704</u>	<u>\$ 15,976,376</u>	<u>\$ 486,343</u>

The increases in development costs (including capital interest) were NT\$1,484,812 thousand (US\$45,553 thousand) in 2006 and NT\$1,695,228 thousand (US\$51,605 thousand) in 2005. Amount collected were NT\$1,760,048 thousand (US\$53,997 thousand) in 2006 and NT\$4,261,916 thousand (US\$129,739 thousand) in 2005.

7. INVENTORIES

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Raw materials	\$ 10,236	\$ 314	\$ 33,340	\$ 1,015
Fuel	1,357	42	1,160	35
Supplies	<u>44</u>	<u>1</u>	<u>78</u>	<u>3</u>
	<u>\$ 11,637</u>	<u>\$ 357</u>	<u>\$ 34,578</u>	<u>\$ 1,053</u>

8. LONG-TERM EQUITY INVESTMENTS

	December 31					
	2006			2005		
	Carrying Value		% of Ownership	Carrying Value		% of Ownership
New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars		U.S. Dollars (Note 2)		
<u>Unlisted common stocks</u>						
Core Pacific World	\$ 1,107,549	\$ 33,979	99.77	\$ 1,086,462	\$ 33,073	99.77
BES Machinery	803,147	24,640	96.58	773,794	23,555	96.58
BES Investment	487,821	14,966	100.00	349,353	10,635	100.00
Cherng-Huei	163,024	5,002	41.67	117,936	3,590	41.67
BES Construction & Development	98,321	3,016	100.00	99,341	3,024	100.00
Coreasia Human Resource Management	47,923	1,470	100.00	48,936	1,490	100.00
Chung Kung Safeguarding & Security	45,052	1,382	64.67	44,790	1,364	64.67
BES Global Investment	43,041	1,320	100.00	50,502	1,537	100.00

(Continued)

	December 31					
	2006			2005		
	Carrying Value			Carrying Value		
	New Taiwan Dollars	U.S. Dollars (Note 2)	% of Ownership	New Taiwan Dollars	U.S. Dollars (Note 2)	% of Ownership
BES Construction (BES, U.S.A.)	\$ 37,012	\$ 1,136	91.78	\$ 40,315	\$ 1,227	91.78
Huatung Power	30,380	932	30.00	30,588	931	30.00
Cinemark-Core Pacific	29,359	901	15.38	29,740	905	15.38
Corporacion De Inversion Y Desarrollo, BES, S.A. (Costa Rica) (BES, S.A.)	20,805	638	100.00	-	-	100.00
Core Pacific Consulting	14,983	460	55.00	14,338	437	55.00
Chu-Huan Environmental Engineering	715	22	51.00	716	22	51.00
Smartnet	-	-	-	5,914	180	91.68
	<u>\$ 2,929,132</u>	<u>\$ 89,864</u>		<u>\$ 2,692,725</u>	<u>\$ 81,970</u>	
<u>Prepayments for long-term equity investments</u>						
BA & BES Contracting (L.L.C.)	<u>\$ 10,651</u>	<u>\$ 327</u>		<u>\$ -</u>	<u>\$ -</u>	(Concluded)

The Corporation's equity in Cinemark-Core Pacific was less than 20%, but the total equity in Cinemark-Core Pacific of the Corporation and its subsidiaries exceeded 50%. Thus, the investment in Cinemark-Core Pacific was accounted for by the equity method.

The Corporation recognized the losses of BES, S.A. proportionately and recorded these losses as part of other liabilities. The credit balance on the carrying value of this investment was about NT\$2,009 thousand (US\$61 thousand) as of December 31, 2005.

The financial statements used as basis for calculating the carrying values of the equity-method investments and the equity in their net income or net loss had all been audited, except those of Chu-Huan Environmental Engineering Corp., which need not be audited, as stipulated in the Guidelines Governing the Preparation of Financial Reports by Securities Issuers. Management believes that had this investee's financial statements been audited, there would have been no material effect on the Corporation's financial statements.

An equity-method investee, Huatung Power Co., adopted Statements of Financial Accounting Standards No. 35 - "Accounting for Asset Impairment" on January 1, 2005. This accounting change resulted in an increase in investment loss and a decrease in the carrying value of the equity-method investment by NT\$78,124 thousand (US\$2,378 thousand) each.

Consolidated financial statements should include the accounts of the Corporation and all its subsidiaries and other investees over which the Corporation has controlling interests. The consolidated financial statements as of and for the years ended December 31, 2006 and 2005 included the accounts of all direct and indirect subsidiaries.

9. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31					
	2006			2005		
	Carrying Value		% of Owner- ship	Carrying Value		% of Owner- ship
New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars		U.S. Dollars (Note 2)		
<u>Unlisted common stocks</u>						
Core Pacific City	\$ 484,492	\$ 14,864	10.67	\$ 1,001,095	\$ 30,475	10.67
Core Pacific Venture Capital	60,582	1,859	18.31	60,582	1,844	18.31
Century Development	50,000	1,534	3.03	50,000	1,522	3.03
Chien-Kung Venture Capital	44,771	1,373	12.66	59,039	1,797	12.66
Overseas Investment & Development	24,887	764	2.89	24,887	758	2.89
iGlobe Partner Fund L.P.	7,210	221	0.69	7,210	219	0.69
CCI Electronic	2	-	6.60	-	-	-
Agora Garden	1	-	0.02	-	-	-
Tun-Te International	-	-	5.00	-	-	5.00
Sageware	-	-	4.66	-	-	4.66
Prominent Communication Tec.	-	-	1.18	-	-	1.18
Neurologic	-	-	2.25	-	-	2.25
Latin America Development	-	-	-	613	19	3.57
Taiwan-CA.COM	-	-	-	-	-	1.43
	<u>671,945</u>	<u>20,615</u>		<u>1,203,426</u>	<u>36,634</u>	
<u>Unlisted preferred stock</u>						
NanoAmp Solutions	<u>7,986</u>	<u>245</u>	1.08	<u>7,986</u>	<u>243</u>	1.08
	<u>\$ 679,931</u>	<u>\$ 20,860</u>		<u>\$ 1,211,412</u>	<u>\$ 36,877</u>	

The Corporation's investment with no quoted market prices and with fair values that could not be reliably measured were measured at cost. Management assessed impairment losses of NT\$530,871 thousand (US\$16,287 thousand) in 2006 and NT\$85,917 thousand (US\$2,615 thousand) in 2005 on the Corporation's partial investments since their estimated recoverable amounts were less than their carrying amounts.

10. BONDS CARRIED AT AMORTIZED COST - NONCURRENT

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Bond - Chinfon Bank	<u>\$ 66,600</u>	<u>\$ 2,043</u>	<u>\$ 66,600</u>	<u>\$ 2,027</u>

On June 3, 2005, the Corporation bought a seven-year corporate bond at par value for NT\$66,600 thousand (US\$2,027 thousand) at an effective interest rate of 3.32%. This bond will mature on June 28, 2012.

11. PROPERTIES

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Cost	\$ 1,300,207	\$ 39,890	\$ 1,326,875	\$ 40,392
Revaluation increment				
Land	2,351,584	72,146	2,527,144	76,930
Land improvements	755	23	755	23
Buildings	551	17	1,927	58
Machinery and equipment	1,762	54	2,368	72
Transportation equipment	-	-	122	4
	<u>2,354,652</u>	<u>72,240</u>	<u>2,532,316</u>	<u>77,087</u>
Total cost and appreciation	<u>3,654,859</u>	<u>112,130</u>	<u>3,859,191</u>	<u>117,479</u>
Less: Accumulated depreciation				
Land improvements	18,874	579	18,788	572
Buildings	62,387	1,914	58,984	1,796
Machinery and equipment	182,096	5,587	189,345	5,764
Transportation equipment	26,432	811	27,429	835
Miscellaneous equipment	6,364	195	5,001	152
Total accumulated depreciation	<u>296,153</u>	<u>9,086</u>	<u>299,547</u>	<u>9,119</u>
Less: Impairment loss	<u>172,483</u>	<u>5,292</u>	<u>159,406</u>	<u>4,852</u>
Net properties	<u>\$ 3,186,223</u>	<u>\$ 97,752</u>	<u>\$ 3,400,238</u>	<u>\$ 103,508</u>

The Corporation revalued its land in 1971, 1992 and 1994 and other properties (consisting of buildings, machinery and transportation equipment) in 1982 in accordance with government regulations. The resulting appreciation or increment, net of reserve for land value increment tax, was credited to capital surplus.

A revision of the Land Taxation Act was announced on January 30, 2005. The revision provided for a reduction of the land value increment tax, to be enforced on February 1, 2005. Thus, the recalculation of the reserve for land value increment tax decreased to NT\$1,101,002 thousand (US\$33,516 thousand), reclassified as capital surplus.

The Corporation adopted Statement of Financial Accounting Standards No. 35 - "Accounting for Asset Impairment" on January 1, 2005. This accounting change resulted in increases in impairment loss by NT\$13,077 thousand (US\$401 thousand) in 2006 and NT\$159,406 thousand (US\$4,853 thousand) in 2005.

12. LEASED ASSETS, NET

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Cost				
Land	\$ 414,616	12,720	\$ 432,680	\$ 13,171
Land improvements	202	6	202	6
Buildings	487,363	14,952	487,363	14,836
Machinery and equipment	1,500	46	1,500	46
	<u>903,681</u>	<u>27,724</u>	<u>921,745</u>	<u>28,059</u>
Revaluation increment				
Land	1,346,376	41,306	2,131,946	64,899
Buildings	18,795	577	18,795	572
	<u>1,365,171</u>	<u>41,883</u>	<u>2,150,741</u>	<u>65,471</u>
Total cost and increment	<u>2,268,852</u>	<u>69,607</u>	<u>3,072,486</u>	<u>93,530</u>
Less: Accumulated depreciation				
Land improvements	182	6	182	5
Buildings	206,371	6,331	192,643	5,864
Machinery and equipment	1,305	40	1,240	38
	<u>207,858</u>	<u>6,377</u>	<u>194,065</u>	<u>5,907</u>
Less: Impairment loss				
Land	71,258	2,186	-	-
Buildings	32,734	1,004	-	-
	<u>103,992</u>	<u>3,190</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,957,002</u>	<u>\$ 60,040</u>	<u>\$ 2,878,421</u>	<u>\$ 87,623</u>

The Corporation sold land to Personal and Long Da Construction Co., Ltd. The realized gain on this sale was NT\$1,463,258 thousand (US\$44,892 thousand). In December 2006, the title to the land was transferred to the buyers and the Corporation collected all the proceeds of this sale.

The Corporation adopted Statement of Financial Accounting Standards No. 35 - "Accounting for Asset Impairment" on January 1, 2005. This accounting change resulted in an increase in impairment loss by NT\$103,992 thousand (US\$3,190 thousand) in 2006.

The rent receivables as of December 31, 2006 on the above leased asset under operating lease agreements were as follows:

Payment Term	Rent Receivable		
		New Taiwan Dollars	U.S. Dollars (Note 2)
Monthly payments by check or telegraphic transfer	2007	\$ 78,506	\$ 2,408
	2008	25,093	770
	2009	2,310	71
	2010	692	21
	2011	<u>65</u>	<u>2</u>
		<u>\$ 106,666</u>	<u>\$ 3,272</u>

For the leased assets mentioned above, the Corporation received guarantee deposits of NT\$22,376 thousand (US\$686 thousand) in 2006 and NT\$22,579 thousand (US\$687 thousand) in 2005 (including deposits from related and unrelated parties - Chung Kung Safeguarding & Security, etc. for NT\$13,882 thousand [US\$426 thousand] in 2006 and NT\$15,085 thousand [US\$459 thousand] in 2005). Based on these deposits, rent revenues of NT\$291 thousand (US\$9 thousand) in 2006 and rent revenue of NT\$255 thousand (US\$8 thousand) in 2005 were calculated at the prevailing annual interest rate for demand deposits; the same amounts were debited to interest expense.

13. DEFERRED CHARGES

The Corporation adopted Statement of Financial Accounting Standards No. 35 - "Accounting for Asset Impairment" on January 1, 2005. This accounting change resulted in an increase in impairment loss by NT\$29,843 thousand (US\$916 thousand) in 2006.

14. SHORT-TERM DEBTS

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Unsecured loans: Interest - 4.175%-4.425% in 2006 and 4.245%-4.495% in 2005	\$ 2,364,500	\$ 72,542	\$ 2,689,600	\$ 81,875
Secured loans: Interest - 2.550%-4.425% in 2006 and 1.900%-4.495% in 2005	3,648,294	111,928	4,312,294	131,273
Bank overdraft: Interest - 4.175%-4.425% in 2006 and 4.100%-4.495% in 2005	<u>133,700</u>	<u>4,102</u>	<u>1,809</u>	<u>55</u>
	<u>\$ 6,146,494</u>	<u>\$ 188,572</u>	<u>\$ 7,003,703</u>	<u>\$ 213,203</u>

15. SHORT-TERM NOTES AND BILLS PAYABLE

	December 31					
	2006			2005		
	Discount Rate (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Discount Rate (%)	New Taiwan Dollars	U.S. Dollars (Note 2)
Commercial paper payable						
International Bills Finance Co., Ltd.	4.365	\$ 462,300	\$ 14,183	4.395	\$ 504,600	\$ 15,361
Taiwan Cooperative Bank	3.480	250,000	7,670	3.280	250,000	7,610
Chung Hsing Bills Finance Co., Ltd.	4.365	200,800	6,161	4.395	217,400	6,618
Central Trust of China	4.327	200,000	6,136	4.257	200,000	6,088
Bank of Taiwan	4.062	100,000	3,068	3.400	100,000	3,044
Hua Nan Commercial Bank Co., Ltd.	4.060	90,000	2,761	4.080	90,000	2,740
China Bills Finance Co., Ltd.	-	-	-	4.295-	1,177,800	35,854
		<u>1,303,100</u>	<u>39,979</u>	4.395	<u>2,539,800</u>	<u>77,315</u>
Less: Discount on short-term negotiable instruments payable		<u>8,467</u>	<u>260</u>		<u>19,995</u>	<u>609</u>
		<u>\$ 1,294,633</u>	<u>\$ 39,719</u>		<u>\$ 2,519,805</u>	<u>\$ 76,706</u>

16. PAYABLES FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Tai-Chung Youth Industrial District	\$ 272,688	\$ 8,366	\$ 255,115	\$ 7,767
PingNan Industrial District	135,449	4,155	126,720	3,857
Kaohsiung Export Processing Zone	133,797	4,105	71,365	2,172
Other industrial districts	<u>609,905</u>	<u>18,712</u>	<u>583,980</u>	<u>17,777</u>
	<u>\$ 1,151,839</u>	<u>\$ 35,338</u>	<u>\$ 1,037,180</u>	<u>\$ 31,573</u>

17. LONG-TERM DEBTS

	Due Within One Year		Due After One Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>December 31, 2006</u>						
Unsecured loans - repayable in installments from May 2007 to December 2007 or through a one-time payment on maturity, 4.175%-4.425% interest	\$ 220,000	\$ 6,750	\$ -	\$ -	\$ 220,000	\$ 6,750
Secured loans - repayable in installments from May 2006 or through a one-time payment on maturity, 3.680%-4.580% interest	<u>670,060</u>	<u>20,557</u>	<u>839,803</u>	<u>25,765</u>	<u>1,509,863</u>	<u>46,322</u>
	<u>\$ 890,060</u>	<u>\$ 27,307</u>	<u>\$ 839,803</u>	<u>\$ 25,765</u>	<u>\$ 1,729,863</u>	<u>\$ 53,072</u>
<u>December 31, 2005</u>						
Unsecured loans - repayable in installments from May 2006 to November 2007 or through a one-time payment on maturity, 2.349%-4.495% interest	\$ 186,701	\$ 5,683	\$ -	\$ -	\$ 186,701	\$ 5,683
Secured loans - repayable in installments from August 2005 to December 2014 or through a one-time payment on maturity, 3.579%-4.495% interest	<u>347,700</u>	<u>10,585</u>	<u>651,267</u>	<u>19,825</u>	<u>998,967</u>	<u>30,410</u>
	<u>\$ 534,401</u>	<u>\$ 16,268</u>	<u>\$ 651,267</u>	<u>\$ 19,825</u>	<u>\$ 1,185,668</u>	<u>\$ 36,093</u>

18. PENSION PLAN

The Labor Pension Act (the "Act"), which took effect on July 1, 2005, provides for a defined contribution plan. Corporation employees subject to the Labor Standards Law (the "Law") before July 1, 2005 were allowed to choose to continue be covered by the defined benefit pension plan under the Law or to be subject instead to the pension mechanism under the Act, with their service years as of June 30, 2005 to be retained. Based on the Act, the rate of the Corporation's required monthly contributions to the employees' individual pension accounts is at 6% of monthly salaries and wages. The Corporation recognized defined contribution pension costs of NT\$14,350 thousand (US\$441 thousand) in 2006 and NT\$6,290 thousand (US\$191 thousand) in 2005.

Based on the defined benefit pension plan under the Law, employees should receive benefit payments as a lump sum equal to two base units for each of the first 15 service years, with each year of service after 15 years entitled to only 1 unit of base wage; the maximum is 45 units. Benefit payments are calculated on the basis of years of employment and the average monthly basic compensation of the last six months before retirement. The Corporation's rate of annual contribution to the defined benefit pension fund is at 6.1% of monthly salaries and wages from January 2005 to June 2005; 2% from July 2005 to January 2006; and 6.1% from February 2006 to December 2006. The fund is deposited in the Central Trust of China, a government-designated custodian of pension funds, and is managed by the Corporation's Pension Fund Administration Committee.

Other pension information on the defined benefit plan is as follows:

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 2)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 2)</u>
a. Components of net periodic pension cost (revenue)				
Service cost	\$ 22,944	\$ 704	\$ 23,439	\$ 714
Interest cost	8,722	268	8,639	263
Projected return on plan assets:				
Actual return on plan assets	(9,046)	(278)	(4,999)	(152)
Gain on plan assets	<u>(1,272)</u>	<u>(39)</u>	<u>(6,424)</u>	<u>(196)</u>
	(10,318)	(317)	(11,423)	(348)
Amortization	<u>568</u>	<u>17</u>	<u>(1,992)</u>	<u>(61)</u>
	<u>\$ 21,916</u>	<u>\$ 672</u>	<u>\$ 18,663</u>	<u>\$ 568</u>
b. Reconciliation of the funded status of the plan and accrued pension cost				
Benefit obligation				
Vested benefit obligation	\$ (210,137)	\$ (6,447)	\$ (185,026)	\$ (5,632)
Non-vested benefit obligation	<u>(92,597)</u>	<u>(2,841)</u>	<u>(81,859)</u>	<u>(2,492)</u>
Accumulated benefit obligation	(302,734)	(9,288)	(266,885)	(8,124)
Additional benefits based on future salaries	<u>(37,573)</u>	<u>(1,153)</u>	<u>(32,961)</u>	<u>(1,003)</u>
Projected benefit obligation	(340,307)	(10,441)	(299,846)	(9,127)
Fair value of plan assets	<u>365,162</u>	<u>11,203</u>	<u>349,415</u>	<u>10,636</u>
Funded status	24,855	762	49,569	1,509
Unrecognized net transition obligation	(8,941)	(274)	(10,928)	(333)
Unrecognized prior service cost	33,747	1,035	39,855	1,213
Unrecognized actuarial net gain	<u>(44,637)</u>	<u>(1,369)</u>	<u>(70,469)</u>	<u>(2,145)</u>
Prepaid pension cost (included in other assets - miscellaneous)	<u>\$ 5,024</u>	<u>\$ 154</u>	<u>\$ 8,027</u>	<u>\$ 244</u>
Vested benefits	<u>\$ 221,039</u>	<u>\$ 6,781</u>	<u>\$ 231,609</u>	<u>\$ 7,051</u>
			2006	2005
c. Actuarial assumptions				
Discount rate used in determining present values of service and interest costs, benefit obligations, etc.			2.75%	3.00%
Future salary increase rate			1.50%	1.50%
Expected rate of return on plan assets			2.75%	3.00%

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
d. Changes in pension fund				
Contributions	\$ 18,913	\$ 580	\$ 12,985	\$ 395
Benefits paid	\$ 12,212	\$ 375	\$ 12,190	\$ 371

19. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The assets and liabilities on building construction and developing industrial districts are classified as current or noncurrent according to the terms of related contracts. The values of contract-related assets and liabilities as of December 31, 2006 and 2005 were as follows:

	December 31, 2006					
	Within a Year		More Than a Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Assets</u>						
Accounts receivable	\$ 4,261,976	\$ 130,755	\$ 691,298	\$ 21,209	\$ 4,953,274	\$ 151,964
Receivables on the development of industrial districts	-	-	15,701,140	481,704	15,701,140	481,704
Buildings and land held for sale	19,746	606	307,067	9,420	326,813	10,026
Construction in progress	1,074,912	32,978	703,810	21,592	1,778,722	54,570
Restricted assets	256,062	7,856	6,601	203	262,663	8,059
Refundable deposits on construction contracts	93,245	2,861	-	-	93,245	2,861
	<u>\$ 5,705,941</u>	<u>\$ 175,056</u>	<u>\$ 17,409,916</u>	<u>\$ 534,128</u>	<u>\$ 23,115,857</u>	<u>\$ 709,184</u>

Liabilities

Notes payable	\$ 471,592	\$ 14,468	\$ -	\$ -	\$ 471,592	\$ 14,468
Accounts payable	2,581,226	79,191	840,866	25,797	3,422,092	104,988
Payables for the development of industrial districts	-	-	1,151,839	35,338	1,151,839	35,338
Advance construction receipts	148,414	4,553	632,144	19,394	780,558	23,947
Construction warranty	16,048	492	126,347	3,876	142,395	4,368
Guarantee deposits on construction contracts	108,074	3,316	335,929	10,306	444,003	13,622
	<u>\$ 3,325,354</u>	<u>\$ 102,020</u>	<u>\$ 3,087,125</u>	<u>\$ 94,711</u>	<u>\$ 6,412,479</u>	<u>\$ 196,731</u>

	December 31, 2005					
	Within a Year		More Than a Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Assets</u>						
Accounts receivable	\$ 3,158,634	\$ 96,153	\$ 1,609,424	\$ 48,994	\$ 4,768,058	\$ 145,147
Receivables on the development of industrial districts	-	-	15,976,376	486,343	15,976,376	486,343
Buildings and land held for sale	44,213	1,346	17,899	545	62,112	1,891
Construction in progress	1,283,342	39,067	626,520	19,072	1,909,862	58,139
Restricted assets	347,524	10,579	57,721	1,757	405,245	12,336
Refundable deposits on construction contracts	34,807	1,060	-	-	34,807	1,060
	<u>\$ 4,868,520</u>	<u>\$ 148,205</u>	<u>\$ 18,287,940</u>	<u>\$ 556,711</u>	<u>\$ 23,156,460</u>	<u>\$ 704,916</u>

(Continued)

	December 31, 2005					
	Within a Year		More Than a Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Liabilities</u>						
Notes payable	\$ 407,592	\$ 12,408	\$ -	\$ -	\$ 407,592	\$ 12,408
Accounts payable	2,709,209	82,472	879,877	26,785	3,589,086	109,257
Payables for the development of industrial districts	-	-	1,037,180	31,573	1,037,180	31,573
Advance construction receipts	250,368	7,622	251,384	7,652	501,752	15,274
Construction warranty	38,186	1,162	134,866	4,106	173,052	5,268
Guarantee deposits on construction contracts	122,134	3,718	302,222	9,200	424,356	12,918
	<u>\$ 3,527,489</u>	<u>\$ 107,382</u>	<u>\$ 2,605,529</u>	<u>\$ 79,316</u>	<u>\$ 6,133,018</u>	<u>\$ 186,698</u>
						(Concluded)

20. STOCKHOLDERS' EQUITY

Based on certain laws or regulations, capital surplus from long-term equity investments accounted for by the equity method cannot be used for any purpose. However, other capital surplus may be used to offset a deficit. In addition only capital surplus from the issue of stock in excess of par value may be capitalized once a year by issuing new shares to stockholders in proportion to their holdings, and capitalized amounts should be within certain limits.

The Corporation's Articles of Incorporation provide that 10% should be appropriated as legal reserve from annual net income less any prior years' deficits. Of the remainder, together with any unappropriated earnings of prior years, over 50% should be appropriated as follows:

- a. 2% as remuneration to directors and supervisors;
- b. 3% as bonus to employees equal to 3%; and
- c. 95% as dividends, of which more than 10% should be cash dividends. But if cash dividend per share will be less than NT\$0.1, only stock dividends will be issued.

Under the regulations of the Securities and Futures Bureau, the Corporation should appropriate a special reserve equivalent to the net debit balances, as of the balance sheet date, of each stockholders' equity account, except for treasury stock and deficit. The special reserve should be adjusted to reflect changes in the total net debit balances of the appropriate accounts.

These appropriations should be based on the board of directors' proposal approved in the stockholders' meeting in, and given effect to in the financial statements of, the year following the year of earnings generation. In making the appropriations, the Corporation should take into account its capital or operating requirements.

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate stockholders are allowed a tax credit for the income tax paid by the Corporation on earnings generated since January 1, 1998. An imputation credit account (ICA) is maintained by the Corporation for this income tax and the tax credit allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the ICA balance on the dividend distribution date. (Related information is shown in Note 23-e.)

On June 18, 2004 and June 30, 2005, the stockholders resolved to appropriate the 2003 and 2002 earnings as follows:

	Appropriation of Earnings				Dividends Per Share			
	2005		2004		2005		2004	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Legal reserve	\$ 36,829	\$ 1,130	\$ 12,407	\$ 378				
Remuneration to directors and supervisors	4,885	150	3,053	93				
Bonus to employees - cash	7,327	225	4,580	139				
Cash dividends	<u>232,034</u>	<u>7,118</u>	<u>145,022</u>	<u>4,415</u>	\$ 0.16	\$ 0.0049	\$ 0.10	\$ 0.0030
	<u>\$ 281,075</u>	<u>\$ 8,623</u>	<u>\$ 165,062</u>	<u>\$ 5,025</u>				

Had the Corporation recognized bonus to employee as expense in 2005 and 2004, the basic earnings per share would have been unchanged at NT\$0.25 in 2005 or decreased from NT\$0.09 to NT\$0.08 in 2004.

As of March 23, 2007, the date of the accompanying auditors' report, the Corporation's board of directors had not decided the appropriation of the 2006 earnings. Related information may be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

21. TREASURY STOCK

(Unit: Thousand Shares)

Reason for the Treasury Stock	Beginning of the Year	Decrease	End of the Year
<u>2006</u>			
Corporation's stock held by subsidiaries reclassified from long-term investments to treasury stock	<u>323</u>	<u>323</u>	<u>-</u>
<u>2005</u>			
Corporation's stock held by subsidiaries reclassified from long-term investments to treasury stock	<u>323</u>	<u>-</u>	<u>323</u>

A subsidiary's holding of the Corporations share as of the end of 2005 was as follows:

Subsidiary	Shares Held by Subsidiary (Thousands)	Book Value (Thousands)	Market Value (Thousands)
<u>December 31, 2005</u>			
BES Construction and Development	<u>323</u>	<u>\$ 730</u>	<u>\$1,420</u>

In 2006, the above subsidiary sold in the market its holding of 323 thousand shares of the Corporation for NT\$1,522 thousand (US\$47 thousand).

A subsidiary's rights on shares reclassified as treasury stock are similar to the rights of other stockholders; however, the subsidiary is not entitled to participate in the Corporation's issuance of new shares and, from June 22, 2005, a subsidiary is no longer entitled to voting rights on the treasury shares.

22. EARNINGS PER SHARE

(Unit: New Taiwan Dollars)

	<u>2006</u>		<u>2005</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	\$ 0.59	\$ 0.55	\$ 0.37	\$ 0.25
Pro forma earnings per share	\$ 0.59	\$ 0.55	\$ 0.37	\$ 0.25

- a. The numerators and denominators used to calculate basic earnings per share:

(Unit: New Taiwan Dollars)

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share (Dollar)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2006</u>					
Basic earnings per share	\$ 861,001	\$ 791,548	1,450,037	\$ 0.59	\$ 0.55
<u>2005</u>					
Basic earnings per share	\$ 542,675	\$ 368,289	1,449,894	\$ 0.37	\$ 0.25

- b. Pro forma information on the assumption that the Corporation's shares held by its subsidiary were not treated as treasury stock:

(Unit: New Taiwan Dollars)

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share (Dollar)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2006</u>					
Pro forma basic earnings per share	\$ 861,793	\$ 792,340	1,450,217	\$ 0.59	\$ 0.55
<u>2005</u>					
Pro forma basic based earnings per share	\$ 542,127	\$ 367,741	1,450,217	\$ 0.37	\$ 0.25

23. INCOME TAX

- a. The Basic Income Tax Act (the "BIT Act"), which took effect on January 1, 2006, requires that the basic income tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act plus tax-exempt income under the Income Tax Act or other laws. The tax payable of the current year would be the higher of the basic income tax or the income tax payable calculated in accordance with the Income Tax Act. The effect of the BIT Act on the Corporation's income tax was not material.
- b. The reconciliation between the current income tax based on income before income tax at the statutory rate and the income tax provision was as follows:

	<u>2006</u>		<u>2005</u>	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Income tax expense based on statutory rate of 25%	\$ 215,240	\$ 6,603	\$ 135,659	\$ 4,130
Add (deduct) effects of:				
Permanent differences	(340,985)	(10,461)	(10,527)	(320)
Temporary differences	<u>170,540</u>	<u>5,232</u>	<u>30,339</u>	<u>923</u>
Income tax before tax credit	44,795	1,374	155,471	4,733
Prior years' loss carryforwards	-	-	(155,471)	(4,733)
Unappropriated earnings tax (10%)	<u>12,443</u>	<u>382</u>	<u>35,655</u>	<u>1,085</u>
Income tax - current	57,238	1,756	35,655	1,085
Deferred tax expense	12,983	398	136,000	4,140
Adjustment of prior year's tax expense	(775)	(24)	2,721	83
Income on short-term negotiable instruments taxed separately at 20% flat rate	<u>7</u>	<u>1</u>	<u>10</u>	<u>1</u>
	<u>\$ 69,453</u>	<u>\$ 2,131</u>	<u>\$ 174,386</u>	<u>\$ 5,309</u>

- c. The change in income tax payable as shown in the balance sheet was as follows:

	<u>2006</u>		<u>2005</u>	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Beginning balance	\$ 36,560	\$ 1,122	\$ 77,759	\$ 2,367
Income tax - current	57,238	1,756	35,655	1,085
Income tax paid	(31,485)	(966)	(79,575)	(2,422)
Adjustment of prior year's tax expense	<u>(775)</u>	<u>(24)</u>	<u>2,721</u>	<u>83</u>
Ending balance	<u>\$ 61,538</u>	<u>\$ 1,888</u>	<u>\$ 36,560</u>	<u>\$ 1,113</u>

d. Deferred income tax assets as of December 31, 2006 and 2005 were as follows:

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 2)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 2)</u>
Current				
Unrealized loss on litigation on construction contracts	\$ 107,915	\$ 3,311	\$ 65,724	\$ 2,001
Unrealized warranty costs	35,599	1,092	43,263	1,317
Unrealized construction loss	4,776	147	10,846	330
Others	19	-	(731)	(22)
	<u>148,309</u>	<u>4,550</u>	<u>119,102</u>	<u>3,626</u>
Allowance for deferred income tax assets	<u>(75,326)</u>	<u>(2,311)</u>	<u>(33,136)</u>	<u>(1,009)</u>
	<u>\$ 72,983</u>	<u>\$ 2,239</u>	<u>\$ 85,966</u>	<u>\$ 2,617</u>
Noncurrent				
Unrealized loss on long-term investments	\$ 226,812	\$ 6,958	\$ 93,917	\$ 2,859
Investment loss recognized under the equity method (foreign)	33,180	1,018	40,210	1,224
Loss on assets impairment	<u>15,644</u>	<u>480</u>	<u>-</u>	<u>-</u>
	<u>275,636</u>	<u>8,456</u>	<u>134,127</u>	<u>4,083</u>
Allowance for deferred income tax assets	<u>(275,636)</u>	<u>(8,456)</u>	<u>(134,127)</u>	<u>(4,083)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The income tax rate used to recognize deferred income taxes as of December 31, 2006 and 2005 was 25%.

e. Integrated income tax system information was as follows:

	<u>December 31</u>			
	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 2)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 2)</u>
Balance of the imputation credit account (ICA)	<u>\$ 69,860</u>	<u>\$ 2,143</u>	<u>\$ 10,767</u>	<u>\$ 328</u>

The expected and actual creditable tax ratios for the earnings of 2006 and 2005, respectively, were 7.95% and 33.33%, respectively.

The tax credits allocable to stockholders are based on the balance of the ICA on the dividend distribution date.

As of December 31, 2006 and 2005, the unappropriated retained earnings generated before January 1, 1998 each aggregated NT\$138,041 thousand (US\$4,235 thousand and US\$4,202 thousand).

Income tax returns through 2003 had been examined and cleared by the tax authorities.

24. COMPENSATION, DEPRECIATION AND AMORTIZATION

	2006					
	Operating Cost		Operating Expenses		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Compensation						
Payroll	\$ 507,402	\$ 15,567	\$ 82,604	\$ 2,534	\$ 590,006	\$ 18,101
Insurance	35,969	1,104	3,860	118	39,829	1,222
Pension	23,986	736	12,280	377	36,266	1,113
Others	<u>21,453</u>	<u>658</u>	<u>1,294</u>	<u>40</u>	<u>22,747</u>	<u>698</u>
Total compensation	588,810	18,065	100,038	3,069	688,848	21,134
Depreciation	10,983	337	6,734	206	17,717	543
Amortization	<u>19,237</u>	<u>590</u>	<u>1,454</u>	<u>45</u>	<u>20,691</u>	<u>635</u>
	<u>\$ 619,030</u>	<u>\$ 18,992</u>	<u>\$ 108,226</u>	<u>\$ 3,320</u>	<u>\$ 727,256</u>	<u>\$ 22,312</u>
	2005					
	Operating Cost		Operating Expenses		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Compensation						
Payroll	\$ 433,797	\$ 13,205	\$ 75,278	\$ 2,292	\$ 509,075	\$ 15,497
Insurance	32,036	975	3,304	101	35,340	1,076
Pension	19,781	602	5,172	157	24,953	759
Others	<u>18,755</u>	<u>571</u>	<u>1,203</u>	<u>37</u>	<u>19,958</u>	<u>608</u>
Total compensation	504,369	15,353	84,957	2,587	589,326	17,940
Depreciation	28,196	858	8,513	259	36,709	1,117
Amortization	<u>30,973</u>	<u>943</u>	<u>1,454</u>	<u>44</u>	<u>32,427</u>	<u>987</u>
	<u>\$ 563,538</u>	<u>\$ 17,154</u>	<u>\$ 94,924</u>	<u>\$ 2,890</u>	<u>\$ 658,462</u>	<u>\$ 20,044</u>

Depreciation expenses for properties leased to others are not shown in the table above. As of December 31, 2006 and 2005, these expenses (included in nonoperating income - rental) were about NT\$13,793 thousand (US\$423 thousand) and NT\$13,483 thousand (US\$410 thousand), respectively.

25. FINANCIAL INSTRUMENTS

a. Fair value

	December 31, 2006			
	Carrying Value		Fair Value	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 69,415	\$ 2,130	\$ 69,415	\$ 2,130
Equity-method investments	2,929,132	89,864	-	-
Prepayments for long-term equity investments	10,651	327	-	-
Financial assets carried at cost - noncurrent	679,931	20,860	-	-

(Continued)

	December 31, 2006			
	Carrying Value		Fair Value	
	New	U.S.	New	U.S.
	Taiwan	Dollars	Taiwan	Dollars
	Dollars	(Note 2)	Dollars	(Note 2)
Bonds carried at amortized cost - noncurrent	\$ 66,600	\$ 2,043	\$ -	\$ -
Refundable deposits on construction contracts	31,728	973	31,728	973
Certificates of deposit - restricted	28,000	859	28,000	859

Liabilities

Bank loans, net of current portion	839,803	25,765	839,803	25,765
Guarantee deposits received	22,376	686	22,376	686

(Concluded)

	December 31, 2005			
	Carrying Value		Fair Value	
	New	U.S.	New	U.S.
	Taiwan	Dollars	Taiwan	Dollars
	Dollars	(Note 2)	Dollars	(Note 2)
Available-for-sale financial assets - current	\$ 184,135	\$ 5,605	\$ 184,135	\$ 5,605
Equity-method investments	2,692,725	81,970	-	-
Financial assets carried at cost - noncurrent	1,211,412	36,877	-	-
Bonds carried at amortized cost - noncurrent	66,600	2,027	-	-
Refundable deposits on construction contracts	19,078	581	19,078	581
Certificates of deposit - restricted	16,000	487	16,000	487

Assets

Liabilities

Bank loans, net of current portion	651,267	19,825	651,267	19,825
Guarantee deposits received	22,579	687	22,579	687

- b. Methods and assumptions used for estimating the fair values of financial instruments are as follows:
- 1) The fair values of cash, accounts receivable, net of allowance for doubtful accounts, restricted assets, refundable deposits on construction contracts, short-term debts, short-term notes and bills payable, notes payable, accounts payable, bank loans, net of current portion and guarantee deposits on construction contracts, excluded from the financial instruments mentioned in the table above, are based on their carrying values because of the short maturities of these instruments.
 - 2) If quoted market prices are available, these are used as fair values of available-for-sale financial assets.
 - 3) Equity-method investments, prepayments for long-term equity investments, financial assets carried at cost - noncurrent and bonds carried at amortized cost - noncurrent have no fair values because these stocks have no quoted price in an active market and a reliable determination of their fair value entails an unreasonably high cost.
 - 4) The fair values of long-term bank loans, refundable deposits certificates of deposit - restricted and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans with similar maturities.

- c. As of December 31, 2006 and 2005, financial assets with fair value risk from interest rate fluctuations amounted to NT\$1,755,485 thousand (US\$53,857 thousand) and NT\$1,925,939 thousand (US\$58,628 thousand), respectively; financial liabilities with fair value risk from interest rate fluctuations amounted to NT\$1,294,633 thousand (US\$39,719 thousand) and NT\$2,519,805 thousand (US\$76,706 thousand), respectively; financial assets with cash flow risk from interest rate fluctuations amounted to NT\$1,063,802 thousand (US\$32,637 thousand) and NT\$1,026,506 thousand (US\$31,248 thousand), respectively; and financial liabilities with cash flow risk from interest rate fluctuations amounted to NT\$7,876,357 thousand (US\$241,643 thousand) and NT\$8,189,371 thousand (US\$249,296 thousand), respectively.
- d. As of December 31, 2006 and 2005, the unrealized gain of NT\$442 thousand (US\$14 thousand) and unrealized loss of NT\$(162,123) thousand (US\$4,935 thousand), respectively, on both direct financial assets, (available-for sale financial assets held by the Corporation) and indirect financial assets (held by the Corporation's equity-method investees) were calculated to determine the fair values of the available-for-sale financial assets as of the balance sheet date.
- e. Financial risks

1) Market risk

Except for listed equity securities and mutual funds that have fair values based on market values, the Corporation has no material financial assets exposed to risks from currency, interest rate and fair value changes. As a result, no significant exposure to market risk is anticipated.

2) Credit risk

The Corporation is exposed to credit risk on counter-parties' default on contracts. The Corporation's maximum exposure to credit risk is equal to book value. To manage this risk, the Corporation conducts transactions only with selected financial institutions, companies and governments with good credit ratings. Thus, management does not anticipate any material losses resulting from default on contracts.

3) Liquidity risk

The Corporation has sufficient operating capital to meet cash flow requirements. Thus, the Corporation does not have liquidity risk.

The Corporation invested in marketable equity securities and security investment trust funds that have quoted prices in an active market and can be sold immediately at prices close to their fair values; thus, no liquidity risk is anticipated. However, the Corporation also invested in financial bonds and equity instruments with no quoted prices in an active market; thus, these investments could expose the Corporation to liquidity risks.

4) Cash flow risk from interest rate fluctuations

The Corporation has short-term and long-term liabilities with floating interest rates. As a result, the effective interest rates on these loans will change as the market interest rates change. Cash outflow would increase by NT\$78,764 thousand (US\$2,416 thousand) in 2006 and NT\$81,894 thousand (US\$2,493 thousand) in 2005, if effective interest rates increase 1%.

26. RELATED-PARTY TRANSACTIONS

a. Related parties were as follows:

- 1) Equity-method investees - Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.), BES Construction Corporation (BES, U.S.A.), BES Global Investment Corporation, BES Construction & Development Corporation, Chung Kung Safeguarding & Security Corporation, BES Machinery Corporation, Core Pacific World Corporation, Chu-Huan Environmental Engineering Corporation, BES Investment Company Ltd., Coreasia Human Resource Management Corporation, Core Pacific eCommerce, Smartnet Corporation, Cherng-Huei Limited, Cinemark-Core Pacific, Huatung Power, Core Pacific Consulting Corporation, K9 International Entertainment Corporation, Chung Chien Fa Construction Corporation, BES Consultant Corporation, Zhong Hua Cheng Development Co., Ltd., Chinese City International Investment Co., Ltd., Hua Cheng Consulting Co., Ltd., Core Pacific Consulting Co., Ltd., BES Global Consulting Co., Ltd., Elite Human Resource Management Co., Ltd., BES Department Maintenance & Management; Wei-Jing Holding Ltd., Core Pacific Overseas Holdings Ltd., Core Pacific International Holdings Ltd., Core Pacific Yamaichi International Ltd.
- 2) Stockholders/directors - Agora Garden Corporation, Century Development Corporation, Core Pacific City Corporation, China Petrochemical Development Corporation.
- 3) Excellence Investment Co., Ltd-chairman is the Corporation's vice president.

b. Significant related-party transactions (in addition to those disclosed in Notes 12 and 27)

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)
<u>For the year</u>						
1) Engineering revenue						
China Petrochemical Development Corporation	\$ 1,200	\$ 37	==	\$ -	\$ -	==
2) Other revenue						
BES Machinery Corporation - rental income	\$ 532	\$ 16	-	\$ 1,041	\$ 32	-
Coreasia Human Resource Management Corporation - others	-	-	-	1,500	46	1
	\$ 532	\$ 16	==	\$ 2,541	\$ 78	1
3) Operating costs						
BES Machinery Corporation - machinery rental, concrete, testing etc.	\$ 610,567	\$ 18,732	5	\$ 554,020	\$ 16,865	5
Chung Kung Safeguarding & Security Corporation - safeguarding, security and cleaning	28,829	884	-	28,939	881	-
China Petrochemical Development Corporation - utilities and rental	2,922	90	-	3,002	91	-
Coreasia Human Resource Management Corporation - foreign labor management	666	20	-	20,824	634	-
Elite Human Resource Management Co., Ltd. - foreign labor management	615	19	-	-	-	-
Other - others	81	3	-	51	1	-
	\$ 643,680	\$ 19,748	5	\$ 606,836	\$ 18,472	5
4) Other operating cost						
Chung Kung Safeguarding & Security Corporation	\$ 3,793	\$ 116	6	\$ 4,449	\$ 135	7

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)
5) Operating expense						
Agora Garden Corporation - rental, commission and others	\$ 16,800	\$ 515	8	\$ 65	\$ 2	-
BES Machinery Corporation - rental	4,368	134	2	4,432	135	2
China Petrochemical Development Corporation - utilities and rental	2,922	90	2	3,002	91	2
Core Pacific Department Maintenance and Management - building maintenance	744	23	-	693	21	-
Coreasia Human Resource Management Corporation - manpower - detaching	577	18	-	3,674	112	2
Chung Kung Safeguarding & Security Corporation - safeguarding, security and clearing	276	8	-	1,628	50	1
Others - other expense	250	8	-	207	6	-
	<u>\$ 25,937</u>	<u>\$ 796</u>	<u>12</u>	<u>\$ 13,701</u>	<u>\$ 417</u>	<u>7</u>
6) Nonoperating income or gain						
BES Machinery Corporation - rental revenue	\$ 7,599	\$ 233	1	\$ 8,320	\$ 253	1
Agora Garden Corporation - interest revenue	7,209	221	-	6,526	199	1
BES Consultant Corporation - rental revenue	4,300	132	-	3,611	110	-
Others - rental	1,804	56	-	1,726	53	-
Others - others	1,434	44	-	1,122	34	-
	<u>\$ 22,346</u>	<u>\$ 686</u>	<u>1</u>	<u>\$ 21,305</u>	<u>\$ 649</u>	<u>2</u>
7) Nonoperating expense or loss						
Other - others	\$ -	\$ -	-	\$ 146	\$ 4	-
<u>At year-end</u>						
1) Accounts receivable						
Core Pacific City Corporation	\$ 9,944	\$ 305	-	\$ 22,005	\$ 670	-
China Petrochemical Development Corporation	1,260	39	-	-	-	-
	<u>\$ 11,204</u>	<u>\$ 344</u>	<u>-</u>	<u>\$ 22,005</u>	<u>\$ 670</u>	<u>-</u>
2) Other current assets						
BES Machinery Corporation - other receivable	\$ 1,953	\$ 60	1	\$ 1,265	\$ 39	-
BES Consultant Corporation - other receivable	202	6	-	429	13	-
Coreasia Human Resource Management Corporation - other receivable	-	-	-	3,675	112	1
Others - others	190	6	-	641	20	-
	<u>\$ 2,345</u>	<u>\$ 72</u>	<u>1</u>	<u>\$ 6,010</u>	<u>\$ 184</u>	<u>1</u>
3) Other assets - miscellaneous						
Agora Garden Corporation	\$ 900	\$ 27	3	\$ 600	\$ 18	3
China Petrochemical Development Corporation	120	4	-	120	4	1
	<u>\$ 1,020</u>	<u>\$ 31</u>	<u>3</u>	<u>\$ 720</u>	<u>\$ 22</u>	<u>4</u>
4) Long-term receivables - affiliates						
Agora Garden Corporation	\$ 236,985	\$ 7,271	98	\$ 250,985	\$ 7,641	88
Coreasia Human Resource Management Corporation	3,000	92	1	-	-	-
BES, S.A.	1,827	56	1	34,699	1,056	12
	<u>\$ 241,812</u>	<u>\$ 7,419</u>	<u>100</u>	<u>\$ 285,684</u>	<u>\$ 8,697</u>	<u>100</u>

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)
5) Accounts payable						
BES Machinery Corporation	\$ 270,245	\$ 8,291	8	\$ 168,530	\$ 5,130	5
Chung Kung Safeguarding & Security Corporation	22,037	676	1	21,068	641	-
Chung Chien Fa Construction Corporation	-	-	-	184	6	-
	<u>\$ 292,282</u>	<u>\$ 8,967</u>	<u>9</u>	<u>\$ 189,782</u>	<u>\$ 5,777</u>	<u>5</u>
6) Accrued expense						
BES Machinery Corporation	\$ 1,036	\$ 32	1	\$ 227	\$ 7	-
China Petrochemical Development Corporation	557	17	-	580	18	-
Others	63	2	-	451	13	-
	<u>\$ 1,656</u>	<u>\$ 51</u>	<u>1</u>	<u>\$ 1,258</u>	<u>\$ 38</u>	<u>-</u>

The rental contracts between the Corporation and related parties were based on market conditions, except those for BES Machinery Corporation and Elite Human Resource Management Co., Ltd., for which the payment terms were based on their operating status.

Purchase and sales terms for related parties were similar to those for unrelated parties, except for other receivables from BES Machinery Corporation, Coreasia Human Resource Management Corporation, Elite Human Resource Management Co., Ltd. and Chung Kung Safeguarding & Security Corporation, for which the payment term is based on their operating status.

The receivable from Agora Garden Corporation (“Agora”) was the warranty reservation for construction, for which the monthly payment of principal and interest was based on the construction agreement. The terms of repayment expired when the warranty ended in 2004. Since Agora still had a balance as of December 31, 2006, the receivable was reclassified as long-term receivable - related party.

The receivable from Coreasia Human Resource Management Corporation referred to consulting service fees. Because the payment of this receivable was based on its operating status, this receivable was reclassified as long-term receivable - related party.

The Corporation provided interest- and collateral-free funding to BES, S.A., as follows:

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Highest outstanding balance	\$ 34,953	\$ 1,056	\$ 82,786	\$ 2,606
Ending balance	1,827	56	34,699	1,056

The endorsement/guarantee provided by the Corporation to BES Investment had a maximum balance of NT\$70,801 thousand (US\$2,139 thousand) for the period and was canceled at the end of the year 2006. The Corporation provided time deposits as guarantee for the loans of BES Investment. The time deposits included in restricted assets amounted to NT\$75,527 thousand (US\$2,298 thousand) in 2005.

Property transactions

1) Purchase of fixed assets

Counter-party	Property	Price	
		New Taiwan Dollars	U.S. Dollars (Note 2)
Kimpo Co., Ltd.	Machinery	\$ 4,403	\$ 134

2) Purchase of securities

Security Issuer	Counter-party	Transfer Date	Transaction Shares	Transaction Amounts (in Thousands of Dollars)	
				New Taiwan Dollars	U.S. Dollars (Note 2)
Core Pacific Venture Capital	BES Construction & Development	2005.05.30	3,000,000	\$ 22,950	\$ 699
Chung Kung Safeguarding & Security	BES Construction & Development	2005.05.30	520,000	5,559	169
Core Pacific World Corporation	Core Pacific Consulting Company	2005.01.07	17,400	164	5
BES Construction & Development Corporation	BES Machinery Corporation	2005.04.22	1,000	15	-
	BES Consultant	2005.04.22	1,000	15	-
	Chung Chien Fa Construction	2005.04.22	1,000	15	-
	Chung Kung Safeguarding & Security	2005.04.22	1,000	15	-

The security purchase prices were based on the audited net asset values as of December 31, 2004, except that for Core Pacific World, which was based on the audited net asset value as of June 30, 2004.

3) Contract on disposal of rental assets

At the end of 2004, the Corporation signed a contract with BES Construction & Development Corporation (BESDC) to sell certain assets rented out to BESDC. The transaction price was based on an appraisal report, and the gain of NT\$156,373 thousand (US\$4,931 thousand) was recorded as deferred credit. In 2005, BESDC sold the land to a third party, and the Corporation thus transferred the deferred credit to the gain on sale of properties. As of December 31, 2006, the Corporation had collected all the related receivables from BESDC.

27. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as (a) collaterals for short-term debts, long-term bank loans, short-term negotiable instruments, construction warranty, and as probable means to settle an ongoing litigation and (b) a guarantee for a subsidiary's long-term loan.

	December 31			
	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Current assets				
Buildings and land held for sale	\$ 307,067	\$ 9,421	\$ -	\$ -
Restricted assets				
Investments in commercial paper	34,600	1,062	58,400	1,778
Time deposits	1,490,386	45,724	1,661,124	50,567
Equity-method investments	337,233	10,346	330,812	10,070
Financial assets carried at cost - noncurrent	263,064	8,071	543,563	16,547
Bonds carried at amortized cost - noncurrent	66,600	2,043	66,600	2,027
Properties, net	1,949,515	59,810	2,446,334	74,470
Leased assets, net	1,846,846	56,660	2,662,840	81,061
Other assets - certificates of deposit - restricted	<u>28,000</u>	<u>859</u>	<u>16,000</u>	<u>487</u>
	<u>\$ 6,323,311</u>	<u>\$ 193,996</u>	<u>\$ 7,785,673</u>	<u>\$ 237,007</u>

28. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for BES Engineering Corporation and investees:

- 1) Financing provided Table 1 (attached).
- 2) Endorsement/guarantee provided Table 2 (attached).
- 3) Marketable securities held Table 3 (attached).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital Table 4 (attached).
- 5) Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital Table 5 (attached).
- 6) Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached).
- 7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital Table 7 (attached).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital Table 8 (attached).
- 9) Names, locations, and related information of investees Table 9 (attached).

10) Derivative financial transactions: None.

b. Investment in Mainland China

1) Investment in Mainland China: Table 10 (attached).

2) Significant direct or indirect transactions with investees, prices, payment terms and unrealized gain or loss: None.

29. SEGMENT INFORMATION

a. Industry

The Corporation constructs and develops industrial districts. The revenues, net income (loss) and tangible assets of the industrial construction business are more than 90% of the total revenues, net income (or loss) and tangible assets.

b. Geographic

Construction revenue from foreign operations, i.e., its branches in Malaysia, did not reach at least 10% of total operating revenues in 2006 and 2005.

c. Export sales

The Corporation had no foreign revenues in 2006 and 2005.

d. Major customers

Customers	2006			2005		
	Construction Revenue			Construction Revenue		
	New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%
Taiwan Area National Freeway Bureau, Ministry of Transportation and Communications (MOTC)	\$ 2,250,918	\$ 69,057	18.17	\$ 2,083,569	\$ 63,427	15.80
Department of Rapid Transit Systems, Taipei City Government	1,957,981	60,070	15.81	1,890,567	57,552	14.33
Southern Taiwan Science Park Bureau	1,384,269	42,469	11.18	777,997	23,683	5.90
Directorate General of Highways, MOTC	1,384,021	42,461	11.17	1,739,650	52,957	13.19
Armaments Bureau of the Ministry of National Defense	1,357,905	41,660	10.96	1,919,709	58,439	14.56

BES ENGINEERING CORPORATION AND INVESTEEES

FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2006

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

No.	Financing Name	Counter-party	Financial Statement Account	Financing Limit for Each Borrowing Company	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Reasons	Allowance for Bad Debt	Collateral		Transaction Amount	Financing Company's Financing Amount Limits
										Item	Value		
0	BES Engineering Corporation (the "Corporation")	Corporacion De Inversion Y Desarrollo, S.A. (Costa Rica) (BES, S.A.)	Long-term receivables - related party	\$ 727,938	\$ 34,953 (US\$1,056,000)	\$ 1,827 (US\$ 56,000)	-	To develop the BES Free Zone in Costa Rica as approved in the Corporation's 187th board meeting on July 30, 1991	\$ -	-	\$ -	-	The limit (\$7,279,381 thousand) on the total maximum financing is equal to 40% of net equity as shown in the Corporation's latest financial statements; and the maximum limit (\$727,938 thousand) for each counter-party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.
1	Core Pacific World ("Core")	K9 International Entertainment Corporation	Accounts receivable - related party	348,000	15,000	15,000	4%	Short-term support for borrower's operations	-	Guarantee note	20,000	-	The limit (\$1,160,000 thousand) on the total maximum financing is equal to 100% of Core's issued capital as shown in Core's latest financial statements; and the maximum limit (\$348,000 thousand) for each counter-party is equal to 30% of Core's net equity as shown in Core's latest financial statements.
2	BES Machinery Corporation ("BESMC")	Ezplace Co., Ltd.	Long-term notes receivable - related party	77,874	40,000	-	4.5%	Short-term support for borrower's operations	-	118 parking spaces	56,000	-	The limit (\$233,622 thousand) on the total maximum financing is equal to 30% of BESMC's issued capital as shown in BESMC's latest financial statements; and the maximum limit for each counter-party is equal to 10% of BESMC's net equity as shown in BESMC's latest financial statements.

BES ENGINEERING CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2006

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

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	BES Engineering Corporation (the "Corporation")	BES Investment Corporation	Parent	\$ 1,819,845	\$ 70,801 (US\$ 2,139,000)	\$ -	\$ -	-	The limit (\$9,099,227 thousand) on the total maximum endorsement is equal to 50% of the Corporation's net equity as shown in the Corporation's latest financial statements; and the maximum limit for each counter-party is equal to 10% (\$1,819,845 thousand) of the Corporation's net equity as shown in the Corporation's latest financial statements.
1	Core Pacific World ("Core")	K9 International Entertainment Corporation	Parent	442,747	130,000	83,470	55,000	7.54%	The limit (\$553,434 thousand) on the total maximum endorsement is equal to 50% of Core's net equity as shown in Core's latest financial statements; and the maximum limit \$442,747 thousand for each counter-party is equal to 40% of Core's net equity as shown in Core's latest financial statements.

BES ENGINEERING CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
BES Engineering Corporation	China Petrochemical Development Corporation	Director and supervisor	Available-for-sale financial assets - current	2,300,000	\$ 22,356	-	\$ 22,356	(Note 1)
	United Microelectronics Corporation	-	Available-for-sale financial assets - current	1,000,000	20,250	-	20,250	(Note 1)
	Taishin Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	604,288	11,542	-	11,542	(Note 1)
	PSC Corp.	-	Available-for-sale financial assets - current	482	11	-	11	(Note 1)
	Yieh Phui enterprise Co., Ltd.	-	Available-for-sale financial assets - current	585	8	-	8	(Note 1)
	Polaris Global Emerging market Funds	-	Available-for-sale financial assets - current	299,401	3,569	-	3,569	(Note 1)
	KGI Greater China Fund	-	Available-for-sale financial assets - current	300,000	3,081	-	3,081	(Note 1)
	Tiim Asian Real Estate Non-Dividend Fund	-	Available-for-sale financial assets - current	200,000	2,454	-	2,454	(Note 1)
	Polaris Global ETFs Growth Fund	-	Available-for-sale financial assets - current	200,000	2,110	-	2,110	(Note 1)
	Polaris Global REITs Fund A	-	Available-for-sale financial assets - current	200,000	2,023	-	2,023	(Note 1)
	Cathay Global Infrastructure Fund	-	Available-for-sale financial assets - current	200,000	2,000	-	2,000	(Note 1)
	Seligman New Tech Venture Fund	-	Available-for-sale financial assets - current	22	11	-	11	(Note 2)
	Core Pacific World	Subsidiary	Equity-method investments	115,736,100	1,107,549	99.77	1,120,945	(Notes 3 and 6)
	BES Machinery	Subsidiary	Equity-method investments	75,213,198	803,147	96.58	803,147	(Note 3)
	BES Investment	Subsidiary	Equity-method investments	20,900,000	487,821	100.00	487,821	(Note 3)
	Cherng-Huei	Equity-method investee	Equity-method investments	31,250,000	163,024	41.67	163,024	(Note 3)
	BES Construction & Development	Subsidiary	Equity-method investments	11,119,654	98,321	100.00	98,321	(Note 3)
	Coreasia Human Resource Management	Subsidiary	Equity-method investments	4,000,000	47,923	100.00	47,923	(Note 3)
	Chung Kung Safeguarding & Security	Subsidiary	Equity-method investments	3,880,000	45,052	64.67	45,613	(Note 3)
	BES Global Investment Co.	Subsidiary	Equity-method investments	1,410,100	43,041	100.00	43,041	(Note 3)
	BES Construction Corporation (BES, U.S.A.)	Subsidiary	Equity-method investments	8,500	37,012	91.78	37,012	(Note 3)
	Huatung Power	Equity-method investee	Equity-method investments	18,300,000	30,380	30.00	30,380	(Note 3)
	Cinemark-Core Pacific Ltd.	Subsidiary	Equity-method investments	1,861,500	29,359	15.38	30,808	(Note 3)
	Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.)	Subsidiary	Equity-method investments	800	20,805	100.00	20,805	(Note 3)
	Core Pacific Consulting Company	Subsidiary	Equity-method investments	1,100,000	14,983	55.00	13,763	(Note 3)

(Continued)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Chu-Huan Environment Engineering	Subsidiary	Equity-method investments	2,550,000	\$ 715	51.00	\$ 715	(Note 4)
	Core Pacific City	-	Financial assets carried at cost - noncurrent	128,000,000	484,492	10.67	956,123	(Notes 3 and 5)
	Core Pacific Venture Capital	-	Financial assets carried at cost - noncurrent	7,378,000	60,582	18.31	53,409	(Note 8)
	Century Development	-	Financial assets carried at cost - noncurrent	7,206,059	50,000	3.03	109,264	(Note 8)
	Chien-Kung Venture Capital	-	Financial assets carried at cost - noncurrent	6,287,625	44,771	12.66	40,341	(Note 8)
	Overseas Investment & Development	-	Financial assets carried at cost - noncurrent	2,600,000	24,887	2.89	24,675	(Note 8)
	NanoAmp Solutions Inc.	-	Financial assets carried at cost - noncurrent	267,232	7,986	1.08	24,717	(Notes 7 and 8)
	iGlobe Partner Fund L.P.	-	Financial assets carried at cost - noncurrent	-	7,210	0.69	7,363	(Note 8)
	CCI Electronic	-	Financial assets carried at cost - noncurrent	2,000,000	2	6.60	-	(Note 8)
	Agora Garden	-	Financial assets carried at cost - noncurrent	14,592	1	0.02	-	(Note 8)
	Tun-Te International	-	Financial assets carried at cost - noncurrent	500,000	-	5.00	-	(Note 8)
	Sageware Inc.	-	Financial assets carried at cost - noncurrent	666,667	-	4.66	-	(Note 8)
	Prominent Communication Inc.	-	Financial assets carried at cost - noncurrent	310,973	-	1.18	-	(Note 8)
	Neurologic Inc.	-	Financial assets carried at cost - noncurrent	250,001	-	2.25	-	(Note 8)
	Chinfon Bank	-	Bonds measured at amortized cost - noncurrent	-	66,600	-	66,600	(Notes 8 and 9)
Core Pacific World Corporation	PSC Corp.	-	Available-for-sale financial assets - current	826,467	18,182	-	18,182	(Note 1)
	CMC Magnetics Corporation	-	Available-for-sale financial assets - current	883,000	10,111	-	10,111	(Note 1)
	Cathay Global Money Market Fund	-	Available-for-sale financial assets - current	1,000,000	10,218	-	10,218	(Note 1)
	KGI Greater China Fund	-	Available-for-sale financial assets - current	300,000	3,108	-	3,108	(Note 1)
	Core Pacific City	-	Financial assets carried at cost - noncurrent	30,000,000	300,000	100.00	300,000	(Notes 7 and 8)
	Chinese City International Investment Co., Ltd.	Subsidiary	Equity-method investments	9,500,000	334,412	100.00	334,412	(Note 3)
	Zhong Hua Cheng Development Co., Ltd.	Subsidiary	Equity-method investments	9,500,000	335,040	100.00	335,040	(Note 3)
	K9 International Entertainment Corporation	Subsidiary	Equity-method investments	3,000,000	20,555	50.00	20,555	(Note 3)
BES Machinery Corporation	China Petrochemical Development Corporation	Director	Available-for-sale financial assets - current	4,870,000	47,336	-	47,336	(Note 1)
	BESM Holding Co., Ltd.	Subsidiary	Equity-method investments	5,075,000	170,566	100.00	170,566	(Note 3)
	Cinemark-Core Pacific Ltd.	Subsidiary	Equity-method investments	7,593,680	117,771	62.76	125,716	(Note 3)

(Continued)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
BES Investment	Wei-Jing Holdings Ltd.	Equity-method investee	Equity-method investments	14,400,000	\$ 481,444	44.67	\$ 481,444	(Note 3)
	BES Construction Corporation (BES, U.S.A.)	Equity-method investee	Equity-method investments	761	3,315	8.22	3,315	(Note 3)
Coreasia Human Resource Management Corporation	Walsin Lihwa Corporation	-	Available-for-sale financial assets - current	100,000	1,740	-	1,740	(Note 1)
	Elite Human Resource Management Co., Ltd.	Subsidiary	Equity-method investments	500,000	6,356	100.00	6,356	(Note 3)
Chung Kung Safeguarding & Securities Corporation	Inotera Memories, Inc.	-	Available-for-sale financial assets - current	10,000	391	-	391	(Note 1)
	Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	5,248	388	-	388	(Note 1)
	SinoPac Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	20,459	357	-	357	(Note 1)
	Nan Ya Plastic Corporation	-	Available-for-sale financial assets - current	5,459	297	-	297	(Note 1)
	Formosa Petrochemical Corporation	-	Available-for-sale financial assets - current	327	23	-	23	(Note 1)
	ING Europe High Dividend Fund	-	Available-for-sale financial assets - current	90,662	1,235	-	1,235	(Note 1)
	ING Global Dynamic Portfolio	-	Available-for-sale financial assets - current	105,566	1,124	-	1,124	(Note 1)
	ING Global Bond Portfolio	-	Available-for-sale financial assets - current	105,770	1,081	-	1,081	(Note 1)
	UPAMC Select Guaranteed No. 1 Fund	-	Available-for-sale financial assets - current	100,000	988	-	988	(Note 1)
	JF (Taiwan) Japan Brilliance Fund	-	Available-for-sale financial assets - current	107,170	951	-	951	(Note 1)
	BES Machinery Corporation	-	Financial assets carried at cost - noncurrent	1	-	-	-	(Note 8)
	BES Consultant Corporation	Subsidiary	Equity-method investments	-	14,648	100.00	14,648	(Note 3)
	BES Department Maintenance & Management	Subsidiary	Equity-method investments	-	4,122	37.00	4,122	(Note 3)
	BES Global Investment Corporation	BES Global Consulting Company	Subsidiary	Equity-method investments	-	43,084	100.00	43,084
Cinemark-Core Pacific Ltd.	K9 International Entertainment Corporation	Subsidiary	Equity-method investments	3,000,000	21,437	50.00	20,555	(Note 3)
Core Pacific Consulting Company	Lite-On IT Corporation	-	Available-for-sale financial assets - current	34,000	1,063	-	1,063	(Note 1)
	Taiwan Mask Corporation	-	Available-for-sale financial assets - current	40,000	776	-	776	(Note 1)
	Fuh-Hwa Global Bond Fund	-	Available-for-sale financial assets - current	323,317	3,494	-	3,494	(Note 1)
	NT\$ High Yield Fund	-	Available-for-sale financial assets - current	184,197	3,063	-	3,063	(Note 1)
	Fuh-Hwa heirloom Balanced II Fund	-	Available-for-sale financial assets - current	144,669	2,097	-	2,097	(Note 1)
	Fuh-Hwa Bond Fund	-	Available-for-sale financial assets - current	152,910	2,038	-	2,038	(Note 1)

(Continued)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Zhong Hua Cheng Development Co., Ltd.	Core Pacific Consulting (Changshu) Co., Ltd.	Subsidiary	Equity-method investments	-	318,831	100.00	318,831	(Note 3)
Chinese City International Investment Co., Ltd.	Hua Cheng Consulting (Changshu) Co., Ltd.	Subsidiary	Equity-method investments	-	318,170	100.00	318,170	(Note 3)
BES Consultant Corporation	BES Department Maintenance & Management	Subsidiary	Equity-method investments	-	7,016	63.00	7,106	(Note 3)
BESM Holding Co., Ltd.	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Equity-method investee	Equity-method investments	-	170,506	49.00	92,947	(Note 3)

Note 1: Market values of domestic listed securities and mutual funds were based on the closing prices and net asset values as of December 31, 2006, respectively.

Note 2: Market values of abroad mutual funds were based on the net asset values as of December 31, 2006.

Note 3: Net asset values were based on audited financial statements.

Note 4: Net asset values were based on unaudited financial statements.

Note 5: Included 48,000 thousands shares pledged to Chinatrust Bank; 20,000 thousands shares to Cathay United Bank; and 1,500 thousands shares to King's Town bank, with \$263,064 thousand as the total carrying value of all of these shares.

Note 6: Included 35,240 thousands shares pledged to Asia Trust Corporation, with a carrying value of \$337,233 thousand.

Note 7: Preferred stocks.

Note 8: Investments with no quoted market price and with fair values that could not be reliably measured were evaluated at cost.

Note 9: All bonds had been pledged to Chinfon Bank.

(Concluded)

BES ENGINEERING CORPORATION AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2006
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company	Marketable Security Issuer and Type	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
BES Engineering Corporation	China Petrochemical Development Corporation	Available-for-sale financial assets - current	Public commerce market	-	18,981,000	\$ 158,741	3,935,000	\$ 29,708	20,616,000	\$ 183,409	\$ 170,023	\$ 13,386	2,300,000	\$ 22,356 (Note 2)
BES Machinery Corporation	BESM Holding Co., Ltd.	Equity-method investments	(Note 1)	-	-	-	5,075,000	162,163 (US\$ 5,075,000)	-	-	-	-	5,075,000	170,566 (Note 3)
BESM Holding Co., Ltd.	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Equity-method investments	Xiamen International Airport Group Co., Ltd.(XIAGC)	-	-	-	-	167,565 (RMB40,900,000)	-	-	-	-	-	170,506 (Note 4)

Note 1: Initial capital for US\$5,075,000.

Note 2: Unrealized gain of \$3,930 thousand on financial assets.

Note 3: The difference resulting from foreign currency translation (\$4,971 thousand) and investment gain (\$3,432 thousand).

Note 4: The difference resulting from foreign currency translation (\$1,711 thousand) and investment gain (\$1,230 thousand).

BES ENGINEERING CORPORATION AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2006

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

Company	Type of Property	Transaction Date	Transaction Amount	Payment Terms	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Nature of Relationship	Transfer Date	Amount			
BES Engineering Corporation	Land	2006.5.23	\$307,067	All paid	Industrial Development Bureau Ministry of Economic Affairs (IDBMZA)	-	-	-	\$ -	Quotation from IDBMZA	Sale of buildings and land	-	

BES ENGINEERING CORPORATION AND INVESTEES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2006

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

Company	Type of Property	Disposal Date	Original Acquisition Date	Carrying Value	Disposal Price	Payment Terms	Gain (Loss) on Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
BES Engineering Corporation	Land	2006.5.10	1954.7.2	\$971,361	\$1,775,019	Payments completed	\$1,463,258 (Note)	Personal and Long Da Construction Co., Ltd.	-	To lower debt rate and decrease interest expense	Appraisal report: Global Vision Appraisers Firm - 1,683,375; Chung Lien Appraisers Firm - \$1,778,120	-

Note: Including a reserve of \$646,245 thousand for land revaluation increments transferred to gain on sales of properties, a difference of \$13,368 thousand between reserve for land revaluation increments and actual payment, and a decrease of \$13 thousand in other expense.

BES ENGINEERING CORPORATION AND INVESTEES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2006**

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

Company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
BES Engineering Corporation	BES Machinery Corporation	Parent company	Purchase	\$ 610,567	4.88	-	\$ -	Note	Accounts payable (\$270,245)	(6.94)	
BES Machinery Corporation	BES Engineering Corporation	Subsidiary	Sale	(610,567)	(64.81)	-	-	Note	Accounts receivable, net \$270,245	47.56	

Note: Collection based on related party's operating status.

BES ENGINEERING CORPORATION AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2006

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

Company	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
BES Engineering Corporation (the "Corporation")	Agora Garden Corporation ("Agora")	Agora's two directors are the director and the supervisor of the Corporation	\$ 236,985 (Note 1)	-	\$ -	Collection based on agreement	\$ 3,000	\$ -
BES Machinery Corporation	BES Engineering Corporation	Parent company	271,281 (Note 2)	2.78	-	-	158,635	-

Note 1: Reclassified as long-term receivables - related party.

Note 2: Including an account receivable of \$270,245 thousand and other receivable of \$1,036 thousand.

BES ENGINEERING CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2006	Dec. 31, 2005	Shares	Percentage of Ownership	Carrying Value			
BES Engineering Corporation	Core Pacific World Corporation	Taipei, Taiwan	Makes investments	\$ 1,528,160	\$ 1,567,451	115,736,100	99.77	\$ 1,107,549	\$ (14,953)	\$ (10,426)	The difference of \$4,492 resulted from the discount amortized.
	BES Machinery Corporation	Kaohsiung, Taiwan	Leases engineering machinery and equipment, and wholesale construction materials and provides consulting service for designing and planning projects, except for certain architectural matters	842,988	842,988	75,213,198	96.58	803,147	26,263	24,732	The difference of \$633, resulted from the investee's payments of the director's remuneration and the employees' bonuses.
	BES Investment Corporation	Hong Kong	Overseas construction and equipment sale	681,625	611,915	20,900,000	100.00	487,821	16,756	16,756	Investee is a subsidiary
	Cherng-Huei Corporation	Taipei, Taiwan	Manages investments in financial instruments and certain industries	500,000	500,000	31,250,000	41.67	163,024	(132,577)	(55,245)	Investee is a subsidiary
	BES Construction & Development Corporation	Taipei, Taiwan	Subcontracts construction of buildings for lease and sale	89,148	92,951	11,119,654	100.00	98,321	1,364	1,261	Investee is a subsidiary (Note 2)
	Coreasia Human Resource Management Corporation	Taipei, Taiwan	Consultancy on business administration and investments	40,000	40,000	4,000,000	100.00	47,923	3,161	2,959	The difference of \$202 resulted from the investee's payment of the employees' bonuses.
	Chung Kung Safeguarding & Security Corporation	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	45,052	8,288	5,494	The difference of \$217 resulted from the discount amortized and the investee's payments of the director's remuneration and the employees' bonuses for \$83.
	BES Global Investment Co.	British Virgin Islands	Overseas construction and equipment sale	48,019	48,019	1,410,100	100.00	43,041	(8,544)	(8,544)	Investee is a subsidiary
	BES Construction Corporation (BES, U.S.A.)	U. S. A.	Develops lands for investments	259,562	259,562	8,500	91.78	37,012	(3,238)	(2,972)	Investee is a subsidiary
	Huatung Power Corporation	Taipei, Taiwan	Operates power plants	183,000	183,000	18,300,000	30.00	30,380	(693)	(208)	
Cinemark-Core Pacific Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	29,359	18,723	3,342	The difference of \$561 resulted from the discount amortized and the investee's payments of the director's remuneration and the employees' bonuses for \$100. (Note 3)	
Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.)	Costa Rica	Operates processing districts	181	181	800	100.00	20,805	22,878	22,878	Investee is a subsidiary	
Core Pacific Consulting Company	Taipei, Taiwan	Consultancy on business administration and investments	14,729	14,729	1,100,000	55.00	14,983	1,996	1,044	The difference of \$54 resulted from the investee's payment of the director's remuneration and the employees' bonuses.	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2006	Dec. 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Core Pacific World Corporation	Chu-Huan Environmental Engineering Corporation	Hsinchu, Taiwan	Does environmental engineering and clears up garbage	\$ 25,500	\$ 25,500	2,550,000	51.00	\$ 715	\$ (1)	\$ (1)	Investee is a subsidiary
	Smartnet Corporation	Taipei, Taiwan	Leases satellite TV broadcasters and manages the sale and installation of channel receiver accessories	-	137,514	-	-	-	3,238	2,968	Investee is a subsidiary
	Zhong Hua Cheng Development Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	334,412	3,621	3,621	Investee is a subsidiary
	Chinese City International Investment Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	335,040	3,979	3,979	Investee is a subsidiary
BES Machinery Corporation	K9 International Entertainment Corporation	Taipei, Taiwan	Entertaining	30,000	30,000	3,000,000	50.00	20,555	(10,785)	(5,392)	Investee is a subsidiary
	BESM Holding Co., Ltd. Cinemark-Core Pacific Ltd.	B.V.I. Taipei, Taiwan	Holds investments Movie broadcasting and related businesses	162,163 91,930	- 91,930	5,075,000 7,593,680	100.00 62.76	170,566 117,771	3,432 18,723	3,432 12,481	Investee is a subsidiary Investee is a subsidiary (Note 3)
BES Investment	Wei-Jing Holdings Ltd. BES Construction Corporation (BES U.S.A.)	B.V.I. U.S.A.	Holds investments Develops lands for investments	463,104 25,724	463,104 25,724	14,400,000 761	44.67 8.22	481,444 3,315	40,762 (3,238)	18,208 (266)	Investee is a subsidiary
Coreasia Human Resource Management Corporation	Elite Human Resource Management Co., Ltd.	Taipei, Taiwan	Human resource consulting	5,000	5,000	500,000	100.00	6,356	1,383	1,383	Investee is a subsidiary
BES Global Investment Co.	BES Global Consulting (Shanghai) Co., Ltd.	Shanghai, China	Provides engineering consulting services.	47,597	47,597	-	100.00	43,084	(8,428)	(8,428)	Investee is a subsidiary
Chung Kung Safeguarding & Security Corporation	BES Consultant Corporation	Taipei, Taiwan	Business management consulting and running parking lots	10,000	10,000	-	100.00	14,648	1,195	1,195	Investee is a subsidiary
	Core Pacific Department Maintenance and Management	Taipei, Taiwan	Manages department maintenance and renders related services	3,803	3,803	-	37.00	4,122	229	85	Investee is a subsidiary
Cinemark-Core Pacific Ltd.	K9 International Entertainment Corporation	Taipei, Taiwan	Entertaining	30,000	30,000	3,000,000	50.00	21,437	(10,785)	(5,522)	Investee is a subsidiary
Zhong Hua Cheng Development Co., Ltd.	Core Pacific Consulting (Chang-Shu) Co., Ltd.	Changshu, China	Provides engineering consulting service	305,982	305,982	-	100.00	318,831	4,074	4,074	Investee is a subsidiary
Chinese City International Investment Co., Ltd.	Hua Cheng Consulting (Chang-Shu) Co., Ltd.	Changshu, China	Provides engineering consulting services	305,982	305,982	-	100.00	318,170	3,683	3,683	Investee is a subsidiary
BES Consultant Corporation	Core Pacific Department Maintenance and Management	Taipei, Taiwan	Manages department maintenance and renders related services	6,300	6,300	-	63.00	7,016	229	144	Investee is a subsidiary
BESM Holding Co., Ltd.	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Xiamen, China	Provides logistic, storage and trading business	167,565	-	-	49.00	170,506	2,488	1,230	

Note 1: The calculation was based on the investee's audited financial statements as of December 31, 2006.

Note 2: The difference resulting from reclassification of the Corporation's shares sold by subsidiaries into disposal of treasury stock.

Note 3: The investments of BES Engineering Corporation, and BES Machinery Corporation in Cinemark-Core Pacific Ltd. equaled 78.14%.

(Concluded)

BES ENGINEERING CORPORATION AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2006

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

Investor Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2006	% Ownership of Indirect Investment	Investment Gain (Loss) (Note)	Carrying Value as of Dec. 31, 2006	Accumulated Inward Remittance of Earnings as of Dec. 31, 2006
						Outflow	Inflow					
BES Engineering Corporation	BES Global Consulting (Shanghai) Co., Ltd.	Provides engineering consulting services	\$ 47,597 (US\$ 1,400,000)	Indirect - through BVI company	\$ 47,597 (US\$ 1,400,000)	\$ -	\$ -	\$ 47,597 (US\$ 1,400,000)	100%	\$ (8,428) (US\$ 259,000)	\$ 43,084 (US\$ 1,322,000)	\$ -
Core Pacific World Corporation	Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000,000)	Indirect - through BVI company	305,982 (US\$ 9,000,000)	-	-	305,982 (US\$ 9,000,000)	100%	4,074 (US\$ 125,000)	318,831 (US\$ 9,782,000)	-
Core Pacific World Corporation	Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000,000)	Indirect - through BVI company	305,982 (US\$ 9,000,000)	-	-	305,982 (US\$ 9,000,000)	100%	3,683 (US\$ 113,000)	318,170 (US\$ 9,761,000)	-
BES Machinery Corporation	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, storage and trading business	167,428 (RMB 40,000,000)	Indirect - through BVI company	-	167,565 (RMB 40,900,000)	-	167,565 (RMB 40,900,000)	49%	1,230 (US\$ 38,000)	170,506 (US\$ 5,231,000)	-

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Net Asset Value x 40%
BES Engineering Corporation	US\$ 1,400,000	US\$ 1,445,000	\$ 5,152,199
Core Pacific World Corporation	US\$ 18,000,000	US\$ 19,000,000	813,846
BES Machinery Corporation	RMB 40,900,000	RMB 40,900,000 (US\$ 5,067,000)	332,635

Note: Investment gain (loss) based on the investee's audited financial statements.