

FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEETS

(in Thousand US Dollars, Except Per Share Amounts)

	December 31,	
ASSETS	2005	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 46,375	\$ 45,438
Restricted cash	5,605	8,342
Short-term investments	55,653	19,697
Accounts receivable, net	11,460	18,987
Inventories	15,943	14,076
Prepaid expenses and other current assets	6,665	7,379
Total current assets	141,701	113,919
LONG-TERM INVESTMENTS	16,898	24,059
PROPERTY AND EQUIPMENT, NET	23,319	41,427
RESTRICTED ASSETS	14,492	14,540
OTHER ASSETS	3,245	3,075
TOTAL	\$199,655	\$197,020
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes and accounts payable	\$ 5,760	\$ 9,851
Income tax payable	3,907	991
Accrued expenses and other current liabilities	14,092	12,212
Total current liabilities	23,759	23,054
ACCRUED RETIREMENT BENEFIT COSTS	-	455
Total liabilities	23,759	23,509
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preference shares at \$0.00002 per value per share; Authorized – 250,000,000 shares	-	-
Ordinary shares at \$0.00002 par value per share; Authorized – 4,750,000,000 shares; Issued – 1,967,824,350 shares and 1,906,969,950 shares as of December 31, 2005 and 2006	39	38
Treasury stock – 15,030,000 shares and nil as of December 31, 2005 and 2006, respectively	(3,296)	-
Additional paid-in capital	141,532	140,224
Retained earnings	38,739	33,877
Accumulated other comprehensive loss	(1,118)	(628)
Total shareholders' equity	175,896	173,511
TOTAL	\$199,655	\$197,020

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In Thousands of US Dollars, Except Per Share Amounts)

	Years Ended December 31,	
	2005	2006
NET SALES	\$105,552	\$124,915
COST OF SALES	40,741	56,772
GROSS PROFIT	64,811	68,143
OPERATING EXPENSES		
Research and development (a)	25,421	31,751
Selling, general and administrative (a)	20,279	29,209
Patent related litigation	10,174	10,962
Stock Exchange of Hong Kong listing expenses	2,460	786
Total operating expenses	58,334	72,708
INCOME (LOSS) FROM OPERATIONS	6,477	(4,565)
NON-OPERATING INCOME (EXPENSES)		
Interest income	2,824	3,627
Impairment loss on long-term investments	-	(756)
Foreign exchange loss, net	(443)	(261)
Other, net	323	248
Total non-operating income	2,704	2,858
INCOME (LOSS) BEFORE INCOME TAX	9,181	(1,707)
INCOME TAX EXPENSE (BENEFIT)	1,034	(2,450)
NET INCOME	8,147	743
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign currency translation adjustments	(238)	695
Unrealized loss on available-for-sale securities	(770)	(205)
Total other comprehensive (loss) income	(1,008)	490
COMPREHENSIVE INCOME	\$ 7,139	\$ 1,233
EARNINGS PER SHARE:		
Basic	\$ 0.0042	\$ 0.0004
Diluted	\$ 0.0041	\$ 0.0004
SHARES USED IN EARNINGS PER SHARE CALCULATION:		
Basic (in thousands)	1,961,168	1,932,575
Diluted (in thousands).....	1,997,459	1,946,896
(a) INCLUDES STOCK-BASED COMPENSATION CHARGE AS FOLLOWS:		
Research and development	-	1,181
Selling, general and administrative	-	1,408