KYE Systems Corp. and Subsidiaries

Consolidated Financial Statements as of December 31, 2001 and 2000

Together with Independent Auditors' Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

March 8, 2002

The Board of Directors and Stockholders
KYE Systems Corp.

We have audited the accompanying consolidated balance sheets of KYE Systems Corp. and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We did not audit the financial statements of KYE International Corporation (KYI), KYE Systems UK Ltd. (KYE UK), Mouse Systems Corporation (MSC) and KYE Systems (M) SDN. BHD. (KYE Malaysia), which statements reflect total assets of NT$266,294 thousand as of December 31, 2001 and NT$270,807 thousand as of December 31, 2000, or 5% and 6%, respectively, of the Corporation's consolidated total assets for the same periods; and operating income of NT$663,926 thousand in 2001 and NT$653,121 thousand in 2000, or 12% of the Corporation's consolidated operating income for each of the corresponding two years. Also, we did not audit the financial statements of WK Technology Fund VI (WK VI) and Genius IT Incorporation [Thailand] Ltd. (Genius IT), in which the Corporation's investments were accounted for by the equity method, as shown in the accompanying consolidated financial statements. The carrying values of those investments as of December 31, 2001 and 2000 were NT$330,908 thousand and NT$328,551 thousand, respectively, or 6.68% and 7.71%, respectively, of the consolidated total assets. The equities in their net income were NT$2,354 thousand in 2001 and NT$9,158 thousand in 2000, or 0.49% and 2.05%, respectively, of the consolidated income before income tax. The statements of KYI, KYE UK, MSC, KYE Malaysia, WK VI and Genius IT were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KYE Systems Corp. and subsidiaries as of December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended, in conformity with the regulations governing the preparation of financial statements of public companies and generally accepted accounting principles in the Republic of China.

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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000

(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	2001 Amount	2001 %	2000 Amount	2000 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$1,772,181	36	$ 892,279	21
Short-term investments (Notes 2 and 5)	34,531	1	141,165	3
Notes receivable (Note 2)	1,993	-	8,284	-
Accounts receivable - net (Notes 2 and 17)				
Related parties	1,802	-	5,589	-
Third parties	636,985	13	588,447	14
Income tax refund refundable	23,388	-	23,759	1
Inventories (Notes 2 and 6)	691,691	14	825,640	19
Prepayments	10,614	-	21,723	1
Deferred income taxes (Notes 2 and 15)	23,955	-	52,856	1
Pledged time deposits (Note 18)	125,177	3	87,245	2
Other current assets	51,774	1	49,962	1
Total Current Assets	3,374,091	68	2,696,949	63
LONG-TERM INVESTMENTS (Notes 2 and 7)	684,747	14	631,042	15
PROPERTIES (Notes 2, 8 and 18)				
Cost				
Land	309,590	6	309,590	7
Buildings	158,026	3	158,033	4
Machinery and equipment	233,705	5	206,796	5
Computers	144,936	3	115,851	3
Transportation equipment	17,031	-	14,339	-
Furniture and fixtures	25,423	1	28,115	1
Leased assets	4,396	-	4,396	-
Leasehold improvements	107,376	2	110,587	3
Miscellaneous equipment	51,074	1	52,966	1
Total cost	1,051,557	21	1,000,673	24
Accumulated depreciation	(292,586)	(6)	(240,318)	(6)
Advances for equipment acquisition	22,362	1	34,172	1
Net Properties	781,333	16	794,527	19
OTHER ASSETS (Notes 2 and 15)	111,561	2	137,832	3
TOTAL ASSETS	$4,951,732	100	$4,260,350	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2001 Amount	2001 %	2000 Amount	2000 %
CURRENT LIABILITIES				
Short-term borrowings (Notes 9 and 18)	$ 51,813	1	$ 250,643	6
Commercial paper (Note 10)	-	-	19,869	-
Notes payable	480,556	10	322,830	8
Accounts payable:				
Related parties (Note 17)	121,962	2	111,245	2
Third parties	473,104	10	420,375	10
Accrued expenses	158,079	3	136,450	3
Income tax payable (Notes 2 and 15)	49,488	1	63,499	2
Other current liabilities	77,390	1	75,364	2
Total Current Liabilities	1,412,392	28	1,400,275	33
ACCRUED PENSION LIABILITY (Notes 2 and 14)	39,835	1	32,873	1
MINORITY INTEREST	599	-	670	-
OTHER LIABILITIES	5,495	-	1,610	-
Total Liabilities	1,458,321	29	1,435,428	34
STOCKHOLDERS' EQUITY				
Capital stock, $10 par value Authorized – 200,000 thousand shares Issued- 178,702 thousand shares in 2001 and 147,901 thousand shares in 2000	1,787,024	36	1,479,012	35
Capital surplus (Notes 2 and 11)	1,374,422	28	1,520,048	35
Retained earnings (Notes 12)				
Legal reserve	20,665	-	-	-
Unappropriated earnings	395,630	8	206,650	5
Treasury stock – 3,947 thousand shares in 2001 and 4,302 thousand shares in 2000 (Notes 2 and 13)	(114,057)	(2)	(124,316)	(3)
Unrealized loss on long-term investments (Note 2)	(645)	-	-	-
Cumulative translation adjustments (Note 2)	30,372	1	132	-
Capital stock held by subsidiaries (Note 2)	-	-	(256,604)	(6)
Total Stockholders' Equity	3,493,411	71	2,824,922	66
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,951,732	100	$4,260,350	100

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

(With T N Soong & Co report dated March 8, 2002)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2001 and 2000
(In Thousand New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2001		2000	
	Amount	%	Amount	%
OPERATING INCOME				
Gross sales (Note 2)	$ 5,482,878	100	$ 5,363,600	99
Sales returns and allowances	17,089	-	51,183	1
Net sales (Note 17)	5,465,789	100	5,312,417	98
Other (Note 16)	6,512	-	89,271	2
Total Operating Income	5,472,301	100	5,401,688	100
OPERATING COST				
Cost of sales (Note 17)	4,121,086	75	4,029,550	74
	1,351,215	25	1,372,138	26
REALIZED PROFIT ON SALES TO INVESTEE COMPANIES (Note 2)	450	-	1,052	-
GROSS PROFIT	1,351,665	25	1,373,190	26
OPERATING EXPENSES				
Marketing and administrative	766,595	14	808,246	15
Research and development	150,345	3	143,016	3
Total Operating Expenses	916,940	17	951,262	18
OPERATING INCOME	434,725	8	421,928	8
NONOPERATING INCOME				
Foreign exchange gain – net (Note 2)	91,262	2	-	-
Interest	38,822	1	31,138	1
Gain on sale of investments – net (Note 2)	16,714	-	21,367	-
Equity in net income of investee companies- net (Notes 2 and 7)	767	-	-	-
Other	48,397	1	116,667	2
Total Nonoperating Income	195,962	4	169,172	3

(Forward)

NONOPERATING EXPENSES				
Provision for decline in market value of inventories (Note 2)	$ 122,576	2	$ -	-
Interest	9,970	-	21,959	-
Equity in net loss of investee companies- net (Notes 2 and 7)	-	-	82,955	2
Foreign exchange loss – net (Note 2)	-	-	11,087	-
Other	21,187	1	28,585	1
Total Nonoperating Expenses	153,733	3	144,586	3
INCOME BEFORE INCOME TAX	476,954	9	446,514	8
INCOME TAX (Notes 2 and 15)	98,869	2	92,234	1
INCOME BEFORE MINORITY INTEREST	378,085	7	354,280	7
MINORITY INTEREST	(1,434)	-	(529)	-
NET INCOME	$ 376,651	7	$ 353,751	7
EARNINGS PER SHARE				
Based on weighted average number of outstanding shares of 174,615 thousand shares in 2001 and 147,367 thousand shares in 2000	$2.16		$2.40	
Based on outstanding shares of 178,168 thousand shares adjusted for stock dividends			$1.99	

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

(With T N Soong & Co report dated March 8, 2002)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2001 and 2000
(In Thousand New Taiwan Dollars, Except Dividends Per Share)

	CAPITAL STOCK ISSUED		CAPITAL SURPLUS (Notes 2 and 11)				RETAINED EARNINGS (DEFICIT) (Note 12)			CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TREASURY STOCK (Notes 2 and 13)	UNREALIZED LOSS ON LONG-TERM INVESTMENTS (Note 2)	CAPITAL STOCK HELD BY SUBSIDIARIES (Note 2)	TOTAL STOCKHOLDERS' EQUITY
	Shares (In Thousands)	Amount	Additional Paid-in Capital	From Long-term Investments	Gain on Disposal of Properties	Total	Legal Reserve	Unappropriated	Total					
BALANCE, JANUARY 1, 2000	147,901	$1,479,012	$1,666,772	$ -	$177	$1,666,949	$68,104	($362,106)	($294,002)	($21,789)	$ -	$ -	($138,626)	$2,691,544
Offset against deficit:													-	
Legal reserve	-	-	-	-	-	-	(68,104)	68,104	-	-	-	-	-	-
Additional paid-in capital	-	-	(147,001)	-	-	(147,001)	-	147,001	147,001	-	-	-	-	-
Purchase of treasury stock – 4,302 thousand shares	-	-	-	-	-	-	-	-	-	-	(124,316)	-	-	(124,316)
Net income in 2000	-	-	-	-	-	-	-	353,751	353,751	-	-	-	-	353,751
Reclassification of gain on disposal of properties	-	-	-	-	100	100	-	(100)	(100)	-	-	-	-	-
Translation adjustments for foreign-currency long-term investments	-	-	-	-	-	-	-	-	-	21,921	-	-	-	21,921
Capital stock held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(117,978)	(117,978)
BALANCE, DECEMBER 31, 2000	147,901	1,479,012	1,519,771	-	277	1,520,048	-	206,650	206,650	132	(124,316)	-	(256,604)	2,824,922
Appropriation of 2000 earnings:														
Legal reserve	-	-	-	-	-	-	20,665	(20,665)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(5,000)	(5,000)	-	-	-	-	(5,000)
Bonus to employees – stock	1,600	16,000	-	-	-	-	-	(16,000)	(16,000)	-	-	-	-	-
Stock dividends - $1.01425 per share	14,600	146,006	-	-	-	-	-	(146,006)	(146,006)	-	-	-	-	-
Balance after appropriations	164,101	1,641,018	1,519,771	-	277	1,520,048	20,665	18,979	39,644	132	(124,316)	-	(256,604)	2,819,922
Stock dividends from capital surplus - $1.01425 per share	14,601	146,006	(146,006)	-	-	(146,006)	-	-	-	-	-	-	-	-
Reissue of treasury stock – 355 thousand shares	-	-	-	-	-	-	-	-	-	-	10,259	-	-	10,259
Net income in 2001	-	-	-	-	-	-	-	376,651	376,651	-	-	-	-	376,651
Change in stockholders' equity in long-term investments	-	-	-	380	-	380	-	-	-	-	-	(645)	-	(265)
Translation adjustments for foreign-currency long-term investments	-	-	-	-	-	-	-	-	-	30,240	-	-	-	30,240
Capital stock held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	256,604	256,604
BALANCE, DECEMBER 31, 2001	178,702	$1,787,024	$1,373,765	$380	$277	$1,374,422	$20,665	$395,630	$416,295	$30,372	($114,057)	($645)	$ -	$3,493,411

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

(With T N Soong & Co report dated March 8, 2002)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001 and 2000
(In Thousand New Taiwan Dollars)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before minority interest	$ 378,085	$ 354,280
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	134,122	137,636
Provision (reversal) of allowance for decline in market value of inventories	122,576	(10,222)
Provision (reversal) of allowance for decline in market value of short-term investments	(83,920)	76,820
Deferred income taxes	37,637	26,219
Provision for doubtful accounts	31,442	4,437
Gain on sale of investments – net	(16,714)	(21,367)
Impairment loss on long-term investments	15,376	-
Unfunded pension cost	6,962	7,876
Equity in loss (income) of investee companies- net	(767)	82,955
Gain (loss) on disposal of properties – net	738	(6,045)
Realized profit on sales to investee companies	(450)	(1,052)
Cash dividends received from equity-accounted investee companies	-	16,209
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Securities purchased for trading purposes	225,900	(142,929)
Notes receivable	6,291	(4,112)
Accounts receivable	(76,193)	(174,988)
Income tax refund refundable	371	23
Inventories	11,373	(221,092)
Prepayments	8,765	11,006
Other current assets	(4,023)	26,412
Increase (decrease) in:		
Notes payable	157,726	33,747
Accounts payable	63,446	137,644
Accrued expenses	21,629	25,231
Income tax payable	(14,011)	42,097
Other current liabilities	2,476	8,785
Net Cash Provided by Operating Activities	1,028,837	409,570

(Forward)

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of long-term investments	($ 80,871)	$ -
Acquisitions of properties	(60,036)	(68,068)
Increase in pledged time deposits	(37,932)	(87,245)
Increase in other assets	(32,441)	(43,637)
Proceeds from sale of long-term investments	29,893	-
Decrease (increase) in securities for investing purposes	(21,337)	21,367
Proceeds from disposal of properties	91	49,804
Net Cash Used in Investing Activities	(202,633)	(127,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in capital stock held by subsidiaries	256,604	(117,978)
Decrease in short-term borrowings	(198,830)	(5,445)
Payments on commercial paper	(19,869)	(59,783)
Proceeds from reissuance of treasury stock	10,259	-
Remuneration paid to directors and supervisors	(5,000)	-
Increase in other liabilities	3,885	1,522
Decrease in minority interest	(1,505)	(64)
Acquisition of treasury stock	-	(124,316)
Net Cash Provided by (Used in) Financing Activities	45,544	(306,064)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	8,154	(3,594)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	879,902	(27,867)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	892,279	920,146
CASH AND CASH EQUIVALENTS, END OF YEAR	$1,772,181	$ 892,279
SUPPLEMENTARY INFORMATION		
Interest paid	$ 10,363	$ 21,633
Income tax paid	73,085	23,754

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

(With T N Soong & Co report dated March 8, 2002)

KYE SYSTEMS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000
(In Thousand New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL

The Corporation was incorporated as Kun Ying Enterprise Co., Ltd. in November 1983 and renamed KYE Systems Corp. (KYE) in November 1988. The Corporation became a public company in 1991 upon the approval of the ROC Securities & Futures Commission (SFC) and its stock has been listed for trading on the Taiwan Stock Exchange since November 3, 1997.

The Corporation manufactures and sells computer peripheral products, mainly, mouse, scanner, tablet, multimedia and network products etc.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's significant accounting policies, which conform to the regulations governing the preparation of financial statements of public companies and the accounting principles generally accepted in the Republic of China, are summarized below:

Cash equivalents

Commercial paper acquired under agreements that require the Corporation to resell them within three months are classified as cash equivalents.

Short-term investments

Short-term investments are carried at the lower of cost or market value. An allowance for loss is provided when the aggregate carrying value of the investments exceeds their total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income.

Costs of investments sold are determined using the moving average method, but for mutual funds beneficiary certificates, the specific-identification method is used.

Allowances for doubtful receivables

Allowances for doubtful receivables are provided on the basis of a review of the estimated collectibility of notes and accounts receivable.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the weighted-average cost method, but a few subsidiaries use the first-in, first-out method. Market value represents net realizable value or replacement cost.

Long-term investments

Long-term equity investments on which the Corporation exercises significant influence over the financial and operating policy decisions are accounted for by the equity method. Under this method, the investments are initially stated at cost and subsequently adjusted to recognize the Corporation's net income or net loss or change in net worth of each investee in the same accounting period. When the Corporation acquires a company, the excess of the acquisition cost over the Corporation's equity in the net assets acquired is amortized over 10 years. The unamortized balance is written off at once when the economic benefit of this excess ceases. Cash dividends received are accounted for as reductions in the carrying value of the investments. Stock dividends, which result in an increase in the number of shares, are not recognized as investment income. Costs of investments sold are determined by the weighted average method. The unrealized gain (loss) on upstream transactions with investee companies accounted for by the equity method are eliminated in proportion to the Corporation's percentage in ownership.

Other long-term equity investments are accounted for by the cost method.

Properties

Properties are stated at cost less accumulated depreciation. Major renewals and betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation expenses - except those of KYE International Corporation (KYI), which uses the accelerated depreciation method - are computed using the straight-line method. When properties are still in use beyond their originally estimated service lives, their salvage values are written off on the straight-line method over their reestimated remaining service lives. Original estimates of service lives are as follows: Buildings, 5 to 55 years; machinery and equipment, 2 to 12 years; transportation equipment, 5 to 12 years; furniture and fixtures, 2 to 12 years; computer equipment, 3 to 5 years; leased assets, 5 years; leasehold improvements, 2 to 39 years; and miscellaneous equipment, 3 to 15 years.

When properties are retired or disposed of, their cost and related accumulated depreciation are removed from the accounts, and resulting gain or loss is credited or charged to current income. Before 2000, any such gain, less applicable income tax, was transferred to capital surplus.

Deferred charges

Deferred charges are amortized over 2 to 5 years and included in other assets.

Revenue

Sales are recorded when the ownership of products (including those sold to equity-accounted investees) is transferred to the customers. The gross profit on sales to equity-accounted investees is deferred and recognized under income when the related products are ultimately sold to third parties.

Pension costs

The Corporation recognizes annual pension costs based on actuarial calculations.

Income tax

Deferred income taxes are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability is classified as current or noncurrent depending on the classification of the related asset or liability for financial reporting. A deferred tax asset or liability that cannot be related to an asset or liability for financial reporting is classified according to the expected reversal dates of the temporary difference.

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

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

Treasury stock

The acquisition of treasury stock is accounted for by cost method. Under this method, treasury stock is shown at the cost for reacquiring the shares. This cost is shown as a deduction to arrive at stockholders' equity (Note 13).

If the treasury shares are reissued at a price in excess of the acquisition cost, the excess is credited to paid-in capital from treasury stock. If the treasury shares are reissued at less than acquisition cost, the deficiency is treated as a reduction of paid-in capital related to any previous reissuances. If the balance of paid-in capital from treasury stock reissuance is insufficient to absorb the deficiency, the remainder (i.e., deficiency less paid-in capital) is recorded as a reduction of retained earnings.

Capital stock held by subsidiaries

Similar to the presentation of treasury stock in the financial statements, the costs of the Corporation's capital stock held by subsidiaries are presented as a deduction to arrive at stockholders' equity.

Foreign-currency transactions

Foreign-currency transactions are recorded at spot rates of the functional currencies of individual entities included in the consolidation. Gains or losses resulting from the application of different foreign exchange rates when foreign-currency receivables and payables are settled, are credited or charged to income in the year of settlement. At year-end, balances of foreign-currency assets and liabilities are restated at exchange rates prevailing on that date, and resulting gains or losses are credited or charged to current income.

Derivative financial instruments

a. Forward exchange contracts and currency swaps contracts

Foreign-currency assets and liabilities arising from forward exchange contracts or currency swap contracts, which are mainly used to hedge exchange rate fluctuation on existing foreign currency-denominated assets and liabilities, are recorded at rates on the starting dates of the contracts. On the balance sheet date, the gains or losses on the contracts are computed by multiplying the foreign currency amount of the contracts by the difference between the rates at the balance sheet date and the rates at the contract starting dates. Resulting gains or losses are charged to income. The premium or discount, computed using the foreign currency amount of the contracts multiplied by the difference between the contracted forward rates and the rates at the starting dates of the contract, is also recognized. The premium or discount is amortized over the term of the forward contracts, with the amortization credited or charged to income.

b. Currency option

The amounts received on written currency option contracts (call and put) for nontrading purposes are recorded as liabilities. The amounts paid for options purchased (call and put) are recorded as assets. The amounts received or paid are amortized using the straight-line method over the contract period, with the amortization credited or charged to current income.

c. Structured deposit

Structured deposit is a time deposit with payment of the interest rate or principal linked to the market value fluctuation of the related financial instruments. This deposit is for nontrading purposes and is recorded as time deposit on contract date. The interest is credited to current interest revenue.

d. Asset swaps

Asset swaps involve exchanging the stock conversion rights of the convertible bonds for fixed interest rate. They are classified as long-term investments upon payment of the bonds and recorded as interest revenue according to the rate of the contracts on an accrual basis.

Receivables arising from the derivative financial instrument contracts are offset against the related payable at the balance sheet date. Loss or income from contract settlement is netted against the income or loss from hedged foreign currency asset or liability.

Translation adjustments

The financial statements of foreign investees accounted for by the equity method are translated into New Taiwan dollars at the exchange rates prevailing on balance sheet date. The resulting translation adjustments are recognized at the Corporation's percentage share in the investee's equity and are credited or charged to "cumulative translation adjustments" under stockholders' equity.

Reclassifications

Certain accounts of 2000 have been reclassified to conform to the 2001 presentation.

3. BASIS OF CONSOLIDATION AND
SIGNIFICANT ELIMINATING ENTRIES

The Corporation consolidates the accounts of all directly and indirectly owned subsidiaries (i.e., entities in which the Corporation's long-term equity investments are over 50%) whose individual total assets or total operating income are over 10% of those of the Corporation. All significant intercompany accounts and transactions have been eliminated in the consolidation. The consolidated financial statements included, as of and for the years ended December 31, 2001 and 2000, the accounts of the following:

a. Mouse Systems Corporation (MSC), a 97.64% owned subsidiary, was incorporated in San Jose, California, United States and researches, manufactures and sells computer mice. The investment in MSC was made in March 1991 and then sold in two parts to Genius Holding (Cayman) Co., Ltd. (Genius Holding) in December 1997 and August 1998.

b. KYE International Corporation (KYI), a wholly owned subsidiary, was incorporated in Los Angeles, California, United States. It markets and provides maintenance services on computer peripherals and networking products. The Corporation's total investment in KYI amounted to US$1,935 thousand as of December 31, 2001.

c. KYE Systems UK Ltd. (KYE UK), a 92.99% owned subsidiary, was incorporated in Wellington, England. KYE UK sells and provides maintenance services on computer peripherals and networking products. The Corporation's total investment in KYE UK amounted to £658 thousand as of December 31, 2001.

d. KYE Systems Europe GmbH (KYE Europe), a wholly owned subsidiary, was incorporated in Dusseldorf, Germany. KYE Europe sells and provides maintenance services on computer peripherals and networking products. The Corporation's total investment in KYE Europe amounted to DEM$530 thousand as of December 31, 2001.

e. KYE Systems [Hong Kong] Corp. (KYE HK), a 99.99% owned subsidiary, sells and provides maintenance services on computer peripherals, parts and networking products. The Corporation's total investment in KYE HK amounted to HK$499 thousand as of December 31, 2001.

f. Genius Holding Co., Ltd. (Genius Holding), a Cayman Islands company, was incorporated in December 1997. As mentioned in item (a) above, the Corporation sold all its shares in MSC to Genius Holding in two parts in December 1997 and August 1998.

   The Corporation made indirect investment in Dong-Guan Changying Computer Products Factory (Dong-Guan Changying) through Globalink Holding Co., Ltd. (Globalink). Globalink, a British Virgin Island company, is a subsidiary of Genius Holding. Dong-Guan Changying manufactures computer mice in Mainland China.

   The Corporation made indirect investment in KYE Systems (M) SDN. BHD. (KYE M) at 80% through Genius Holding. KYE M, incorporated in Malaysia, sells and maintains computer peripherals and networking products.

The Corporation made indirect investment in Moustek Investment Co., Ltd. (Mousetek), a British Virgin Islands company, through Genius Holding. Mousetek engages in international investment and holding.

As of December 31, 2001, the amount of KYE's investment in Genius Holding was US$25,500 thousand dollars.

g. KYE Inc., a British Virgin Islands company, was incorporated in October 1996. It established and acquired 100% of Dong-Guan Kunying Computer Products Co., Ltd. (Dong-Guan Kunying). Dong-Guan Kunying manufactures traditional mechanical mice. The Corporation sold all its shares in KYE INC. to Globalink in November 2001.

h. Megatech Investment Co., Ltd. (Megatech), a British Virgin Islands company, was incorporated in August 1998 by Genius Holding. Megatech invested in Unicap Investment Co., Ltd. (UniCap), which engages in international investment and holding.

   The Corporation's investments in Megatech at 37.5% were indirectly made through I-Hung Investment Co., Ltd. (I-Hung). Genius Holding owns 62.5% of Megatech. As of December 31, 2001, the investments by KYE's subsidiaries in Megatech were US$8,000 thousand and in Unicap, US$1,400 thousand.

i. Chung-Chiang Investment Co., Ltd. (Chung-Chiang), Hung-Cheng Investment Co., Ltd. (Hung-Cheng) and I-Hung were incorporated in January, April and December 1998,respectively. They engage in investment. As of December 31, 2001, the Corporation owned 99.99% of each of these three companies and its investments amounted to $195,000 (Chung-Chiang), $195,000 (Hung-Cheng) and $100,000 (I-Hung).

j. Sunrite International Co., Ltd. (Sunrite) was incorporated in July 1998 and is 85% owned by the Corporation. It sells and provides maintenance services on computers peripherals, parts, and networking products. As of December 31, 2001, the Corporation's investment in Sunrite was $25,500.

The details of transactions between the consolidated companies are as follows:

Company	Account	Amount	Transaction Entity
KYE	Operating income	$ 83,040	KYE M
	Operating income	92,822	KYE HK
	Operating income	291,953	KYI
	Operating income	200,693	KYE Europe
	Operating income	147,644	KYE UK
	Operating income	26,256	Sunrite
	Accrued expense	3,396	KYI
	Accrued expense	3,113	KYE HK
	Accrued expense	4,010	KYE Europe
	Accounts receivable	61,065	KYI
	Accounts receivable	52,663	KYE Europe
	Accounts receivable	59,501	KYE UK
	Accounts receivable	39,519	KYE M
	Accounts receivable	7,453	Sunrite
	Other receivable-related parties	602	KYI
	Other receivable-related parties	563,476	KYE HK

Receipts under custody	16,776 MSC

(Forward)

	Operating expense	$ 21,063	KYI
	Operating expense	50,472	KYE HK
	Other liabilities	106,908	Globalink
	Nonoperating income	3,718	Globalink
	Purchase	2,455,112	KYE HK
KYE HK	Other receivable	3,113	KYE
	Accounts payable	563,476	KYE
	Accounts receivable	563,476	Dong-guan Kunying
	Purchase	92,822	KYE
	Operating income	2,455,112	KYE
	Nonoperating income	50,472	KYE
Dong-Guan Kunying	Accounts payable	563,476	KYE HK
KYE Europe	Purchase	200,693	KYE
	Accounts payable	48,653	KYE
KYI	Purchase	291,953	KYE
	Accounts payable	59,330	KYE
	Accounts receivable	1,059	KYE
	Nonoperating income	21,063	KYE
Sunrite	Purchase	26,256	KYE
	Accounts payable	7,453	KYE
Globalink	Other expense	3,718	KYE
	Other assets	106,908	KYE
KYE UK	Purchase	147,644	KYE
	Accounts payable	59,501	KYE
KYE M	Other payable	39,519	KYE
	Purchase	83,040	KYE
MSC	Other receivable	16,776	KYE

4. CASH AND CASH EQUIVALENTS

	2001	2000
Demand deposits	$ 703,928	$ 412,774
Time deposits	613,547	270,873
Commercial paper	421,365	179,097
Checking accounts	32,824	28,492
Cash on hand	308	832
Petty cash	209	211
	$1,772,181	$ 892,279

As of December 31, 2001, commercial paper were agreed to be resold for $421,784 before January 30, 2002.

5. SHORT-TERM INVESTMENTS

	2001	2000
Dow Jones Global Titans notes	$ 34,950	$ -
Listed and over-the-counter stock	-	136,085
Open-end mutual fund	-	89,000
	34,950	225,085
Less: Allowance for decline in market value	(419)	(83,920)
	$ 34,531	$ 141,165
Market value	$ 34,531	$ 141,206

Market prices are determined as follows: (a) open-end mutual funds – net asset values at the balance sheet date; (b) listed and over-the-counter stock – average daily closing prices for the last month of the accounting period; (c) notes – closing price at the balance sheet date.

6. INVENTORIES

	2001	2000
Finished goods	$ 299,873	$ 282,115
Work in process	144,970	161,137
Materials	411,771	462,016
	856,614	905,268
Less: Allowance for decline in market value	(164,923)	(79,628)
	$ 691,691	$ 825,640

7. LONG-TERM INVESTMENTS

	2001		2000	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Stock				
Equity method				
WK Technology Fund VI (WK Technology VI)	$ 314,229	21.4	$ 313,047	21.4
Juster International (BVI) Co., Ltd. (Juster International)	221,054	49.0	226,547	49.0
K-TEK Holding (BVI) Co., Ltd. (K-TEK)	-	-	26,469	39.2
Juster Co., Ltd. (Juster Group)	67,416	46.1	18,730	49.0
Genius IT Incorporation (Thailand) Ltd. (Genius IT)	16,679	49.0	15,504	49.0
PC-LAND (M) SDN. BHD. (PC-LAND)	-	80.0	-	80.0
	619,378		600,297	

(Forward)

Cost method				
Ecomm USA.com Inc.	$ -	0.3	$ 15,376	0.3
Prime View International Co., Ltd.	13,069	0.1	13,069	0.2
Hexawave, Inc.	1,820	-	1,820	-
United Test Center	480	-	480	-
	15,369		30,745	
Asset swap				
Everspring Industry Co., Ltd. - first convertible bond asset swap	50,000		-	
	$ 684,747		$ 631,042	

The equity shares in net income (loss), including amortization of acquisition premiums, based on audited financial statements covering similar years, are as follows:

	2001	2000
Juster International	($ 17,700)	($ 33,480)
K-TEK	128	(15,710)
Genfra	-	(34,883)
WK Technology VI	1,828	8,559
Juster	15,985	(5,222)
PC-LAND	-	(2,818)
Genius IT	526	599
	$ 767	($ 82,955)

Megatech sold all its shares in K-TEK to Juster for US$884 thousand and realized gains of US$80 thousand.

8. ACCUMULATED DEPRECIATION ON PROPERTIES

	2001	2000
Buildings	$ 19,871	$ 16,730
Machinery and equipment	102,449	78,862
Computer equipment	86,696	63,916
Transportation equipment	10,328	8,559
Furniture and fixtures	15,847	17,163
Leased assets	1,023	290
Leasehold improvements	27,215	24,714
Miscellaneous equipment	29,157	30,084
	$ 292,586	$ 240,318

9. SHORT-TERM BORROWINGS

	Interest Rate	Due Date	Amount
At the end of 2001			
Revolving credit	3%	January 10, 2002	$ 50,000
Usance letters of credit	4.3%	June 08, 2002	1,439
Bank overdraft			374
			$ 51,813
At the end of 2000			
Revolving credit	6.07%-6.5%	June 29, 2001	$ 250,000
Usance letters of credit	2.25%-2.50%	June 24, 2001	643
			$ 250,643

Unused credit lines of the Corporation and subsidiaries aggregated to $661,134 as of December 31, 2001.

10. COMMERCIAL PAPER

	Rate	Due Date	Amount
At the end of 2000			
Commercial paper	5.2%	February 15, 2001	$ 19,869

Unused credit lines of the Corporation and subsidiaries aggregated to $260,000 as of December 31, 2001.

11. CAPITAL SURPLUS

Under the Company Law, all components of capital surplus can be used only to offset deficit, but additional paid-in capital (i.e., the component of capital surplus arising from issuance of shares in excess of par value) may be distributed as stock dividends only upon the stockholders' approval. In addition, under regulations issued by SFC, the distribution of stock dividends arising from additional paid-in capital may be made only once a year - but not in the year the surplus is made - and under certain other restrictions.

12. RETAINED EARNINGS

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated as follows:

a. 10%, as legal reserve (if the legal reserve amount is equal to the aggregate par value of the Corporation's outstanding capital stock, this appropriation need not be made);

b. Special reserve – from the remainder, the appropriation is an amount equal to the net debit balance of the accounts in stockholders' equity;

c. The remainder, including prior years' unappropriated earnings, only 60% to 90% should be appropriated as follows:

   1) Bonus to directors and supervisors

   2) Bonus to employees, at 3% to 10%;

   3) Dividends to stockholders - cash dividend of at least 10% of total dividends. The final balance will be distributed as stock dividend, but if the cash dividend is lower than $0.1 dollar per share, the earnings will be distributed as stock dividends.

These appropriations shall be resolved by the stockholders in the following year and given effect in the financial statements of that year.

Under the Company Law, the legal reserve should be appropriated each year until the reserve equals the aggregate par value of outstanding capital stock. The reserve can only be used to offset deficit or, when the reserve has reached 50% of aggregate par value of outstanding capital stock, up to 50% thereof can be transferred to capital.

Under SFC regulations, the Corporation should appropriate as special reserve an amount equivalent to the net debit balance, as of the balance sheet dates, of each of the accounts shown in the stockholders' equity. The special reserve shall be available for appropriation equal to the amount that is reversible due to the reduction in the net debit balance.

Under the Integrated Income Tax System, which took effect on January 1, 1998, no tax credits are allowed for earnings generated in 1997 and earlier. Only ROC resident stockholders are allowed a tax credit for the income tax paid by the Corporation on earnings generated from 1998 onwards. The income tax credit is based on an income tax creditable ratio that is determined on the date of dividend distribution.

13. TREASURY STOCK

(Shares in thousands)

Reasons for Reacquisition	Beginning of Year	Decrease	End of Year
Reissuance to employees	4,302	355	3,947

Under the Securities and Exchange Law, the Corporation is prohibited from acquiring treasury stock in excess of 10% of the total shares issued. In addition, the purchase cost should not exceed the sum of retained earnings and additional paid-in capital in excess of par value. Further, the Corporation should not use the treasury stock to secure any of its obligations and to exercise the rights of a stockholder.

For the year ended December 31, 2001, the maximum shares of treasury stock held by the Corporation were 4,302 thousand shares and the maximum balance of treasury stock were $124,316.

14. PENSION PLAN

The Corporation has a pension plan for all regular employees, which provides benefits based on length of service and basic salaries or wages of the six months before retirement.

The Corporation makes monthly contributions, equal to 2% of salaries and wages, to a pension fund. The fund is administered by the employees' pension fund supervising committee and deposited in the Central Trust of China.

All foreign consolidated subsidiaries have no pension plan.

a. Net pension costs are summarized below:

	2001	2000
Service cost	$ 9,749	$ 10,389
Interest cost	3,221	3,221
Expected return on plan assets	(2,208)	(2,069)
Net amortization and deferral	(166)	217
Net pension cost	$ 10,596	$ 11,758

b. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2001 and 2000 is as follows:

	2001	2000
Benefit obligation		
Vested benefit obligation	$ 8,816	$ -
Nonvested benefit obligation	34,998	19,139
Accumulated benefit obligation	43,814	19,139
Additional benefits based on future salaries	47,069	34,551
Projected benefit obligation	90,883	53,690
Fair value of plan assets	(40,313)	(35,001)
Funded status	50,570	18,689
Unrecognized net transition obligation	(15,747)	(16,872)
Unrecognized pension gain	4,952	31,185
Accrued pension cost	$ 39,775	$ 33,002

c. Vested benefit $ 11,136 $ -

d. Actuarial assumptions

	2001	2000
1) Discount rate used in determining present values	5.0%	6.0%
2) Future salary increase rate	5.0%	6.0%
3) Expected rate of return on plan assets	5.0%	6.0%

(Forward)

e. The changes in pension fund are summarized below:

Balance, beginning of year	$ 35,001	$ 29,104
Contributions	3,823	3,595
Interest earned	1,489	2,302
Balance, end of year	$ 40,313	$ 35,001

15. INCOME TAX

	2001	2000

a. The income tax components are as follows:

	2001	2000
Income tax expense - current	$ 56,971	$ 50,126
Income tax expense - deferred	38,199	26,927
Prior year's adjustment	1,465	14,290
Interest income on short-term bills, which is taxed separately	2,234	891
Income tax expense	$ 98,869	$ 92,234

b. Reconciliation of the current income tax before credits based on pretax income at statutory rate and the tax provision is as follows:

	2001	2000
Income tax expense income at statutory rate (25%)	$129,114	$173,364
Add (deduct) tax effects of:		
Permanent differences	(1,143)	(32,414)
Temporary differences	(19,647)	(50,021)
Tax on unappropriated earnings (10%)	910	2,941
Investment tax credit	(52,263)	(43,744)
Income tax expense - current	$ 56,971	$ 50,126

c. Deferred income tax assets (liabilities) consisted of:

	2001	2000
Deferred income tax assets - current		
Unrealized gross profit on sales to investees	$ 6,650	$ 4,500
Allowance for doubtful accounts	8,633	5,512
Allowance for inventory loss	5,451	11,320
Unrealized foreign exchange gain	(3,356)	-
Investment tax credits	2,047	22,862
Loss carryforward credits	128,482	141,889
Others	1,952	1,580
	149,859	187,663
Less: Valuation allowance	(125,904)	(134,807)
	$ 23,955	$ 52,856

(Forward)

Deferred income tax assets - noncurrent (classified as other assets)		
Equity in net loss of investees	$ 39,271	$ 87,090
Loss on permanent market value decline of long-term investments	3,844	-
	43,115	87,090
Less: Valuation allowance	(30,714)	(65,953)
	$ 12,401	$ 21,137

d. The information pertaining to the Integrated Income Tax System is as follows:

Year-end balance of imputed tax credit account (ICA)	$ 29,526	$ 19,295

The imputed tax credit rate earnings distributed in 2000 was 32.51%, and the estimated imputed tax credit rate for 2001 is 7.46%.

The imputation credit allocated to each shareholder shall be based on the balance in the ICA on the date of distribution of dividends; thus the expected creditable ratio for 2001 may be adjusted according to the difference between the expected and actual imputation credit allowed under the regulation.

The unappropriated earnings as of December 31, 2001 and 2000 were generated after January 1, 1998.

Unused tax credits will expire by 2003.

The Corporation's income tax returns through 1999 had been examined by the tax authorities. However, the tax authorities did not approve all the investment tax credits in the Corporation's 1995 and 1997 returns. The Corporation believes this assessment is without merit and has thus filed appeals and accrued the related income tax liability.

16. OTHER OPERATING INCOME

The Corporation's nature of operations differs from those of its subsidiaries, Chung-Chiang, Hung-Cheng, I-Hung and Unicap. Thus, the net operating income of those subsidiaries is classified as other operating income in the consolidated statements of income.

	2001	2000
Gain on sale of long-term and short-term investments - net		
Proceeds from sale of short-term investments	$2,019,059	$2,095,614
Proceeds from sale of long-term investments	-	11,746
	2,019,059	2,107,360
Cost of sale of short-term investments	2,081,091	1,935,444
Cost of sale of long-term investments	-	6,480
	2,081,091	1,941,924
	(62,032)	165,436

(Forward)

	2001	2000
Dividends	$ -	$ 655
Reversal (provision) of allowance for decline in market value of short-term investments	83,920	(76,820)
Loss on permanent market value decline of long-term investments	(15,376)	-
Other operating income	$ 6,512	$ 89,271

17. RELATED PARTY TRANSACTIONS

The Corporation had transactions with the following related parties:

Name	Relationship with the Corporation
PC-LAND (M) SDN. BHD. (PC-LAND)	80%-owned subsidiary of Genius Holding
Genius IT Incorporation (Thailand) Ltd. (Genius IT)	48.99%-owned investee of Genius Holding
Genfra S.A. (Genfra)	50%- indirectly -owned subsidiary until Genfra's closure on September 10, 2001
Goldley Industrial Company (Goldley)	46.14%-indirectly-owned investee

Significant transactions with the above related parties are summarized as follows:

	2001		2000	
	Amount	% of Total Account	Amount	% of Total Account
At end of the year				
a. Accounts receivable				
Genius IT	$ 1,802	-	$ 2,106	-
Genfra	-	-	3,483	1
	$ 1,802	-	$ 5,589	1
b. Accounts payable				
Goldley	$ 120,650	20	$ 111,240	21
Others	1,312	-	5	-
	$ 121,962	20	$ 111,245	21
For the year				
c. Sales				
Genius IT	$ 49,368	1	$ 46,483	1
Genfra	-	-	13,052	-
Others	3,287	-	525	-
	$ 52,655	1	$ 60,060	1

(Forward)

d. Purchase

Goldley	$ 478,578	11	$ 263,911	7
Others	11,330	-	593	-
	$ 489,908	11	$ 264,504	7

Receivables from export sales are generally settled by telegraphic transfer, sight or usance letter of credit, and document against payment (D/P).

Genfra, the Corporation's affiliate, promotes the Corporation's products in Europe to enhance product competitiveness and increase the Corporation's market share. Thus, the sales price given to Genfra is lower than that given to a third party. The significant balances and transactions with related parties, except those disclosed in the foregoing, are based on regular selling prices and collection terms.

18. MORTGAGED AND PLEDGED ASSETS

The following assets had been mortgaged or pledged as collaterals for letters of credit, foreign exchange forward contracts, currency option, commercial paper and short-term borrowings.

	2001	2000
Properties - net	$ 197,432	$ 198,776
Other current asset - pledged time deposits	125,177	87,245
	$ 322,609	$ 286,021

19. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2001 are as follows:

a. MSC filed charges against its former Chief & Executive Officer (Ms. Grace Chang Hsu), claiming she committed embezzlement against MSC by arranging for MSC to buy computer accessories in 1998 at unreasonably high prices through Taiwan trading companies owned by her relatives. The prosecutor of the Taipei District Court indicted Ms. Chang Hsu on June 20, 2001. The Taipei District Court tried the case on November 22, 2001. Subsequent events were as follows:

   1) Ms. Chang Hsu escaped overseas, so a directive for her arrest was issued by circular order.

   2) Chang Hsieh Li-hua [Ms. Chang Hsu's mother] was paralyzed, so the court decided to suspend the trial.

   3) Chang Chin-Jin [Ms. Chang Hsu's brother] was sentenced to two years' imprisonment.

   Chang Chin-Jen appealed the court verdict, so the case is now pending before the Taiwan Appeals Court.

The civil action case is also pending before the Civil Court of the Taipei District Court.

b. MSC, KYE Europe, KYI, Dong-guan Kunying and Globalink rented several office spaces under operating leases for periods up to 2013. The rental expenses were $35,812 in 2001 and $48,707 in 2000. The minimum leases for the next five years are as follows:

Year	Amount
2002	$ 56,212
2003	57,191
2004	58,213
2005	39,358
2006	27,418
	$ 238,392

Total rentals for the years after 2007 [around 2013] would amount to $170,666. As of December 31, 2001, the value of rentals was about $148,556, discounted at the 1.8% interest rate offered by the Post Office on January 1, 2001 for one-year time deposits.

20. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Financial assets - fair values approximate carrying values	$ 3,156,502	$ 3,156,502	$ 2,220,847	$ 2,220,847
Short-term investments	34,351	34,351	141,165	141,206
Financial liabilities - fair values approximate carrying values	1,127,435	1,127,435	1,025,716	1,025,716
Derivative financial instruments				
Purchased currency put options	700	700	140	140
Foreign exchange swap	7,867	7,790	-	-
Written currency call options	(9,450)	(9,450)	(14,620)	(14,620)
Structured deposits	34,950	34,993	-	-
Asset swap	50,000	50,217	-	-

The bases used in estimating the fair values of nonderivative financial instruments are as follows:

1) Cash and cash equivalents, notes and accounts receivables, interest receivable, pledged time deposits, notes and accounts payable, interest payable, short-term bank borrowings and bills payable - carrying amounts, because of the short maturities of these instruments;

2) Short-term investments - market value; long-term investments - carrying amounts, because quoted market prices are not available ;

3) Guarantee deposits - carrying amounts, because these deposits do not have due dates;

4) Derivative financial instruments - amount paid or received if the settlement date is the balance sheet date, including the unrealized gain or loss from contracts not yet settled on balance sheet date.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure of fair value. Thus, the aggregate fair values presented do not represent the underlying value of the Corporation.

b. Derivative financial instruments

The information on contracts entered into by the Corporation on derivative financial instruments is as follows:

1) Contract amount and credit risk

(In Thousand Dollars)

	2001		2000	
	Contract Amount	Credit Risk	Contract Amount	Credit Risk
Purchased currency put options	US$ 42,000	$ 700	US$ 15,000	$ 140
Written currency call options	US$ 51,000	-	US$ 15,000	-
Foreign exchange swap	US$ 20,000	7,790	-	-
Structured deposits	US$ 1,000	34,993	-	-
Asset swap	$ 50,000	50,217	-	-

The Corporation will be exposed to credit risk if counter-parties cannot deliver on the contracts on maturity. The Corporation transacts only with financial institutions with good credit ratings. Thus, no material credit risk from the above contracts is anticipated.

2) Market risk

The Corporation used forward exchange contracts, currency swap contracts and currency options to hedge the effect of foreign currency fluctuation on its net foreign currency-denominated accounts and anticipated transactions. The principle of structured deposits and asset swap are both guaranteed according to the related contracts. Gain or loss arising from exchange rate or interest rate fluctuations will be mostly offset by these hedge instruments. Thus, the potential market risk is insignificant.

3) Liquidity, cash flow and uncertainty on the amount and period of future cash demand

On maturity of the outstanding option contracts, the total cash payments will be US$93,000 thousand and the Corporation will receive $3,236,300 between January and May in 2002. For the outstanding foreign exchange contracts, the total cash payments will be $691,210 and the Corporation will receive US$20,000 thousand between January and April in 2002. Since there will be enough foreign currency cash inflows from operating activities, there is no risk of material cash outflow; in addition, the Corporation had paid the principal for structured deposits and asset swap; thus, no significant demand for additional cash outflow is expected.

4) Kinds and purpose of derivative financial instruments held and related strategies

The Corporation used forward exchange transactions, currency swap contracts, currency options, structured deposits and asset swaps for risk-hedging purposes and not for trading. The hedging strategy is to hedge most of the market risk which the Corporation is exposed to. The Corporation designated hedging instruments as high correlation with the fair value of the hedged items and periodically evaluated the effectiveness of the instruments.

5) Disclosure for financial statement

Please refer to Note 2.

There was no significant gain or loss from derivative financial instruments in 2001 and 2000.

21. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFC for the Corporation and affiliates:

a. Financing provided: Table 1.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 2.

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Table 3.

e. Acquisition of individual real estates at costs of at least NT$100 million or 20% of the paid-in capital: None.

f. Disposal of individual real estates at prices of at least NT$100 million or 20% of the paid-in capital: None.

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 6.

j. Derivative financial transactions: Please refer to Note 20.

k. Investment in Mainland China

1) Investee companies' names, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, carrying value of investment, amounts received on investment, and the limitation on investment: Table 7.

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:

a) The amount and percentage of purchase and related accounts payable: Table 4.

b) The amount and percentage of sales and related accounts receivables: None.

c) The amount and related gain or loss on disposal of assets: None.

d) Endorsement/guarantee provided: None.

e) Financing provided: None.

f) The transactions that significantly influence current income or financial status: None.

22. SEGMENT FINANCIAL INFORMATION

a. Industry information

	2001			2000		
	Electronics Department	Investment Department	Total	Electronics Department	Investment Department	Total
Department operating revenue	$5,465,789	$ 6,512	$5,472,301	$5,312,417	$ 89,271	$5,401,688
Department operating income	$ 429,166	$ 5,559	$ 434,725	$ 329,280	$ 92,648	$ 421,928
Nonoperating income			195,962			169,172
Nonoperating expense			(153,733)			(144,586)
Income before tax			$ 476,954			$ 446,514
Identifiable assets	$3,860,496	$ 406,489	$4,266,985	$3,511,939	$ 117,369	$3,629,308
Long-term equity investment			684,747			631,042
Total assets			$4,951,732			$4,260,350
Depreciation and amortization			$ 134,122			$ 137,636
Capital expenditure			$ 60,036			$ 68,068

b. Geographic information

	2001					
	America	Europe	Other Overseas	Taiwan	Adjustments and Eliminating Entries	Consolidated
Revenue to unaffiliated customers	$ 345,202	$ 463,040	$ 171,305	$4,492,754	$ -	$5,472,301
Transfers between consolidated parties	183	5,919	2,455,112	842,408	(3,303,622)	-
Total revenue	$ 345,385	$ 468,959	$2,626,417	$5,335,162	($3,303,622)	$5,472,301
Department income	$ 1,284	$ 19,482	$ 13,813	$ 380,637	$ 19,509	$ 434,725
Nonoperating income						195,962
Nonoperating expense						(153,733)
Income before tax						$ 476,954
Identifiable assets	$ 150,783	$ 181,298	$1,098,489	$4,720,730	($1,884,315)	$4,266,985
Long-term equity investment						684,747
Total assets						$4,951,732

	2000					
	America	Europe	Other Overseas	Taiwan	Adjustments and Eliminating Entries	Consolidated
Revenue to unaffiliated customers	$ 349,805	$ 424,082	$ 302,926	$4,324,875	$ -	$5,401,688
Transfers between consolidated parties	804	2,997	2,651,087	794,251	(3,449,139)	-
Total revenue	$ 350,609	$ 427,079	$2,954,013	$5,119,126	($3,449,139)	$5,401,688
Department income	($ 36,046)	$ 13,741	$ 81,767	$ 390,629	($ 28,163)	$ 421,928
Nonoperating income						169,172
Nonoperating expense						(144,586)
Income before tax						$ 446,514
Identifiable assets	$ 144,198	$ 178,017	$1,490,600	$3,053,611	($1,237,118)	$3,629,308
Long-term equity investment						631,042
Total assets						$4,260,350

c. Export sales:

	2001	2000
Europe	$1,579,099	$1,489,471
Asia	1,531,090	1,068,187
America	1,145,915	1,589,662
Other	85,084	121,648
	$4,341,188	$4,268,968

d. Customers with sales reaching 10% of the Corporation's operating income are as follows:

	2001		2000	
	Amount	% of Total Account	Amount	% of Total Account
A Company	$ 13,117	-	$1,042,042	19
B Company	844,643	15	385,159	7
	$ 857,760	15	$1,427,201	26

KYE SYSTEMS CORP. AND INVESTEES

FINANCING PROVIDED
For the Year Ended December 31, 2001
(Amounts in Thousand Dollars, Unless Otherwise Specified)

No.	Financing Provider	Counter-Party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Transaction Amount	Financing Character	Short-term Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Amount Limits (Note 1)
											Item	Value		
1	Genius Holding (Cayman) Co., Ltd.	Mouse Systems Corporation	Receivables from related parties - MSC	US$ 1,950	US$ 1,950 (Note 3)	-	-	(Note 4)	For revolving fund	-	-	-	$ 178,702	$ 357,405
		Globalink Holding (BVI) Co., Ltd.	Receivables from related parties -Globalink	US$ 849	-	-	-	(Note 4)	For revolving fund	-	-	-	178,702	
2	Globalink Holding (BVI) Co., Ltd.	Megatech Investment (BVI) Co., Ltd.	Receivables from related parties -Megatech	US$ 3,500	-	-	-	(Note 4)	For revolving fund	-	-	-	178,702	
		Mouse Systems Corporation	Receivables from related parties -MSC	US$ 3,340	US$ 2,693 (Note 3)	-	-	(Note 4)	For revolving fund	-	-	-	178,702	
3	Unicap Investment (BVI) Co., Ltd.	Megatech Investment (BVI) Co., Ltd.	Receivables from related parties -Megatech	US$ 541	-	-	-	(Note 4)	For revolving fund	-	-	-	178,702	
		Globalink Holding (BVI) Co., Ltd.	Receivables from related parties -Globalink	US$ 860	-	-	-	(Note 4)	For revolving fund	-	-	-	178,702	

Note 1: 20% of capital stock of KYE Systems Corp.

Note 2: 10% of capital stock of KYE Systems Corp.

Note 3: Eliminated in consolidation.

Note 4: Short-term financing.

TABLE 2

KYE SYSTEMS CORP. AND INVESTEES

MARKETABLE SECURITIES HELD
December 31, 2001
(Amounts in Thousand Dollars, Unless Otherwise Specified)

Investor Company	Type of Marketable Securities	Marketable Securities	Relationship with the Corporation	Financial Statement Account	December 31, 2001			
					Shares/Units (Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)
KYE Systems Corp.	Common stock	Genius Holding (Cayman) Co., Ltd.	A subsidiary of the Corporation	Long-term investment	25,500	$ 590,874 (Note 3)	100.00%	$ 589,653
	Common stock	WK Technology Fund VI	Equity - accounted investee	Long-term investment	30,000	314,229	21.43%	314,229
	Common stock	Chung-Chiang Investment Co., Ltd.	A subsidiary of the Corporation	Long-term investment	19,499	190,249 (Note 3)	99.99%	191,249
	Common stock	Hung-Cheng Investment Co., Ltd.	A subsidiary of the Corporation	Long-term investment	19,499	234,843 (Note 3)	99.99%	235,843
		I-Hung Investment Co., Ltd.	A subsidiary of the Corporation	Long-term investment	-	106,335 (Note 3)	99.99%	108,076
	Common stock	KYE International Corporation	A subsidiary of the Corporation	Long-term investment	173	53,539 (Note 3)	100.00%	53,539
	Common stock	Sunrite International Co., Ltd.	A subsidiary of the Corporation	Long-term investment	2,550	26,461 (Note 3)	85.00%	26,461
	Common stock	KYE Systems Europe GmbH	A subsidiary of the Corporation	Long-term investment	500	38,910 (Note 3)	100.00%	38,910
	Common stock	KYE Systems (Hong Kong) Corp.	A subsidiary of the Corporation	Long-term investment	499	29,400 (Note 3)	99.99%	29,400
	Common stock	KYE Systems UK Ltd.	A subsidiary of the Corporation	Long-term investment	658	12,594 (Note 3)	92.99%	12,594
	Asset swap	Everspring Industry Co., Ltd. - first convertible bond asset swap	-	Long-term investment	-	50,000	-	50,000
	Dow Jones Global Titans notes	Dow Jones Global Titans notes	-	Short-term investment	10	34,531	-	34,531
Hung-Cheng Investment Co., Ltd.	Common stock	Prime View International Co., Ltd.	-	Long-term equity investment	867	13,069	0.13%	5,384
	Common stock	Juster Co., Ltd. (Juster Group)	Equity - accounted investee	Long-term equity investment	2,768	34,708	23.07%	34,708
Chung-Chiang Investment Co., Ltd.	Common stock	EcommUSA.com	-	Long-term equity investment	100	-	0.31%	224
	Common stock	Juster Co., Ltd. (Juster Group)	Equity - accounted investee	Long-term equity investment	2,768	34,708	23.07%	34,708
	Common stock	Hexawave, Inc.	-	Long-term equity investment	60	1,820	0.05%	436
	Common stock	United Test Center	-	Long-term equity investment	23	480	0.01%	304
I-Hung Investment Co., Ltd.	Common stock	Megatech Investment (BVI) Co., Ltd.	100% indirect investee of the Corporation	Long-term equity investment	3,000	100,586 (Note 3)	37.50%	104,067

(Forward)

Investor Company	Type of Marketable Securities	Marketable Securities	Relationship with the Corporation	Financial Statement Account	December 31, 2001			
					Shares/Units (Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)
Genius Holding (Cayman) Co., Ltd.	Common stock	Globalink Holding (BVI) Co., Ltd.	Subsidiary	Long-term equity investment	12,300	US$ 11,736 (Note 3)	100.00%	US$ 11,736
	Common stock	Megatech Investment (BVI) Co., Ltd.	Subsidiary	Long-term equity investment	5,000	US$ 4,963 (Note 3)	62.50%	US$ 4,963
	Common stock	Mouse Systems Corporation	Subsidiary	Long-term equity investment	10,691	(US$ 4,281) (Note 3)	97.64%	(US$ 4,281)
	Common stock	Genius IT Incorporation (Thailand) Ltd.	Equity - accounted investee	Long-term equity investment	19,600	US$ 477	48.99%	US$ 477
	Common stock	KYE Systems (M) SDN. BHD.	Subsidiary	Long-term equity investment	200	(US$ 94) (Note 3)	80.00%	(US$ 161)
	Common stock	Moustek Investment (BVI) Co., Ltd.	Subsidiary	Long-term equity investment	30	US$ 1 (Note 3)	100.00%	US$ 1
	Common stock	PC-LAND (M) SDN. BHD.	Subsidiary	Long-term equity investment	400	US$ -	80.00%	US$ -
Megatech Investment (BVI) Co., Ltd.	Common stock	Unicap Investment (BVI) Co., Ltd.	Subsidiary	Long-term equity investment	1,400	US$ 1,583 (Note 3)	100.00%	US$ 1,583
	Common stock	Juster International (BVI) Co., Ltd. (Juster Group)	Equity - accounted investee	Long-term equity investment	980	US$ 6,325	49.00%	US$ 2,163
Globalink Holding (BVI) Co., Ltd.	Common stock	KYE Inc. (BVI)	Subsidiary	Long-term equity investment	1,450	US$ 757 (Note 3)	100.00%	(US$ 2,331)
KYE Inc. (BVI)		Dong-Guan Kunying Computer Products Co., Ltd.	Subsidiary	Long-term equity investment	-	(US$ 2,387) (Note 3)	100.00%	(US$ 2,387)

Note 1: Dow Jones Global Titans notes were based on closing price of balance sheet date; stock with no quoted market price was based on the most recent financial statements of the investee; asset swap was based on carrying value.

Note 2: Marketable securities held were not collateralized.

Note 3: Eliminated in consolidation.

KYE SYSTEMS CORP. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Year Ended December 31, 2001
(Amounts in Thousand Dollars)

Company Name	Type of Marketable Securities	Marketable Securities	Financial Statement Account	Counter-Party	Relationship with Counter-Party	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Hung-Cheng Investment Co., Ltd.	Common stock	KYE Systems Corp.	Short-term investment	-	-	4,240,255	$ 140,104	-	$ -	4,240,255	$ 143,557	$ 140,104	$ 3,453	-	$ -
	Open-end mutual fund	Jihsun Bond Fund	Short-term investment	-	-	-	-	14,927,156	182,000	14,927,156	182,895	182,000	895	-	-
	Open-end mutual fund	Cathay Bond Fund	Short-term investment	-	-	-	-	17,516,450	182,000	17,516,450	183,020	182,000	1,020	-	-
	Open-end mutual fund	Invesco Gp Aggressive Income Fund	Short-term investment	-	-	-	-	13,292,876	134,428	13,292,876	135,500	134,428	1,072	-	-
Chung-Chiang Investment Co., Ltd.	Common stock	KYE Systems Corp.	Short-term investment	-	-	4,346,994	135,856	-	-	4,346,994	116,312	135,856	(19,544)	-	-
	Open-end mutual fund	Cathay Bond Fund	Short-term investment	-	-	-	-	17,379,673	180,200	17,379,673	181,025	180,200	825	-	-
	Open-end mutual fund	NT&HIGH Yield Fund	Short-term investment	-	-	-	-	8,065,777	120,000	8,065,777	120,582	120,000	582	-	-

TABLE 4

KYE SYSTEMS CORP. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Year Ended December 31, 2001
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Transaction Details				Special Terms		Note/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
KYE Systems Corp.	KYE Systems (Hong Kong) Corp.	A subsidiary of the Corporation	Purchase (Note 1)	$ 2,455,112 (Note 2)	59	Nonscheduled offset by accounts receivable	-	-	$ -	-	
KYE Systems Corp.	Goldley Industrial Company (Juster Group)	46.14% indirectly owned subsidiary	Purchase	478,578	11	The same as general transaction	-	-	(120,650)	(22)	
KYE Systems Corp.	KYE International Corporation	A subsidiary of the Corporation	Sale	291,953 (Note 2)	5	T/T 150 days	Unit price is lower than others	Credit term is loner than others	61,065 (Note 2)	9	
KYE Systems Corp.	KYE Systems Europe GmbH	A subsidiary of the Corporation	Sale	200,693 (Note 2)	4	T/T 150 days	Unit price is lower than others	Credit term is loner than others	52,663 (Note 2)	7	
KYE Systems Corp.	KYE Systems UK Ltd.	A subsidiary of the Corporation	Sale	147,644 (Note 2)	3	T/T 150 days	Unit price is lower than others	Credit term is loner than others	59,051 (Note 2)	8	

Note 1: Trading between KYE Systems (Hong Kong) Corp. (KYE HK) and KYE Systems Corp. mainly involves transfer of raw materials from the Corporation through KYE HK to Dong-Guan Kunying Computer Products Co., Ltd. to manufacture products for selling back to the Corporation.

Note 2: Eliminated in consolidation.

TABLE 5

KYE SYSTEMS CORP. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
December 31, 2001
(Amounts in Thousand New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
KYE Systems Corp.	KYE Systems (Hong Kong) Corp.	A subsidiary of the Corporation	$563,476 (Note 2)	(Note1)	(Note1)	(Note1)	(Note1)	$ -

Note 1: Ending balance includes payments on behalf of KYE HK for its purchase of raw materials and machinery equipment and is offset by accounts payable non-schedully.

Note 2: Eliminated in consolidation.

KYE SYSTEMS CORP. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
For the Year Ended December 31, 2001
(Amounts in Thousand Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2001			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2001	Dec. 31, 2000	Shares (Thousand)	Percentage of Ownership	Carrying Value			
KYE Systems Corp.	Genius Holding (Cayman) Co., Ltd.	Cayman Islands	Investment	US$ 25,500	US$ 25,500	25,500	100.00	$ 590,874 (Note 1)	US$ 1,242	$ 36,840 (Note 1)	Subsidiary
	WK Technology Fund Ⅵ	Taiwan	Venture Capital	300,000	300,000	30,000	21.43	314,229	8,431	1,828	Equity-accounted investee
	Chung-Chiang Investment Co., Ltd.	Taiwan	Investment	195,000	195,000	19,499	99.99	190,249 (Note 1)	(9,240)	(10,240) (Note 1)	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taiwan	Investment	195,000	195,000	19,499	99.99	234,843 (Note 1)	36,867	35,867 (Note 1)	Subsidiary
	I-Hung Investment Co., Ltd.	Taiwan	Investment	100,000	100,000	-	99.99	106,335 (Note 1)	(2,721)	(3,765) (Note 1)	Subsidiary
	KYE International Corporation	U.S.A	Sale of computer and communications products	US$ 1,935	US$ 1,935	173	100.00	53,539 (Note 1)	US$ 442	14,945 (Note 1)	Subsidiary
	Sunrite International Co., Ltd.	Taiwan	Sale of computer and communications products	25,500	25,500	2,550	85.00	26,461 (Note 1)	15	(595) (Note 1)	Subsidiary
	KYE Systems Europe GmbH	Germany	Sale of computer and communications products	DEM 530	DEM 530	500	100.00	38,910 (Note 1)	DEM 542	8,395 (Note 1)	Subsidiary
	KYE Systems (Hong Kong) Corp.	Hong Kong	Sale of computer and communications products	HK$ 499	HK$ 499	499	99.99	29,400 (Note 1)	(HK$ 581)	(3,759) (Note 1)	Subsidiary
	KYE Systems UK Ltd.	UK	Sale of computer and communications products	GBP 658	GBP 658	658	92.99	12,594 (Note 1)	GBP 256	11,603 (Note 1)	Subsidiary
	KYE Inc. (BVI)	BVI	Investment	-	US$ 1,450	-	-	-	(US$ 3,080)	(132,927) (Note 1)	Subsidiary
Chung-Chiang Investment Co., Ltd.	Juster Co., Ltd. (Juster Group)	Taiwan	Manufacture and Sale multimedia communications products	26,919	11,484	2,768	23.07	34,708	39,079	-	Equity-accounted investee
Hung-Cheng Investment Co., Ltd.	Juster Co., Ltd. (Juster Group)	Taiwan	Manufacture and Sale multimedia communications products	26,919	11,484	2,768	23.07	34,708	39,079	-	Equity-accounted investee
I-Hung Investment Co., Ltd.	Megatech Investment (BVI) Co., Ltd.	BVI	Investment	US$ 3,000	US$ 3,000	3,000	37.50	$ 100,586 (Note 1)	(US$ 303)	-	Subsidiary
Genius Holding (BVI) Co., Ltd.	Globalink Holding (BVI) Co., Ltd.	BVI	Investment	US$ 12,300	US$ 12,300	12,300	100.00	US$ 11,736 (Note 1)	US$ 803	-	Subsidiary
	Megatech Investment (BVI) Co., Ltd.	BVI	Investment	US$ 5,000	US$ 5,000	5,000	62.50	US$ 4,963 (Note 1)	(US$ 303)	-	Subsidiary
	Mouse Systems Corporation	U.S.A	Research, manufacture and Sale of computer mice	US$ 10,691	US$ 10,691	10,691	97.64	(US$ 4,281) (Note 1)	US$ 578	-	Subsidiary
	Genius IT Incorporation (Thailand) Ltd.	Thailand	Research, manufacture and market of computer mice	THB 19,600	THB 19,600	19,600	48.99	US$ 477	THB 1,413	-	Equity-accounted investee
	KYE Systems (M) SDN. BHD.	Malaysia	Sale of computer and communications products	MYR 400	MYR 400	200	80.00	(US$ 94) (Note 1)	MYR 54	-	Subsidiary

(Forward)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2001			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2001	Dec. 31, 2000	Shares (Thousand)	Percentage of Ownership	Carrying Value			
	Moustek Investment (BVI) Co., Ltd.	BVI	Investment	US$ 30	US$ 30	30	100.00	US$ 1 (Note 1)	US$ -	$ -	Subsidiary
	PC-LAND (M) SDN. BHD	Malaysia	Sale of computer and communications products	MYR 500	MYR 500	400	80.00	US$ -	MYR -	-	Subsidiary
Globalink Holding (BVI) Co., Ltd.	KYE Inc. (BVI)	BVI	Investment	US$ 0.03	-	-	100.00	US$ 757 (Note 1)	(US$ 3,080)	-	Subsidiary
KYE Inc.(BVI)	Dong-guan Kunying Co., Ltd.	China (Dong-Guan)	Research, manufacture and Sale of computer mice	US$ 1,450	US$ 1,450	1,450	100.00	(US$ 2,387) (Note 1)	(104,088)	-	Subsidiary
Megatech Investment (BVI) Co., Ltd.	Unicap Investment (BVI) Co., Ltd.	BVI	Investment	US$ 1,400	US$ 3,500	1,400	100.00	US$ 1,583 (Note 1)	US$ 133	-	Subsidiary
	Juster International Co., Ltd. (Juster Group)	BVI	Manufacture and Sale multimedia communications products	US$ 7,413	US$ 7,413	980	49.00	US$ 6,325	US$ 238	-	Equity-accounted investee

Note 1: Eliminated in consolidation.

KYE SYSTEMS CORP. AND INVESTEES

INVESTMENT IN MAINLAND CHINA
For the Year Ended December 31, 2001
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2001	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2001	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of Dec. 31, 2001	Accumulated Inward Remittance of Earnings as of Dec. 31, 2001	Accumulated Investment in Mainland China as of Dec. 31, 2001	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Dong-Guan Kunying Computer Products Co., Ltd.	Mouse manufacturing	US$ 1,450	Indirect	US$ 1,450	$ -	$ -	US$ 1,450	100%	($ 104,088)	(US$ 2,387)	$ -	US$ 1,450	US$ 1,450	$ 1,397,364 (Note 3)
Dong-Guan Changying Computer Products Factory	Electronic product manufacturing	Note 1	Indirect	-	-	-	-	-	Note 2	Note 2	-			

Note 1: Is a raw materials processing factory; thus, no capital stock is available.

Note 2: Is a raw materials processing factory wholly owned by a subsidiary of KYE System Corp.; thus, no book value is available.

Note 3: The amount was calculated at 40% of net asset value.