

Independent Auditor's Report



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The Board of Directors

International Cooperation and Development Fund

We have audited the balance sheets of the International Cooperation and Development Fund as of December 31, 2003 and 2002, and the related statements of income, changes in equity and cash flows for the periods then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. In the matter of the investee companies stated in the foregoing financial statements, we have not audited the financial statements of the Latin America Development Company but had to refer to the report of another independent auditor; hence all opinions stated regarding the amounts declared by Latin America Development Company stated in the foregoing financial statements are based on the given independent auditor's report. As of December 31, 2003, the long-term investment in the Latin America Development Company amounted to NT\$9,709,742, that is 0.06 percent of the total assets; moreover, during the period from January 1 to December 31, 2003, investment losses the company suffered from the long-term investment in the Latin America Development Company amounted to NT\$93,026,884, that is (633.22 percent) of the income of the period.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the other independent auditor's report can provide a reasonable basis for our opinion.

In our opinion and the other independent auditor's report, the financial statements referred to above present fairly, in all material respects, the financial positions of the International Cooperation and Development Fund as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the periods then ended, in conformity with note No.2 and generally accepted accounting principles in the Republic of China (ROC).

As shown in Appendix 8 of the Notes to Financial Statements, starting from year 2003, if ownership of International Cooperation and Development Fund stocks has exceeded 20 percent (inclusive), appraisal is based on the equity method.

Clock & Co., CPAs

February 12, 2004

Financial Statements

International Cooperation and Development Fund

Balance Sheets

December 31, 2003 and 2002

(Expressed in New Taiwan Dollars)

ASSETS	NOTES	2003		2002	
		Amount	%	Amount	%
CURRENT ASSETS		\$9,056,458,857	60.61	\$9,744,627,379	61.39
Cash and cash equivalents	2, 4	6,613,930,391	44.26	6,512,287,248	41.03
Short-term investments	2, 5	2,090,610,502	13.99	3,015,729,652	19.00
Other receivables	6	292,883,084	1.96	188,785,770	1.19
Other current assets		59,034,880	0.40	27,824,709	0.17
LONG-TERM INVESTMENTS AND LENDING		5,640,853,917	37.75	6,108,399,662	38.48
Long-term lending	2, 7	5,455,654,797	36.51	6,403,326,881	40.34
Less: Allowance for uncollectable accounts		(254,943,340)	(1.71)	(839,359,777)	(5.29)
		5,200,711,457	34.80	5,563,967,104	35.05
Long-term investments	2, 8	440,142,460	2.95	544,432,558	3.43
FIXED ASSETS	2, 9	13,669,296	0.09	19,237,557	0.12
Information equipment		14,725,296	0.10	16,793,729	0.11
Communication & transportation equipment		1,808,970	0.01	1,879,520	0.01
Miscellaneous equipment		3,486,367	0.02	2,977,397	0.02
Lease improvement		19,470,073	0.13	19,470,073	0.12
		39,490,706	0.26	41,120,719	0.26
Less: Accumulated depreciation		(25,821,410)	(0.17)	(21,883,162)	(0.14)
OTHER ASSETS		231,284,571	1.55	696,170	0.01
Suspend accounts receivable	10	230,829,476	1.54	—	—
Deposits to suppliers		106,731	—	256,374	—
Intangible assets	2	348,364	0.01	439,796	0.01
TOTAL ASSETS		\$14,942,266,641	100.00	\$15,872,960,768	100.00

(Please see Notes to Financial Statements and the February 12, 2004 independent auditor's report of Clock & Co., CPAs for details.)

International Cooperation and Development Fund
Balance Sheets

December 31, 2003 and 2002

(Expressed in New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	2003		2002	
		Amount	%	Amount	%
CURRENT LIABILITIES		\$234,538,942	1.57	\$984,948,091	6.20
Short-term debt	11	57,000,000	0.38	915,000,000	5.79
Accrued expenses		6,468,193	0.04	28,101,281	0.18
Other payable	12	82,778,255	0.55	2,291,327	0.01
Retained money payable		87,522,658	0.59	32,223,439	0.20
Other current liabilities		769,836	0.01	7,332,044	0.05
OTHER LIABILITIES		3,000,241	0.02	2,892,915	0.02
Deposits received		3,000,241	0.02	2,892,915	0.02
TOTAL LIABILITIES		237,539,183	1.59	987,841,006	6.22
FUNDS AND SURPLUS					
Initial funds	12	11,614,338,576	77.73	11,614,338,576	73.17
Donated funds	12	854,499,496	5.72	1,052,319,496	6.63
Accumulated surplus		2,233,152,760	14.95	2,218,461,690	13.98
Cumulative Translation Adjustments		2,736,626	0.01	—	—
TOTAL EQUITY		14,704,727,458	98.41	14,885,119,762	93.78
TOTAL LIABILITIES AND EQUITY		\$14,942,266,641	100.00	\$15,872,960,768	100.00

(Please see Notes to Financial Statements and the February 12, 2004 independent auditor's report of Clock & Co., CPAs for details.)

International Cooperation and Development Fund

Statements of Income

For the Years Ended December 31, 2003 and 2002

(Expressed in New Taiwan Dollars)

DESCRIPTION	NOTES	2003		2002	
		Amount	%	Amount	%
REVENUES		\$ 1,900,864,996	100.00	\$ 2,038,664,754	100.00
Revenues from contracted projects	2	1,293,134,152	68.02	1,244,132,328	61.03
Revenues from investment & lending		248,461,695	13.08	244,701,987	12.00
Interest from fund		170,666,135	8.98	230,745,869	11.32
Investment income		2,335,900	0.12	2,248,112	0.11
Miscellaneous revenues		—	—	9,150,165	0.45
Other revenues		2,739,014	0.14	11,700	—
Gain on disposal of investments		93,485,349	4.92	150,067,617	7.36
Foreign exchange gain	2	90,042,751	4.74	157,606,976	7.73
EXPENSES		1,886,173,926	99.23	1,879,498,498	92.20
Contracted projects expenses	2	1,293,134,152	68.02	1,244,132,328	61.03
Investment & lending expenses		126,667,238	6.67	174,396,433	8.55
Education training expenses		85,215,114	4.48	112,694,463	5.53
Technical cooperation expenses		89,204,359	4.69	88,490,999	4.34
Operational and planning expenses		49,027,969	2.58	49,660,017	2.44
General & administrative expenses		90,012,567	4.74	92,170,096	4.52
Interest expenses		4,164,119	0.22	30,084,919	1.48
Investment losses pursuant to the equity method	2,8	93,026,884	4.90	—	—
Miscellaneous Expenses		23,928,049	1.26	—	—
Other expenses		572,117	0.03	3,005,803	0.15
Losses on sales of short-term investments		31,221,358	1.64	84,863,440	4.16
NET INCOME		\$ 14,691,070	0.77	\$ 159,166,256	7.80

(Please see Notes to Financial Statements and the February 12, 2004 independent auditor's report of Clock & Co., CPAs for details.)

International Cooperation and Development Fund
Statements of Changes in Equity

For the Years Ended December 31, 2003 and 2002

(Expressed in New Taiwan Dollars)

DESCRIPTION	INITIAL FUNDS	DONATED FUNDS	ACCUMULATED SURPLUS	CUMULATIVE TRANSLATION ADJUSTMENTS	TOTAL
Balance, January 1, 2002	\$11,614,338,576	\$1,052,319,496	\$2,059,295,434	\$ —	\$14,725,953,506
Net income for 2002	—	—	159,166,256	—	159,166,256
Balance, December 31, 2002	11,614,338,576	1,052,319,496	2,218,461,690	—	14,885,119,762
Donated funds returned to the Ministry of Foreign Affairs	—	(115,041,745)	—	—	(115,041,745)
Donated funds reclassified to other payables	—	(82,778,255)	—	—	(82,778,255)
Cumulative translation adjustments of long-term investment based on stock ownership percentage	—	—	—	2,736,626	2,736,626
Net income for 2003	—	—	14,691,070	—	14,691,070
Balance, December 31, 2003	\$11,614,338,576	\$ 854,499,496	\$2,233,152,760	\$ 2,736,626	\$14,704,727,458

(Please see Notes to Financial Statements and the February 12, 2004 independent auditor's report of Clock & Co., CPAs for details.)

International Cooperation and Development Fund

Statements of Cash Flows

For the Years Ended December 31, 2003 and 2002

(Expressed in New Taiwan Dollars)

DESCRIPTION	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 14,691,070	\$ 159,166,256
Adjustments:		
Depreciation expenses	6,485,236	7,349,616
Amortization expenses	268,818	260,279
Bad debt expenses	104,746,674	150,000,000
Investment losses pursuant to the equity method	93,026,884	—
Gain on disposal of investments	(62,263,991)	(65,204,177)
Loss on disposal of fixed assets	572,117	3,005,803
Changes in assets and liabilities:		
(Increase) Decrease in other receivables	(62,204,777)	7,051,788
(Increase) Decrease in other current assets	(31,210,171)	22,329,416
(Decrease) Increase in accrued expenses	(21,633,088)	10,981,300
(Decrease) Increase in other payables	(2,921,327)	2,291,327
Increase (Decrease) in retained money payable	55,299,219	(11,902,601)
Decrease in other current liabilities	(6,562,208)	(2,943,455)
Net Cash Provided by Operating Activities	88,924,456	282,385,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	987,383,141	1,117,386,079
Increase in long-term lending	(522,354,175)	(650,753,504)
Recovery long-term lending	522,108,999	640,104,097
Increase in long-term investments	—	(141,054,410)
Decrease in long-term investments	31,976	—
Acquisition of fixed assets	(1,489,092)	(1,176,665)
Proceeds from disposal of fixed assets	—	23,238
Increase in intangible assets	(177,386)	—
Decrease in deposits to suppliers	149,643	215,628
Net Cash Provided by Investing Activities	985,653,106	964,744,463

(Expressed in New Taiwan Dollars)

DESCRIPTION	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in short-term liabilities	\$ (858,000,000)	\$ 74,920,890
Increase in deposits from suppliers	107,326	683,124
Decrease in donated funds	(115,041,745)	—
Net Cash (Used in) Provided by Financing Activities	(972,934,419)	75,604,014
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,643,143	1,322,734,029
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,512,287,248	5,189,553,219
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$6,613,930,391	\$6,512,287,248
Supplemental Disclosure Of Cash Flow Information		
Cash paid during the year for :		
Interest	\$ 4,164,119	\$ 30,084,919
Income taxes	—	—
Non-cash Investing and Financing activities :		
Long-term investments reclassified to receivables	13,967,864	—
Long-term loans reclassified to receivables	71,547,764	—
Donated funds reclassified to other payables	82,778,255	—
Long-term loans reclassified to Suspend accounts receivable	230,829,476	—

(Please see Notes to Financial Statements and the February 12, 2004 independent auditor's report of Clock & Co., CPAs for details.)

International Cooperation and Development Fund Notes to Financial Statements

December 31, 2003 and 2002

(Expressed in New Taiwan Dollars except as cited in particular footnotes)

1. ORGANIZATION AND HISTORY

In accordance with the "Statute for the Establishment of the International Cooperation and Development Foundation," promulgated by the President of the ROC, the International Cooperation and Development Fund (ICDF-TAIWAN) was formed and approved by the Ministry of Foreign Affairs (MOFA) on June 29, 1996. The ICDF was formed and registered as a consortium juridical person in law, with the succession of the net value of the International Economic Cooperation Development Fund (IECDF), which ceased to exist on June 30, 1996.

The mission of the ICDF is to assist developing countries in their economic growth, strengthen international cooperation, develop foreign relations with allied and friendly countries, and encourage social progress.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Accounting Basis

Accrual basis, except funds for contracted projects from government agencies or other agencies.

(2) Cash Equivalents

The ICDF considers all highly liquid instruments purchased with a maturity of three months or less from date of acquisition to be cash equivalents.

(3) Short-term investments

Short-term investments are recorded at cost. If they belong to short-term notes, the valuations are based on cost or market price, whichever is lower. In cases of no market price, available cost will govern. When they are exchanged before maturity or sold at maturity, their cost and gain or loss, are calculated based on specific identification. Income / loss from cost of sold funds and stock certificates is computed through the weighted average method.

(4) Long-term Lending

The ICDF loans are recorded and calculated based on actual exchange rate on the date of settlement of exchange.

(5) Long-term investments

Long-term investments are recorded based on the cost and valued based on cost method.

Long-term investments before 2002 (inclusive), regardless of the amount of shareholding ratio issued by the investee company, are all appraised based on the cost method. However, from 2003, if ownership of investee company stocks has exceeded 20 percent (inclusive), then the equity method is employed.

(6) Allowance for Uncollectable Accounts—Long-Term Lending

Bad debts from long-term loan before 2002 (inclusive) were computed based on the payment collection

probability evaluation of each loan case, as approved in the Joint Board of Directors and Supervisors Meeting Resolution submitted to the competent authorities. Thereafter, the “Regulation for the ICDF Deal with Past-Due/Non-Performing Loans and Bad Debts” created by the ICDF was submitted to the resolution of the Joint Board of Directors and Supervisors Meeting and on August 29, 2003, forwarded to the Ministry of Foreign Affairs for approval. Hence, effective from 2003, the collection probability of lending plans was evaluated pursuant to the “Regulation for the ICDF Deal with Past-Due / Non-Performing Loans and Bad Debts”.

(7) Fixed assets

Fixed assets are recorded at cost. Major improvements, renewals and replacements are capitalized, while repairs and maintenance are expensed currently. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

Depreciation is computed by the straight-line method over estimated useful life.

(8) Intangible assets

Intangible assets are amortized by the straight-line method.

(9) Pension Plan

The ICDF appropriates seven percent of employees’ monthly salaries as pension funds and recognizes the funds as expenses for the year, based on its employees pension plan, which applies to all of the officially hired employees. Independent of the assets of the ICDF, are deposited in financial institutions in the name of the ICDF. If appropriated funds are not sufficient to pay pension, the ICDF will charge and pay the difference.

(10) Foreign-currency transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the exchange rate when the transactions occur. Deposits denominated in foreign currencies are translated into New Taiwan dollars at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are credited or charged to income in the year of actual conversion or settlement.

(11) Receipt and disbursement of Entrusted Projects

The ICDF receives funds for entrusted projects from government agencies or other agencies. When the funds are used, the expenditure is charged to Contracted Project Expenditure accounts by project. At the end of each month the amount of accumulated fund expenditures are deducted from the Received in an Advance-Contracted Project Funds account and charged to Revenue from a Contracted Project account.

(12) Financial Statement Expression

Some of the items in the 2002 financial statements were reclassified to facilitate a comparative study with the 2003 financial statement.

3. APPROVAL AND ADJUSTMENT OF FINANCIAL STATEMENTS

The receipt and disbursement accounts of government special funds of this foundation should be reviewed by the Ministry of Audit. After its review and approval, the receipt and disbursement accounts of government special funds are then settled. If there are any adjustments, the adjustment will be booked in the following year.

4. CASH AND CASH EQUIVALENTS

	December 31, 2003	December 31, 2002
Petty cash	\$ 120,000	\$ 165,000
Demand deposits	1,951,417,784	457,606,054
Checking deposits	91,000	3,160,658
Time deposits	4,212,670,503	2,723,732,533
Cash equivalents - Short-term notes	449,631,104	3,327,623,003
Total	\$6,613,930,391	\$6,512,287,248

5. SHORT-TERM INVESTMENTS

	December 31, 2003	December 31, 2002
Commercial promissory notes	\$ 319,177,985	\$ 1,033,803,507
Company bonds	1,307,673,055	1,453,701,150
Government bonds	261,732,734	258,501,282
Beneficiary certificates	179,272,589	175,467,260
Marketable stock	22,754,139	94,256,453
Total	2,090,610,502	3,015,729,652
Less: Allowance for reduction of short-term investment to market	—	—
Net	\$2,090,610,502	\$3,015,729,652

6. OTHER RECEIVABLES

	December 31, 2003	December 31, 2002
Interest receivable	\$ 90,129,509	\$ 224,733,083
Retained money receivable	36,227,088	10,711,512
Receivable due to sale of shares	82,262,160	9,479,987
Other receivables	85,868,528	2,001,411
Total	294,487,285	246,925,993
Less: Allowance for uncollectable accounts	(1,604,201)	(58,140,223)
Net	\$292,883,084	\$188,785,770

- (1) The loan interest dues amounting to US\$3,386,119.74 of the Nauru Parkview Hotel and the Paraguay Industrial Park loans reclassified to collectibles (as of December 31, 2003) pursuant to the “Regulation for the ICDF Deal with Past-Due / Non-Performing Loans and Bad Debts” should also be noted.
- (2) As of December 31, 2003 other receivables amounting to NT\$85,515,628 belong to the fund used by the Ministry of Foreign Affairs for investment into the Skopje Development Management Co., Ltd. in the FYR Macedonia. However, after the ROC and the FYR Macedonia cut diplomatic ties, the Ministry of Foreign Affairs terminated the development project. Therefore, pursuant to Ministry of Foreign Affairs instructions, the ICDF transferred the funds from “long-term loan investment” to “other receivables.”
- (3) Bad debts from long-term loan interest receivable are computed based on the payment collection probability evaluation of each loan case pursuant to the “Regulation for the ICDF Deal with Past-Due / Non-Performing Loans and Bad Debts”.

7. LONG-TERM LENDING

	December 31, 2003	December 31, 2002
Long-term lending	\$ 5,455,654,797	\$ 6,403,326,881
Less: Allowance for uncollectable accounts	(254,943,340)	(839,359,777)
Total	\$ 5,200,711,457	\$ 5,563,967,104

- (1) The ICDF conducts long-term lending in accordance with the “Regulations Governing International Cooperation and Development Fund in Loans and Investment,” approved by the Executive Yuan. To the end of December 31, 2003, actual loans were US\$177,811,449.04 and annual interest rates were less than 2 percent.
- (2) Allowances for bad debt allocations were based on the quality against probable problem occurrence. Prior to 2002 (inclusive), long-term loan bad debt allocations were based the payment collection probability evaluation of each individual loan. Amount was presented to the Joint Board of Directors and Supervisors Meeting for resolution and submitted to the competent authorities for evaluation before financial statement declaration. Thereafter, the new “Regulation for the ICDF Deal with Past-Due / Non-Performing Loans and Bad Debts,” upon the resolution of the Joint Board of Directors and Supervisors Meeting, was submitted to the Ministry of Foreign Affairs for approval on August 29, 2003. Hence, effective from 2003, the collection probability of lending plans was evaluated pursuant to the “Regulation for the ICDF Deal with Past-Due / Non-Performing Loans and Bad Debts.” The lending plans under evaluation, the Nauru Parkview Hotel Building loan and the Paraguay Industrial Park loan (including interest receivables), amounting to US\$24,080,000.26, had been reclassified to suspend accounts receivable and in the pertinent allowances

for bad debts (see appendix 10 of Notes for details). The bad debt of the Fort Davis Export Processing Zone (Panama) loan balance (including interest receivables), amounting to US\$6,532,938.44, has been written off pursuant to the resolution of the Joint Board of Directors and Supervisors Meeting in 2003.

(3) The overdue lending plans involving in the loan cased as of December 31, 2003 are detailed below: (Unit: US\$)

Country	Plan	Date Prescribed for Repayment	Principal	Interest	Promise Fee	Deferred Interest	Total	Remarks
Paraguay	Industrial Park Development Project	1999 / 5 / 15	\$ 9,578,683.80	\$ 1,424,804.52	\$ —	\$ —	\$11,003,488.32	A
Nauru	Nauru Parkview Hotel Building Loan Project	2002 / 8 / 12	12,093,905.29	482,076.50	—	6,023.80	12,582,005.59	A
Philippines	Subic Bay Industrial Park Development Project - Phase I	2003 / 2 / 6	1,282,310.00	—	—	—	1,282,310.00	B
Senegal	Re-lending project	2003 / 7 / 15	—	4,271.17	—	—	4,271.17	C
Haiti	Drinking Water Distribution Project in Petion-Ville, Port-au-Prince (Lot I)	2003 / 11 / 15	—	16,866.67	—	741.96	17,608.63	D
Paraguay	SME Re-lending Project	2003 / 11 / 19	500,145.42	35,788.18	—	17,036.11	552,969.71	E
	Total		\$23,455,044.51	\$1,963,807.04	\$ —	\$23,801.87	\$25,442,653.42	

A. Already transferred into the suspend accounts receivable.

B. Agreement extension is currently under negotiation.

C. Bank returned amount due to an error in the remittance process; the ICDF is negotiating matters with debtor.

D. Interest payment of US\$16,866.67 was made on January 9, 2004.

E. Paid on 16 January 2004.

(4) Loan cases for debt arrangement are detailed as follows: (Unit: US\$)

Loan Case	Year of Debt Arrangement	Amount as Creditor's Right before Debt Arrange (Including Principal & Interest)	Amount as Creditor's Right after Debt Arrange (Including Principal & Interest)	Amendment Condition	Amount as Creditor's Right on Dec. 31, 2003
Nauru Parkview Hotel Building Loan Project	1999	\$ 10,764,783.76	\$ 10,764,783.76	Accrued interest before May 2002 was transferred to principal. Interest rate was changed to 5% from 6%.	\$ 13,076,511.94
Chinese Industrial Park Loan in Costa Rica	2001	7,500,000.00	7,500,000.00	1. The five loans due on July 31, 2001 or so have been extended for one year. 2. The annual rates for the outstanding loans -3% for the loan US\$4,500,000 and 5.5% for the loan US\$3,000,000 - are changed to 4%.	3,000,000.00
Subic Bay Industrial Park Development Project - Phase II	2002	4,509,705.99	4,509,705.99	Loan was extended for two years from 2002	4,351,900.71
Subic Bay Industrial Park Development Project - Phase I	Negotiation in process	21,462,530.72	Negotiation in process	Negotiation in process	21,158,089.32

8. LONG-TERM INVESTMENTS

	December 31, 2003		December 31, 2002	
	Investment Cost	Shareholding Ratio	Investment Cost	Shareholding Ratio
Equity method:				
Latin America Development Company	\$ 9,709,742	28.57%	—	—
Cost method:				
Overseas Investment & Development Corporation	130,000,000	14.44%	130,000,000	14.44%
Latin America Development Company	—	—	100,000,000	28.57%
Micro-Credit National S.A.	2,895,918 (US\$ 91,368)	5%	2,895,918 (US\$ 91,368)	5%
SKOPJE Development and Management Company Ltd.	—	—	13,967,864 (US\$ 452,400)	100%
Foundation investment				
European currency funds	297,536,800 (US\$8,500,000)	—	297,536,800 (US\$8,500,000)	—
Prepaid Investment in Taiwan (Paraguay)				
Industrial Zone Development & Management Co., Ltd.	—	—	31,976 (US\$950)	—
Total	\$440,142,460		\$544,432,558	

- (1) The ICDF conducts long-term investment in accordance with the "Regulations Governing," International Cooperation and Development Fund in Loans and Investment approved by Executive Yuan.
- (2) The ICDF commissioned the EBRD to manage special funds for dealing with investment and lending plans with private in Central and Eastern Europe by offering funds mutually. According to the contract, US\$12,500,000 must be put in the investment. US\$8,500,000 has been invested as of 31 December 2003.
- (3) All aforementioned equity investment projects were evaluated at cost at the amounts of actual investments. Investment projects in foreign currencies took the amount actually converted at the exchange rate on the day when the exchange was actually settled as the investment costs. The cost method was employed on all long-term investments prior to 2002 (inclusive), regardless of the amount of shareholding ratio in the

investee company. However, starting from 2003, for investments wherein shareholding ratio in the investee company has exceeded 20 percent, the equity method was used. As of 31 December 2003, pursuant to the 2003 Independent Auditor's Report of the Latin America Development Company, investment losses suffered amounted to NT\$93,026,884.

9. FIXED ASSETS

	December 31, 2003		
	Cost	Accumulated Depreciation	Net
Information equipment	\$ 14,725,296	\$ 7,373,765	\$ 7,351,531
Communication & transportation equipment	1,808,970	1,252,485	556,485
Miscellaneous equipment	3,486,367	1,866,573	1,619,794
Lease Improvement	19,470,073	15,328,587	4,141,486
Total	\$ 39,490,706	\$ 25,821,410	\$ 13,669,296

	December 31, 2002		
	Cost	Accumulated Depreciation	Net
Information equipment	\$ 16,793,729	\$ 7,777,090	\$ 9,016,639
Communication & transportation equipment	1,879,520	1,204,680	674,840
Miscellaneous equipment	2,977,397	1,466,781	1,510,616
Lease Improvement	19,470,073	11,434,611	8,035,462
Total	\$ 41,120,719	\$ 21,883,162	\$ 19,237,557

Depreciation for 2003 and 2002 are NT\$6,485,236 and NT\$7,349,616, respectively.

10. SUSPEND ACCOUNTS RECEIVABLE

	December 31, 2003	
	Loans (US\$)	Loans (NT\$)
Nauru Parkview Hotel Building Loan Project	\$ 13,076,511.94	\$ 384,357,363
Industrial Park Development Project in Paraguay	11,003,488.32	355,803,957
Total	\$ 24,080,000.26	\$740,161,320
Less: Allowance for uncollectable accounts		(509,331,844)
Net		\$230,829,476

The ICDF assessed the payment collection probability of the Nauru Parkview Hotel and the Paraguay Industrial Park according to the "Regulation for the ICDF Deal with Past-Due / Non-Performing Loans and Bad Debts," and consequently allocated 98 percent and 20 percent for bad debt allowances, respectively.

11. SHORT-TERM DEBT

It is a re-purchase bonds finance transaction. The details are as follows:

Bonds	December 31, 2003		
	Period	Rate	Amount
Asian Bank Bond 1999-1B	2003.12.11-2004.2.6	0.800%	\$ 57,000,000

Bonds	December 31, 2002		
	Period	Rate	Amount
Inter-American Development Bond 2001-5	2002.12.20-2003.1.17	1.250%	\$290,000,000
Inter-American Development Bond 1999-1B	2002.12.20-2003.1.21	1.250%	100,000,000
Government Bond 1995-1	2002.12.20-2003.1.10	1.250%	200,000,000
Government Bond 1997-A3	2002.12.20-2003.1.21	1.425%	50,000,000
European Investment Bond 1998-1A	2002.12.27-2003.1.17	1.375%	100,000,000
European Investment Bond 1998-1A	2002.12.9-2003.1.9	1.200%	175,000,000
Total			\$915,000,000

12. FUNDS AND CURRENT SURPLUS AND DEFICIT

The Fund took the net worth (NT\$11,614,338,576) of the International Economic Cooperation Development Fund, Ministry of Economic Affairs, on June 30, 1996 as the founding fund (NT\$11,634,131,427 in total assets, NT\$19,792,851 as the total liabilities). In the registration with the court for judicial person, the total assets as shown in account closing (NT\$11,634,131,427) of the International Economic Cooperation Development Fund, Ministry of Economic Affairs, were registered as the total property value.

The donated funds in the Fund include NT\$4,423,541 of "Overseas Technological Cooperation Commission" of the Ministry of Foreign Affairs for overseas technological cooperation consolidated in the International Cooperation and Development Fund on July 1, 1997; the NT\$600,000,000 sum donated by Ministry of Foreign Affairs on 16 January 2000; and the US\$6,000,000 sum, equivalent to NT\$197,820,000, provided by the Ministry of Foreign Affairs on 3 April 2001 for investment in the Skopje Development & Management Co., Ltd. in the FYR of Macedonia. However, the subsequent ROC-Macedonia diplomatic tie cut also led to the Ministry of Foreign Affairs' cancellation of this development plan. Hence, the ICDF returned the remaining unused funds (US\$3,489,285.55) for this investment to the Ministry of Foreign Affairs in April 2003. The utilized fund amounting to US\$2,510,714.45 was declared as "long-term loan and investment", and pursuant to the Ministry of Foreign Affairs' instructions, the amount was reclassified from "donated funds" to "other receivables" and the related "long-term loan and investment" was reclassified to "receivables - other receivables"; the NT\$250,075,955 sum provided by Ministry of Foreign Affairs on December 31, 2001 as required for "Regulation for the ICDF in Providing Guarantee for Credit Facilities Extended to Private Enterprises who Invest in Countries with Formal Diplomatic Relationships"; totaling NT\$854,499,496.

13. RETIREMENT FUNDS

The special account for employees' retirement funds allocated by the ICDF is detailed below:

	2003	2002
Balance at the beginning of this term	\$ 17,216,149	\$ 12,775,924
Allocation of this term	4,673,718	4,500,966
Interest income	110,199	231,859
Payment of this term	(2,066,192)	(292,600)
Balance at the end of this term	\$ 19,933,874	\$ 17,216,149

14. COMMITMENTS

- (1) Pursuant to "Regulations Governing International Cooperation and Development Fund in Loans and Investment," the Fund had signed contracts with foreign governments amounting to US\$425,078,028.08 as of December 31, 2003. The loans having been granted as of the said dates amounted to US\$347,174,685.15, with US\$77,903,342.93 committed balances.
- (2) The assets under the Fund's custody and operation as consigned by the government do not belong to the Fund. The Fund entered into account as "Properties under custody" and "Custody property payable." The "Properties under custody" was entered at cost. Expenditures for major addition, renewal and improvement were entered as revenues and expenditures of consigned projects. Upon scrapping, the cost was deducted out of the book amount. As of 31 December 2003, the "Properties under custody" showed NT\$201,742,063 book value.
- (3) As of December 31, 2003, pursuant to the Ministry of Foreign Affairs approved "Regulation for the ICDF in Providing Guarantee for Credit Facilities Extended to Private Enterprises who Invest in Countries with Formal Diplomatic Relationships," the ICDF had provided guarantee for credit facilities extended to private enterprises amounting to US\$1,125,000.
- (4) The Central American Economic Development Fund under the Fund's management as consigned by the Ministry of Foreign Affairs does not belong to the Fund. The Fund entered into account in equivalent asset titles and collection for third party. As of December 31, 2003 and 2002, the assets show details below:

	December 31, 2003		December 31, 2002	
	United States Dollar	New Taiwan Dollar	United States Dollar	New Taiwan Dollar
Cash in bank	\$ 3,390,836.85	\$ 115,126,962	\$ 10,468,962.91	\$ 352,395,681
Time deposits	107,933,412.97	3,684,822,755	99,625,159.53	3,443,613,236
Interest receivable	655,844.39	22,246,242	686,335.46	23,614,916
Clearing account	144,449.81	4,942,802	339,734.24	11,463,845
Total	\$112,124,544.02	\$ 3,827,138,761	\$111,120,192.14	\$ 3,831,087,678