TOPCO SCIENTIFIC CO., LTD.

Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

KPMG

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Independent Auditors' Report

The Board of Directors
Topco Scientific Co., Ltd.:

We have audited the accompanying balance sheets of Topco Scientific Co., Ltd. as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements for certain long-term equity investments accounted for under the equity method, which amounted to $713,378,000 and $597,160,000, constituting 9.84% and 9.45% of the total assets, as of December 31, 2010 and 2009, respectively, and for which the related net investment income amounted to $159,994,000 and $61,633,000, constituting 20.78% and 14.50% of net income before tax, for 2010 and 2009, respectively. These financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of long-term equity investments and investment income included for these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the aforementioned, reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Topco Scientific Co., Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

KPMG

March 14, 2011

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.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

TOPCO SCIENTIFIC CO., LTD.

Balance Sheets

December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

Assets	2010 Amount	%	2009 Amount	%
Current assets:				
Cash and cash equivalents (note 4)	$ 763,398	11	465,343	7
Financial assets at fair value through profit or loss – current (note 5)	398,001	5	150,030	2
Available-for-sale financial assets – current (note 5)	22,575	-	20,323	-
Notes and accounts receivable, net (note 6)	1,597,598	22	1,369,040	22
Notes and accounts receivable, net – related parties (note 18)	47,361	1	38,353	1
Other current financial assets (notes 18 and 19)	185,274	3	139,043	2
Inventories, net (note 7)	1,448,156	20	1,236,598	20
Construction in progress in excess of advance construction receipts (notes 8 and 18)	215,032	3	382,280	6
Prepayments and other current assets (notes 15 and 18)	81,988	1	63,964	1
	4,759,383	66	3,864,974	61
Funds and investments:				
Long-term investment under equity method (note 9)	1,603,075	22	1,487,586	24
Financial assets carried at cost – non-current (note 5)	231,178	3	237,993	4
	1,834,253	25	1,725,579	28
Property, plant and equipment (note 10):				
Land	237,894	3	237,894	4
Buildings	346,511	5	346,511	5
Other equipment	70,920	1	57,451	1
	655,325	9	641,856	10
Less: accumulated depreciation	(78,004)	(1)	(66,760)	(1)
Prepayment for purchase of equipment	1,349	-	405	-
	578,670	8	575,501	9
Intangible assets and other assets:				
Rental assets (note 10)	-	-	48,496	1
Long-term accounts receivable, net (note 11)	5,594	-	33,510	-
Deferred income tax asset and others (notes 15 and18)	70,495	1	72,939	1
	76,089	1	154,945	2
Total assets	$ 7,248,395	100	6,320,999	100

Liabilities and Stockholders' Equity	2010 Amount	%	2009 Amount	%
Current liabilities:				
Short-term loans (note 12)	$ -	-	12,000	-
Notes and accounts payable	2,110,026	29	1,859,856	29
Notes and accounts payable – related parties (note 18)	22,169	-	46,669	1
Accrued expenses and other current liabilities (notes 5, 18 and 20)	458,065	6	362,442	6
Advance collections (note 21)	409,265	6	266,830	4
Advance construction receipts in excess of construction in progress (note 8)	60,138	1	6,182	-
	3,059,663	42	2,553,979	40
Long-term and other liabilities:				
Accrued pension liabilities (note 13)	54,467	1	49,433	1
Deferred credits (note 18)	6,051	-	9,077	-
	60,518	1	58,510	1
Total liabilities	3,120,181	43	2,612,489	41
Stockholders' equity (note 14):				
Common stock	1,458,004	20	1,429,416	23
Capital surplus:				
Paid-in capital in excess of par value	1,358,598	19	1,358,598	22
Others	9,657	-	9,594	-
	1,368,255	19	1,368,192	22
Retained earnings:				
Legal reserve	404,501	6	370,094	6
Unappropriated retained earnings	873,868	12	491,281	8
	1,278,369	18	861,375	14
Equity adjustment:				
Foreign currency translation adjustment	3,549	-	19,023	-
Unrealized gain on financial instruments (notes 5 and 9)	20,037	-	30,504	-
	23,586	-	49,527	-
Total stockholders' equity	4,128,214	57	3,708,510	59
Commitments and contingencies (note 20)				
Total liabilities and stockholders' equity	$ 7,248,395	100	6,320,999	100

See accompanying notes to financial statements.

TOPCO SCIENTIFIC CO., LTD.

Statements of Income

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2010 Amount	%	2009 Amount	%
Operating revenues (note 18):				
Sales	$ 10,680,783	91	7,346,020	86
Less: sales returns and allowances	143,500	1	57,035	1
	10,537,283	90	7,288,985	85
Construction revenue	764,625	6	976,576	12
Service revenue	319,824	3	195,914	2
Other operating revenue	92,469	1	82,501	1
	11,714,201	100	8,543,976	100
Operating costs (notes 7, 18 and 21):				
Cost of goods sold	9,560,407	82	6,692,275	78
Construction costs	799,329	7	937,740	11
Other operating costs	59,497	-	53,702	1
	10,419,233	89	7,683,717	90
	1,294,968	11	860,259	10
Realized profit on intercompany sales (note 18)	3,026	-	3,209	-
Gross profit	1,297,994	11	863,468	10
Operating expenses (notes 18 and 21):				
Selling expenses	408,907	3	348,942	4
General and administrative expenses	308,809	3	221,603	3
	717,716	6	570,545	7
Operating income	580,278	5	292,923	3
Non-operating income:				
Interest income (note 18)	2,299	-	2,714	-
Investment income recognized under the equity method, net (note 9)	160,043	2	-	-
Dividend income (note 5)	12,634	-	62,849	1
Gain on sale of financial assets (notes 5 and 18)	1,529	-	97,337	1
Gain on valuation of financial assets (notes 5 and 17)	5,494	-	47,275	1
Other income (note 10)	29,872	-	21,150	-
	211,871	2	231,325	3
Non-operating expenses and losses:				
Interest expense	639	-	5,097	-
Investment loss recognized under the equity method, net (note 9)	-	-	9,713	-
Asset impairment losses (note 5)	1,600	-	22,000	-
Loss on valuation of financial liabilities (notes 5 and 17)	2,165	-	16,769	-
Other losses (note 21)	17,902	-	45,527	1
	22,306	-	99,106	1
Income before income tax	769,843	7	425,142	5
Income tax expense (note 15)	109,849	1	81,075	1
Net income	$ 659,994	6	344,067	4

	Before income tax	After income tax	Before income tax	After income tax
Basic net income per share (note 16)	$ 5.28	4.53	2.97	2.41
Basic net income per share calculated by adjusting dividends declared retroactively			$ 2.92	2.36
Diluted net income per share	$ 5.24	4.49	2.96	2.40
Diluted net income per share calculated by adjusting dividends declared retroactively			$ 2.90	2.35

See accompanying notes to financial statements.

TOPCO SCIENTIFIC CO., LTD.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings		Foreign currency translation adjustment	Unrealized gain on financial instruments	Total
			Legal reserve	Unappropriated			
Balance on January 1, 2009	$ 1,401,388	1,368,153	339,316	388,200	28,461	-	3,525,518
Appropriation of 2008 net income (note 1):							
Legal reserve	-	-	30,778	(30,778)	-	-	-
Dividends (cash and stock)	28,028	-	-	(210,208)	-	-	(182,180)
Adjustment for changes in investee company's stockholders' equity	-	39	-	-	-	14,973	15,012
Foreign currency translation adjustment	-	-	-	-	(9,438)	-	(9,438)
Adjustment for unrealized gain on financial instruments	-	-	-	-	-	15,531	15,531
Net income for the year ended December 31, 2009	-	-	-	344,067	-	-	344,067
Balance on December 31, 2009	1,429,416	1,368,192	370,094	491,281	19,023	30,504	3,708,510
Appropriation of 2009 net income (note 2):							
Legal reserve	-	-	34,407	(34,407)	-	-	-
Dividends (cash and stock)	28,588	-	-	(243,000)	-	-	(214,412)
Adjustment for changes in investee company's stockholders' equity	-	63	-	-	-	(8,327)	(8,264)
Foreign currency translation adjustment	-	-	-	-	(15,474)	-	(15,474)
Adjustment for unrealized gain on financial instruments	-	-	-	-	-	(2,140)	(2,140)
Net income for the year ended December 31, 2010	-	-	-	659,994	-	-	659,994
Balance on December 31, 2010	**$ 1,458,004**	**1,368,255**	**404,501**	**873,868**	**3,549**	**20,037**	**4,128,214**

Note 1: Directors' and supervisors' remuneration amounting to $4,150 and employee bonuses amounting to $13,850 were recognized in the 2008 statement of income.

Note 2: Directors' and supervisors' remuneration amounting to $5,200 and employee bonuses amounting to $18,000 were recognized in the 2009 statement of income.

See accompanying notes to financial statements.

TOPCO SCIENTIFIC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

		2010	2009
Cash flows from operating activities:			
Net income	$	659,994	344,067
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		17,508	22,898
Investment loss (income) recognized under the equity method, net		(160,043)	9,713
Allowance for doubtful accounts and sales discount		53,407	7,071
Provision (reversal) on inventory scrapping, valuation and obsolescence loss		60,895	(4,530)
Cash dividends received from long-term equity investments		43,430	25,988
Gain on sale of investments and valuation of financial instruments		(1,529)	(144,523)
Asset impairment losses		1,600	22,000
Increase in financial assets measured at fair value through profit or loss – current		(247,971)	(149,626)
Decrease (increase) in notes and accounts receivable (including receivable from related parties and long-term accounts receivable)		(263,057)	20,789
Decrease (increase) in inventories		(272,453)	121,316
Decrease in construction in progress in excess of advance construction receipts		221,204	276,520
Increase in prepayments and other current assets		(8,047)	(10,019)
Increase in other current financial assets		(54,610)	(44,088)
Change in deferred tax assets, net		765	33,071
Increase in notes and accounts payable		225,670	667,172
Increase in accrued expenses and other current liabilities		95,623	176,928
Increase (decrease) in advance collections		142,435	(70,445)
Others		(2,346)	1,080
Net cash provided by operating activities		512,475	1,305,382
Cash flows from investing activities:			
Proceeds from sale of financial assets		6,744	97,594
Acquisition of long-term investments and valuation of financial instruments		(29,892)	(67,460)
Additions to property, plant and equipment		(15,977)	(3,165)
Proceeds from sale of property, plant, equipment and rental assets		52,611	113
Decrease in restricted assets		8,175	156,530
Others		(9,669)	(690)
Net cash provided by investing activities		11,992	182,922
Cash flows from financing activities:			
Decrease in short-term loans		(12,000)	(957,835)
Cash dividends		(214,412)	(182,180)
Net cash used in financing activities		(226,412)	(1,140,015)
Net increase in cash and cash equivalents		298,055	348,289
Cash and cash equivalents at beginning of year		465,343	117,054
Cash and cash equivalents at end of year	$	763,398	465,343
Supplementary disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$	782	6,441
Income taxes	$	50,494	68,859
Investing and financing activities not affecting current cash flows:			
Overdue accounts receivable transferred to long-term accounts receivable	$	-	33,510
Financial assets carried at cost transferred to available-for-sale financial assets	$	-	54,250

See accompanying notes to financial statements.

TOPCO SCIENTIFIC CO., LTD.

Notes to Financial Statements

December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) Organization

Topco Scientific Co., Ltd. (the Company) was incorporated on February 17, 1990, under the provisions of the Company Act of the Republic of China (R.O.C.). The Company engages in the trading of electronics products, high technology products and related materials and components , and pollution prevention equipment, as well as the design and installation of water purification and recycling systems.

As of December 31, 2010 and 2009, the Company had approximately 379 and 377 employees, respectively.

(2) Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and accounting principles and practices generally accepted in the Republic of China. The financial statements of the Company have been prepared in the local currency and in Chinese. The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail. The significant accounting policies and measurement basis adopted in preparing the accompanying financial statements are summarized as follows:

(a) Accounting estimates

The preparation of financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

(b) Foreign currency transactions and translation

The Company's reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rate at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or

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loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity.

Foreign investees, which are accounted for by the equity method, record their books in the local currency. All non-functional-currency transactions are translated into the functional currency at the rate prevailing on the transaction date, and the resulting unrealized gains or losses are taken directly to the income statement. Translation adjustments resulting from the translation of functional-currency financial statements into the Company's reporting currency are accounted for as translation adjustment, which is a separate component of stockholders' equity.

(c) Distinction between current and non-current assets and liabilities

Current assets are unrestricted cash and cash equivalents and other assets to be realized in cash, sold, or consumed (prepaid items) within 12 months of the balance sheet date. Current liabilities are obligations to be paid or settled within 12 months of the balance sheet date. All other assets or liabilities are classified as non-current.

When the construction period exceeds one year, the construction in progress, advance contract receipts, accounts receivable (payable), and restricted deposits for construction are recognized currently based on the operating cycle.

(d) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Company assesses goodwill and intangible assets which have indefinite useful lives and are not available for use on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

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(e) Cash equivalents

Cash equivalents are short-term investments including bonds purchased under resale agreements with a maturity of three months or less from the date of investment. Cash equivalents are readily convertible to known amount of cash and present insignificant risk of change in value due to changes in interest rates.

(f) Financial assets

The Company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are measured at fair value. Except for trading-purpose financial instruments, the original cost of financial instruments should include the cost of acquisition or issuance.

The financial instruments the Company held or issued are classified into the following accounts in accordance with the purpose of holding or issuing after the original recognition:

a. Financial assets measured at fair value through profit or loss: The main purposes of the financial instruments are selling or repurchasing in the short term. The derivative instruments held by the Company are classified into this account except if they are designated and effective hedging instruments.

b. Available-for-sale financial assets: These are measured at fair value, and all changes are recorded as a separate component of stockholders' equity. Impairment losses are recognized when any objective evidence of impairment exists. In the subsequent period, if the amount of the impairment losses on available-for-sale equity instruments decreases, the previously recognized impairment losses can be recognized as an adjustment of a separate component of stockholders' equity. If the amount of the impairment losses on available-for-sale debt instruments decreases and the decrease can be related objectively to an event occurring after impairment was recognized, the previously recognized impairment losses shall be reversed and recognized as profit.

c. Financial assets carried at cost: Equity investments which cannot be evaluated at fair value are booked at original cost. If there is evidence of impairment, impairment loss should be recognized, and the impairment amount cannot be reversed.

(g) Derivative financial instruments and hedging

The derivative financial instruments held by the Company are for hedging the risk of changes in foreign currency exchange rates resulting from operating, financing and investing activities. Under the Company's policy, the purpose of the derivative financial instruments is hedging. The derivatives are recognized as financial instruments held for trading when they do not meet the criteria for hedge accounting.

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(h) Allowance for doubtful accounts

The allowance for doubtful accounts is generally based on management's evaluation of the likelihood of collection of the Company's accounts receivable balances. The management's evaluation considers past experience in the collection of the Company's accounts receivable balances, the credit rating of the customers, aging analysis of outstanding accounts receivable, and the credit policy of the Company.

(i) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition, and is calculated based on the weighted-average cost. Inventories are measured at the lower of cost or net realizable value on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business, less the selling expenses at the end of the period.

(j) Non-current assets held for sale

The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable within one year. Assets classified as held for sale shall be measured at the lower of carrying amount or fair value less costs to sell, and depreciation, depletion, or amortization on shall assets to cease. Assets held for sale should be presented separately on the balance sheet. An entity shall recognize impairment losses on the fair value less costs to sell of the non-current asset to in the income statement. If the asset has been revalued in accordance with the laws, it shall follow Statement of Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets".

(k) Construction in progress and advance contract receipts

Contract costs include direct material and labor costs and related construction expenses categorized by project. Costs of uncompleted contracts in excess of related billings are classified under current assets, whereas billings on uncompleted contracts in excess of related costs are classified under current liabilities.

The completed-contract method of accounting for long-term construction projects is adopted when the construction period is within one year. The percentage-of-completion method of accounting for long-term construction projects is adopted when the construction period exceeds one year and the contract price, the completion cost, and the extent of construction progress can be reasonably estimated. The construction costs incurred are recorded as "construction in progress". Advance receipts on construction contracts are recorded as "advance contract receipts". At each year-end, the percentage-of-completion method is used for estimating aggregate contract gain less aggregate contract gain recognized in prior period, and the resulting difference is recognized currently. When a loss is estimated on construction contracts, the entire estimated loss should be recognized immediately.

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Changes in contract price or estimated total cost are treated as changes in accounting estimate.

(l) Long-term equity investments

Long-term investments are accounted for under the equity method when the percentage of ownership held by the Company and its subsidiaries exceeds 20%.

The difference between the cost of the investment and the amount of underlying equity in net assets of an investee attributed to depreciable, depletable, or amortizable assets is amortized over the estimated remaining economic years. The difference attributed to the carrying amount in excess of or lower than the fair value of assets is written off entirely when the difference disappears. The cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill and is no longer amortized. The difference attributed to the fair value of identifiable net assets in excess of the cost of investment causes a proportional decrease in the carrying amount of non-current assets. When the carrying amount of non-current assets is decreased to zero, the remaining difference is through extraordinary gain or loss.

The difference between the disposal price and carrying amount of long-term equity investment under the equity method on the disposal date is recognized as gain or loss from disposal of long-term equity investment. The associated capital surplus resulting from long-term equity investment is reclassified into current gain or loss in proportion to disposal of long-term equity investment. If an investee company accounted for under the equity method issues new shares and the Company does not purchase new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment, will be changed. Such difference shall be used to adjust capital surplus or retained earnings and long-term equity investments.

When the unrealized gain or loss on financial instruments, accumulated currency translation adjustments, and unrecognized net pension cost of investee companies accounted under the equity method, including are changed, the change is reflected in those accounts of those companies and in long-term investment under the equity method based on the percentage of ownership.

Unrealized inter-company profits or losses resulting from transactions between the Company and its subsidiaries and investees accounted for under the equity method are deferred until realized, or are amortized based on the useful lives of the assets that give rise to such unrealized profits or losses.

The investees over which the Company has control are consolidated into the Company's consolidated financial statements. The Company prepares consolidated financial statements quarterly.

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(m) Property, plant and equipment, leased assets, and depreciation

Property and equipment are stated at cost and can be revalued at government-declared values or indexes. Major renewals and improvements are capitalized and depreciated accordingly; repairs and maintenance are charged to expenses as incurred. Gains or losses on disposal of property, plant and equipment are recorded as nonoperating gains or losses.

Excluding land, depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets. The useful lives of respective assets are summarized as follows:

1. Buildings: 35~50 years.

2. Office and other equipment: 2~7 years.

Property, plant and equipment leased to other parties under operating leases are classified as leased assets. Rental income received by the Company is recorded as non-operating income. The related depreciation is accounted for as a reduction of rental income. Related taxation, utility expenses, and maintenance expenses are recorded as current administrative expenses, unless the contract calls for the lessee to pay these expenses.

(n) Intangible assets

The Company adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, other than an intangible asset acquired by way of a government grant, which should be measured at its fair value, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of an intangible asset is determined by the original cost less its residual value. Amortization is provided for by using the straight-line method over the estimated useful lives of intangible assets from the date that they are available for use. The cost of computer software for internal use is amortized by using the straight-line method over three years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(o) Deferred charges

Deferred charges including network installation expense are stated at cost and amortized using the straight-line method over 3~5 years.

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(p) Retirement plan

The Company has established an employee noncontributory defined benefit retirement plan covering all regular employees. According to this plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of employee retirement benefits are based on the years of service and the average salary for the six months before the employee's retirement. Each employee who qualifies for retirement is entitled to receive retirement benefits equal to two months' salary for the first 15 years of service and one month's salary for each service year after the sixteenth year. The maximum benefit is 45 months of salary.

The Labor Pension Act became effective on July 1, 2005, and prescribes a defined contribution pension plan for all new employees and for any employees employed before that date who opted to adopt it.

The Company contributes an amount equal to 2% of salaries and wages to the pension fund maintained with Bank of Taiwan (originally the "Central Trust of China".) The employee retirement benefits are initially paid out of the pension fund and then by the Company if the fund is insufficient.

Under this defined benefit pension plan, the pension liabilities are actuarially calculated at the year-end date, and the Company recognizes net periodic pension costs, including service cost, interest cost, expected return on plan assets, and amortization of net unrecognized transaction assets over the average remaining service period of the employees of 18 years.

Under this defined contribution pension plan, the Company contributes monthly an amount equal to 6% of salaries and wages to employees' individual pension fund accounts with the Bureau of Labor Insurance, and the contribution is recorded as pension expenses in the accompanying statements of income.

(q) Share-based payment

The employee stock options granted before January 1, 2008, are accounted for by Interpretations (92) 070, 071, and 072 issued by the Accounting Research and Development Foundation (ARDF). The Company adopts the intrinsic value method for the employee stock options. Compensation costs are the excess, if any, of the fair value of the stock at the measurement date over the amount employees must pay to acquire the stock. Meanwhile, the compensation costs mentioned above are recorded as current expense and a separate component of stockholders' equity during the service period of the employees specified in the employee stock option plan. According to SFAS No. 39 "Share-based Payment", the Company need not apply SFAS No. 39 retroactively to the share-based payments that were granted before January 1, 2008; however, the pro forma net income and net income per share should be disclosed.

(Continued)

(r) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration based on the ROC Company Act and the Company's articles of incorporation and appropriated after January 1, 2008, are accounted for by Interpretation (96) 052 issued by the ARDF. The Company estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

(s) Income taxes

Income tax is calculated based on accounting income. The amount of deferred tax liabilities and assets is calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The tax effects of taxable temporary differences are recorded as deferred tax liabilities. The tax effects of deductible temporary differences, net operating losses, and income tax credits are recognized as deferred income tax assets. An allowance is provided for deferred tax assets that may not be realized in the future.

Deferred income tax assets or liabilities are classified as current or non-current based on the classification of the asset or liability that resulted in the deferred item or, for certain transactions not directly related to an asset or liability, based on the timing of the expected reversal date.

Investment tax credits are accounted for using the flow-through method. Therefore, income tax credits generated from employee training and purchases of machinery are recognized in the year in which the credit arises.

The 10% surtax on unappropriated earnings is recorded as current income tax expense in the following year when the shareholders resolve not to distribute the earnings.

(t) Revenue recognition

Revenues on construction contracts are recognized in accordance with SFAS No. 11 "Construction Contracts". Revenue derived from product sales is recognized when products are shipped and the significant risks and rewards are transferred to the buyer. Costs and expenses are recognized when revenue is earned. An allowance for sales discounts is estimated during the year in which the sales occur. The allowance for sales discounts is evaluated based on past experience.

(u) Net income per share

Net income per share of common stock is computed based on the weighted-average number of common shares outstanding during the period. Net income per share for the prior period is retroactively adjusted to reflect the effects of new shares issued by transferring capital surplus, retained earnings, and employee bonuses.

(Continued)

The employee stock options issued by the Company and employee stock bonuses which could be declared in the form of stock dividends and have not yet been approved by the stockholders' meeting are potential common shares. Basic net income per share will be disclosed if there is no dilution effect. Otherwise, both basic and diluted net income per share shall be disclosed. For the purpose of calculating diluted net income per share, the potential common shares should be deemed to have been converted into common stock at the beginning of the period, and the effect on net income of the additional common shares outstanding should be considered accordingly.

(3) Changes in Accounting Policy and Their Influence

Effective from January 1, 2009, the Company measured its inventories both initially and subsequently in accordance with the revised SFAS No. 10 "Inventories." The change had no significant effect on the Company's financial statements for the year ended December 31, 2009.

(4) Cash and Cash Equivalents

	December 31, 2010	December 31, 2009
Cash on hand	$ 2,303	1,598
Checking accounts and demand deposits	287,851	293,723
Time deposits	390,244	-
Bonds purchased under repurchase agreements	83,000	170,022
	$ 763,398	465,343

(5) Financial Assets

(a) Non-derivative financial instruments

The non-derivative financial instruments held by the Company as of December 31, 2010 and 2009, were as follows:

	December 31, 2010	December 31, 2009
Financial assets at fair value through profit or loss – current:		
Mutual funds – open-end funds	$ 395,647	150,030
Available-for-sale financial assets-current:		
Publicly listed securities – Neo Solar Power Corporation (Neo Solar)	$ 22,575	20,323
Financial assets carried at cost – non-current:		
Shin-Etsu Handotal Taiwan Co., Ltd. (Shin-Etsu)	$ 120,000	120,000
Top Taiwan V Venture Capital Co., Ltd.	50,000	50,000
Ultra Chip Inc. (Ultra)	13,678	20,493
Others	47,500	47,500
	$ 231,178	237,993

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to Financial Statements

1. The gain on valuation of financial assets measured at fair value held by the Company as of December 31, 2010 and 2009, amounted to $1,049 and $87, respectively.

2. Neo Solar was listed on the Taiwan Stock Exchange Market on January 12, 2009. Therefore, the Company reclassified it as available-for-sale financial assets – current from financial assets carried at cost – non-current based on the intention of holding it. The difference of $59,057 between the carrying amount of $54,250 and the fair value of $113,307 from such reclassification was recognized as a separate component of stockholders' equity, and will be recognized as non-operating gain when those shares are actually sold. As of December 31, 2010 and 2009, the unrealized gain on available-for-sale financial assets amounted to $13,391 and $15,531, respectively.

3. The Company's investments in Shin-Etsu and others had no publicly traded price, and their fair values were difficult to determine. Therefore, the investments were stated at cost.

4. Inc 2010 and 2009, the Company disposed of part of its equity in Ultra with a selling price amounting to $6,744 and $950, respectively. The related gains were $1,529 and $381, respectively. For transactions with related parties, please see note 18.

5. The Company bought 6,000 thousand shares of Neo Solar from Topco International Investment Co., Ltd. (Topco International) for $150,000 in the year ended December 31, 2006. The Company disposed of part of its equity to Topco International in the year ended December 31, 2008, with a selling price amounting to $148,428 and the cost amounting to $34,175. In accordance with accounting principles, the Company deferred gain of $114,253 to the following years. Topco International sold part of its equity in Neo Solar to third parties; therefore, the Company recognized gain on disposal of investments for the years ended December 31, 2010 and 2009, amounting to $0 and $96,956, respectively. Further, Neo Solar was listed on the Taiwan Stock Exchange in January 2009, and the related unrealized deferred liabilities and gain on disposal of investments were recognized as unrealized gain on financial instruments. In 2010, the Company participated in Neo Solar's capital increase by cash offering in the amount of $4,392.

   The Company disposed of part of its equity in Neo Solar to third parties in the year ended December 31, 2009, with a selling price amounting to $96,644. The related gain on the valuation of financial instruments amounted to $47,188.

6. The value of financial assets carried at cost declined materially and permanently. The Company recognized impairment losses thereon for the years ended December 31, 2010 and 2009, amounting to $1,600 and $22,000, respectively.

7. The dividend revenue from available-for-sale financial assets and financial assets carried at cost was $12,634 and $62,849 for the years ended December 31, 2010 and 2009, respectively.

(Continued)

(b) Derivative financial instruments

As of December 31, 2010 and 2009, the derivative financial instruments held by the Company were as follows:

	December 31, 2010			December 31, 2009		
	Book value	Nominal amount		Book value	Nominal amount	
Derivative financial assets:						
USD forward foreign currency exchange contracts bought (USD/NTD)	$ 69	USD	250,000	$ -		-
JPY forward foreign currency exchange contracts bought (JPY/NTD)	$ 2,285	JPY	176,904,000	$ -		-
Derivative financial liabilities:						
JPY forward foreign currency exchange contracts bought (JPY/NTD)	$ -		-	$ 351	JPY	110,000,000

The above derivative financial instruments were recorded as accrued expenses and other current liabilities and financial assets at fair value through profit or loss as of December 31, 2010 and 2009, respectively.

The Company entered into forward foreign currency exchange contracts with several banks in the years ended December 31, 2010 and 2009. The main purpose of the contracts was to hedge foreign currency risk. For the years ended December 31, 2010 and 2009, the net gain or loss resulting from changes in fair value of the foreign currency exchange contracts was recorded as gain on valuation of financial instruments and loss on valuation of financial instruments as follows:

		2010	2009
Gain on valuation of financial assets	$	4,445	-
Loss on valuation of financial liabilities		(2,165)	(16,769)

(6) Notes and Accounts Receivable – Third Parties

		December 31, 2010	December 31, 2009
Notes receivable	$	37,997	33,115
Accounts receivable		1,636,725	1,359,642
		1,674,722	1,392,757
Less: allowance for doubtful accounts		(23,717)	(23,717)
allowance for sales discount		(53,407)	-
	$	1,597,598	1,369,040

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to Financial Statements

(7) Inventories

	December 31, 2010	December 31, 2009
Merchandise inventories	$ 1,743,591	1,471,138
Less: allowance for inventory valuation and obsolescence loss	(295,435)	(234,540)
	$ 1,448,156	1,236,598

Inventory-related expenses for the years ended December 31, 2010 and 2009, were as follows:

	2010	2009
Provision (recovery) for inventory valuation loss and obsolescence	$ 60,895	(9,960)
Loss on scrap of inventory and others	1,413	6,299
	$ 62,308	(3,661)

In 2009, the Company reversed allowance for inventory valuation loss and obsolescence amounting to $9,960 and recorded it as a deduction from cost of sales because the net realizable value was no longer lower than cost after the disposal of obsolete inventories. In 2010, write-downs of inventories to net realizable value amounting to $60,895 were recorded as cost of sales. As of December 31, 2010 and 2009, the Company did not provide inventories as collateral for its loans.

(8) Construction in Progress and Advance Construction Receipts

	December 31, 2010	December 31, 2009
Cost of construction in progress	$ 1,905,146	2,138,549
Net accumulated contract losses	(58,828)	(80,984)
	1,846,318	2,057,565
Advance construction receipts	(1,691,424)	(1,681,467)
	$ 154,894	376,098
Construction in progress in excess of advance construction receipts	$ 215,032	382,280
Advance construction receipts in excess of construction in progress	(60,138)	(6,182)
	$ 154,894	376,098

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to Financial Statements

The construction in progress as of December 31, 2010 and 2009, is summarized below (contract price in excess of $150,000):

2010.12.31					
Construction item	Estimated construction revenue	Estimated construction cost	% of completion	Estimated year of completion	Accumulated gain (loss)
W06021	$ 583,600	571,020	97.92	2011	12,318
W03007	439,857	556,376	90.75	2011	(116,519)
W08016	350,375	325,524	Note	Note	-
W09004	269,746	262,185	48.19	2012	3,643
PW10015	225,391	215,321	0.92	2011	93
W08012	157,956	157,206	91.47	2011	686

Note: As of December 31, 2010, the construction in progress was $6,712. The construction had been suspended due to the customer's request. .

2009.12.31					
Construction item	Estimated construction revenue	Estimated construction cost	% of completion	Estimated year of completion	Accumulated gain (loss)
W06021	$ 578,300	566,020	89.67	2010	11,011
W03007	439,857	527,376	95.53	2010	(87,519)
W08016	350,375	325,524	Note	Note	-
W08006	295,000	348,000	92.02	2010	(53,000)
W09004	259,204	238,472	7.78	2012	1,613
W08012	157,956	157,206	79.36	2011	595
W07016	150,000	113,040	90.64	2010	33,501

Note: As of December 31, 2009, the construction in progress was $3,142. The construction had been suspended due to the customer's request.

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to Financial Statements

(9) Long-term Equity Investments

	December 31, 2010		December 31, 2009	
	%	Amount	%	Amount
Topco Quartz Products Co., Ltd. (Topco Quartz)	40	$ 406,304	40	316,553
Topco Group Ltd. (Topco Group)	100	359,444	100	348,285
Taiwan E&M Systems, Inc. (Taiwan E&M)	100	310,484	100	317,255
Fortune Energy Corporation (Fortune Energy)	25	224,499	25	216,056
Topco International	100	173,766	100	181,451
Chien Yueh Technology Engineering Co., Ltd. (Chien Yueh)	100	98,393	100	98,879
Chang Tai Energy Co., Ltd. (Chang Tai)	51	20,834	-	-
Topco Investment Co., Ltd. (Topco Investment)	100	9,351	100	9,107
		$ 1,603,075		1,487,586

(a) The investment income and loss on long-term equity investments recognized under the equity method for the years ended December 31, 2010 and 2009, amounted to a gain of $160,043 and a loss of $9,713, respectively.

(b) For Hong Kong business needs, the Company increased investments in Hong Kong Topco Trading Ltd. (Hong Kong Topco) through increasing investments in Topco Group in the amount of $17,400 (US$500,000) in 2009. The major business activity of Hong Kong Topco is the wholesale of semiconductors, electronics materials and equipment.

(c) In August 2008, the Company invested $50,000 to form Chien Yueh, and it increased its investment in the amount of $50,000 in July 2009. The major business activities of Chien Yueh are the construction of water purification and recycling systems and clean rooms.

(d) For the solar energy market and related business needs, the Company invested $25,500 and formed Chang Tai in 2010 with another entity for an ownership interest of 51%. Further, through Chang Tai, the Company holds a 100% ownership interest in US Topco Energy Inc. The major business activity of US Topco Energy Inc. is the sale and engineering of solar energy systems.

(e) The unrealized gain on financial instruments resulting from long-term equity investments was $6,646 and $14,973 as of December 31, 2010 and 2009, respectively.

(f) The dividend income from investees was $43,430 and $25,988 for the years ended December 31, 2010 and 2009, respectively.

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to Financial Statements

(10) Property, Plant and Equipment, and Rental Assets

(a) As of December 31, 2010 and 2009, the rental assets consisted of the following:

	December 31, 2010	December 31, 2009
Land	$ -	30,590
Buildings	-	25,428
Less: accumulated depreciation	-	(7,522)
	$ -	48,496

The Company had leased part of its land and plant starting from June 2005. The net rental income from rental assets was $1,443 and $3,465 for the years 2010 and 2009, respectively.

The Company entered into a sales agreement in March 2010, regarding the above rental assets, agreeing to sell the rental assets upon the expiry of the lease contract for $52,401 (tax included). The related disposal gain amounted to $3,398, recorded as non-operating income for the year ended December 31, 2010. The registration procedure related to the sale has been completed. As of December 31, 2010, the receivable related to the above sales agreement had been fully collected.

(b) The Company does not provide property, plant and equipment, and rental assets as collateral for its loans.

(11) Long-term Accounts Receivable

	December 31, 2010	December 31, 2009
Long-term accounts receivable	$ 306,770	334,686
Less: allowance for doubtful accounts	(301,176)	(301,176)
	$ 5,594	33,510

The Company reclassified accounts receivable resulting from sales to long-term accounts receivable according to the settlement agreement. The customers had provided machinery (original cost amounting to $550,711) and 64,283 thousand shares of another company's securities as collateral in 2009 and 2007, respectively. Following the prudence principle, as certain customers did not make payment in accordance with the settlement agreements and the estimated value of collateral securities declined materially and permanently, the Company recorded a full allowance for those accounts receivable, and the remaining balance was evaluated based on the likelihood of collection. The Company recognized an allowance of $0 and $1,829 on long-term accounts receivable as operating expense for the years ended December 31, 2010 and 2009, respectively.

(Continued)

(12) Short-Term Loans

	December 31, 2010	December 31, 2009
Commercial paper payable	$ -	12,000
Unused credit lines	$ 2,054,621	1,977,000
Range of interest rates during the year	0.5%~1.81%	0.56%~4.22%

The Company provided bonds purchased under repurchase agreements as the collateral for the commercial paper (please see note 19).

(13) Pension

(a) The Company had an actuarial valuation of its pension plan as of December 31, 2010 and 2009. According to the actuarial reports, the funded status was reconciled with accrued pension liabilities as follows:

	December 31, 2010	December 31, 2009
Benefit obligation:		
Vested benefit obligation	$ (31,012)	(21,715)
Non-vested benefit obligation	(50,565)	(44,279)
Accumulated benefit obligation	(81,577)	(65,994)
Projected future employee compensation increases	(75,750)	(62,706)
Projected benefit obligation	(157,327)	(128,700)
Fair value of plan assets	33,598	30,400
Funded status	(123,729)	(98,300)
Net unrecognized transition obligation	983	1,475
Unrecognized pension loss	68,279	47,392
Accrued pension liabilities	$ (54,467)	(49,433)

As of December 31, 2010 and 2009, the vested benefits of the Company were approximately $40,745 and $29,923, respectively.

(Continued)

(b) The net pension costs in 2010 and 2009 consisted of the following:

	2010	2009
Net pension expense of defined benefit pension plan:		
Service cost	$ 3,244	3,160
Interest cost	2,879	2,847
Actual return on plan assets	(497)	(191)
Amortization	2,108	1,353
	$ 7,734	7,169
Net pension expense of defined contribution pension plan	$ 15,989	15,124

(c) Actuarial assumptions were as follows:

	2010	2009
Discount rate	1.75%	2.25%
Future salary increase rate	5.00%	5.00%
Expected long-term rate of return on plan assets	1.75%	2.25%

(14) Stockholders' Equity

(a) Common stock

Based on a resolution of the annual stockholders' meeting held on June 19, 2009, the Company declared a 1.3 New Taiwan dollar cash dividend per share, which amounted to $182,180, and increased its common stock through the issuance of stock dividends by transferring retained earnings amounting to $28,028. New share issuance of 2,803 thousand shares was authorized. As of December 31, 2010, the registration procedures had been completed.

Based on a resolution of the annual stockholders' meeting held on June 15, 2010, the Company increased its authorized common stock to $1,800,000 and declared a 1.5 New Taiwan dollar cash dividend per share, which amounted to $214,412, and increased its common stock through the issuance of stock dividends by transferring retained earnings amounting to $28,588. New share issuance of 2,859 thousand shares was authorized. Except for the authorized common stock, the registration procedures related to the issuance mentioned above had been completed.

As of December 31, 2010 and 2009, the authorized common stock was $1,600,000 (including $100,000 for the issuance of employee stock options), with a par value of $10 (dollars) per share.

(Continued)

(b) Capital surplus

Pursuant to the ROC Company Act, capital surplus can only be used to offset a deficit or to increase common stock. Cash dividends cannot be declared out of capital surplus. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases through the capitalization of paid-in capital in excess of par value should not exceed 10% of total common stock outstanding. In addition, capital increases through the capitalization of paid-in capital in excess of par value can only commence in the year following the initial year.

(c) Employee stock options

In the meeting of the board of directors held on October 26, 2007, the board decided to issue 4,500 units of stock options, with an exercisable right of one thousand shares of the Company's common stock per unit. The information on total options issued was as follows:

	2010		2009	
	Units (in thousands)	Weighted-average exercise price (NT dollars)	Units (in thousands)	Weighted-average exercise price (NT dollars)
Outstanding units on January 1	3,977	$ 54.87	4,500	55.97
Current units granted	-	-	-	-
Current units abandoned	(182)	54.41	-	-
Current units exercised	-	-	-	-
Current units expired	-	-	(523)	54.87
Outstanding units on December 31	3,795	53.79	3,977	54.87
Exercisable units on December 31	2,657	53.79	1,591	54.87

As of December 31, 2010 and 2009, the weighted-average remaining contractual life of the outstanding options was 3 years and 4 years, respectively.

The issuance terms of the stock options are as follows.

(i) Exercise price: After the adjustment for stock dividends over the years, the exercise price was $53.79 (dollars).

(ii) Exercisable duration: After two years, the employees who received stock options can exercise a specific percentage in each period as below. The exercisable duration of the options is six years. No transfer, pledge, donation or other methods of disposal are allowed except for inheritance.

(Continued)

Period to exercise options	Exercisable percentage (cumulative)
2 years after options received	40%
3 years after options received	70%
4 years after options received	100%

(iii) Exercise method: The Company would issue new shares as the options are exercised.

(iv) Exercise procedure: In accordance with the Company's issuance and exercise rules, the entitlement certification of stock options exercised is registered as common stock four times a year.

The compensation cost of the stock options issued before December 31, 2007, was computed by the intrinsic value method. Because the fair value of the Company's common stock on the measurement date was not in excess of the exercise price of the stock options, the Company did not need to recognize compensation cost. If the compensation cost of the issued stock options were computed by the fair value method, the pro forma information would be as follows:

A. The compensation cost for the years ended December 31, 2010 and 2009, would be $6,770 and $19,205, respectively, if the Company used the fair value method instead. The Company adopted the Black-Scholes model to compute the fair value on the grant date, and the assumptions are summarized as follows:

Original exercise price (dollars)	$58.7
Fair price of the Company's stock at the measurement date (dollars)	$58.7
Expected cash dividend yield rate	3%
Expected volatility	36.20%
Risk-free interest rate	2.765%
Expected life of the option	4 years

B. The pro forma information on compensation cost by using the fair value method on net income and earnings per share would be as follows:

		2010	2009
Net income	Actual	$ 659,994	344,067
	Pro forma	653,224	324,862
Basic net income per share	Actual (dollars)	4.53	2.41
	Pro forma (dollars)	4.48	2.27
Diluted net income per share	Actual (dollars)	4.49	2.40
	Pro forma (dollars)	4.44	2.26

(Continued)

(d) Legal reserve and limitation on distribution of retained earnings

Pursuant to the ROC Company Act, the legal reserve must be used exclusively to offset losses and cannot be used for any other purpose, except that one-half of the legal reserve may be capitalized based on a resolution of the stockholders' meeting when it equals at least 50% of paid-in capital.

In accordance with the Company's articles of incorporation, 10% of the Company's annual net income, after paying all taxes and deducting losses of prior years, if any, should be set aside as legal reserve. The unappropriated earnings after legal reserve shall be allocated as follows:

a. At least 5% of the balance as employee bonuses (based on a resolution of the annual stockholders' meeting held on June 19, 2009, which revised the articles of incorporation);

b. No more than 3% of the balance as remuneration to directors and supervisors (based on a resolution of the annual stockholders' meeting held on June 19, 2009, which revised the articles of incorporation); and

c. The remaining portion shall be distributed as dividends to all stockholders in proportion to their individual holding as proposed by the board of directors and approved at the stockholders' meeting. No less than 10% of total stockholders dividends may be distributed in the form of cash dividends.

In the case of employee stock bonuses, the employees of the subsidiaries meeting certain terms set by the board of directors are included.

(e) Based on the resolution approved by the stockholders during their annual stockholders' meetings on June 15, 2010, and June 19, 2009, the employee bonuses and directors' and supervisors' remuneration were appropriated from the distributable retained earnings of 2009 and 2008 as follows:

	2009	2008
Employee bonuses – cash	$ 18,000	13,850
Directors' and supervisors' remuneration	5,200	4,150
	$ 23,200	**18,000**

The employee bonuses and directors' and supervisors' remuneration had no difference from the estimated distribution in the financial report for 2009.

The differences between the amount approved in the stockholders' meeting and recognized in the financial statements for 2008 were as follows:

	2008		
	Amount approved in the stockholders' meeting	Amount recognized in the financial statements	Differences
Employee bonuses –cash	$ 13,850	13,856	6
Directors' and supervisors' remuneration	4,150	4,150	-
	$ 18,000	18,006	6

The Company recognized the differences as changes in accounting estimates in 2009.

The related information about the distribution of employee bonuses and directors' and supervisors' remuneration determined by a meeting of the board of directors and approved in a stockholders' meeting can be accessed from the Market Observation Post System after the holding of these meetings.

(f) The Company estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the ROC Company Act and the Company's articles of incorporation for the financial statements. The Company recognized employee bonuses and directors' and supervisors' remuneration of $44,550 and $23,200 for the years ended December 31, 2010 and 2009, respectively, which were a specific percentage, approved by the Company's management, of net income after deducting the legal reserve. The number of shares of the dividend distribution is based on the closing price of the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Differences between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(15) Income Taxes

(a) According to the amended tax law issued on May 27, 2009, the statutory income tax rate was reduced from 25% to 20% commencing from 2010. However, further amendment of this tax law was made and announced on June 15, 2010, under which the statutory income tax rate has been reduced further to 17% commencing from 2010. The Company's income is subject to an income tax rate of 17% and 25% in 2010 and 2009, respectively. Also, the Company has applied the "Income Basic Tax Act" to compute basic tax. The components of income tax expense of the Company for the years ended December 31, 2010 and 2009, were as follows:

(Continued)

The differences between the amount approved in the stockholders' meeting and recognized in the financial statements for 2008 were as follows:

	2008		
	Amount approved in the stockholders' meeting	Amount recognized in the financial statements	Differences
Employee bonuses –cash	$ 13,850	13,856	6
Directors' and supervisors' remuneration	4,150	4,150	-
	$ 18,000	18,006	6

The Company recognized the differences as changes in accounting estimates in 2009.

The related information about the distribution of employee bonuses and directors' and supervisors' remuneration determined by a meeting of the board of directors and approved in a stockholders' meeting can be accessed from the Market Observation Post System after the holding of these meetings.

(f) The Company estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the ROC Company Act and the Company's articles of incorporation for the financial statements. The Company recognized employee bonuses and directors' and supervisors' remuneration of $44,550 and $23,200 for the years ended December 31, 2010 and 2009, respectively, which were a specific percentage, approved by the Company's management, of net income after deducting the legal reserve. The number of shares of the dividend distribution is based on the closing price of the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Differences between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(15) Income Taxes

(a) According to the amended tax law issued on May 27, 2009, the statutory income tax rate was reduced from 25% to 20% commencing from 2010. However, further amendment of this tax law was made and announced on June 15, 2010, under which the statutory income tax rate has been reduced further to 17% commencing from 2010. The Company's income is subject to an income tax rate of 17% and 25% in 2010 and 2009, respectively. Also, the Company has applied the "Income Basic Tax Act" to compute basic tax. The components of income tax expense of the Company for the years ended December 31, 2010 and 2009, were as follows:

(Continued)

(c) The components of deferred income tax assets (liabilities) as of December 31, 2010 and 2009, were as follows:

	December 31, 2010	December 31, 2009
Deferred income tax assets:		
Loss on inventory valuation and obsolescence	$ 50,224	46,908
Unrealized gross profit	9,328	10,974
Allowance for doubtful accounts	52,303	62,097
Unrealized pension expense	9,259	9,887
Others	19,500	10,111
	140,614	139,977
Less: valuation allowance	(59,485)	(64,175)
Net deferred income tax assets	81,129	75,802
Deferred income tax liabilities:		
Foreign currency translation adjustments	(1,393)	(5,311)
Foreign investment income under equity method	(5,137)	-
Reserve for loss on outward investment	(4,391)	(5,165)
Others	(4,894)	(2,133)
	(15,815)	(12,609)
Net deferred income tax assets	**65,314**	**63,193**
Net deferred income tax assets – current	30,192	20,215
Net deferred income tax assets – non-current	35,122	42,978
Net deferred income tax assets	**$ 65,314**	**63,193**

(d) The ROC tax authorities have been examining the Company's income tax returns through 2008. The tax authorities assessed the Company additional income tax for 2007, mainly due to different interpretations related to the calculation of the 10% surtax on unappropriated earnings in 2006. The income tax payable was increased $1,926 by tax authorities. The Company disagreed with the assessment and filed a formal tax appeal on February 16, 2011. Any differences will be reflected as an adjustment in the year when the tax appeal is resolved.

(e) Imputation credit account and creditable ratio

	December 31, 2010	December 31, 2009
Unappropriated earnings retained prior to January 1, 1997	$ 10,333	10,333
Unappropriated earnings retained after January 1, 1998	863,535	480,948
Total	**$ 873,868**	**491,281**
ICA balance	**$ 115,978**	**154,587**

	2010	2009
Creditable ratio for earnings distribution	**25.03% (expected)**	**37.55% (actual)**

(Continued)

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Notes to Financial Statements

(16) Net Income per Share

Net income per share for the years ended December 31, 2010 and 2009, was computed as follows. All net income per share amounts are expressed in dollars.

	2010		2009	
	Before income tax	After income tax	Before income tax	After income tax
Basic net income per share:				
Net income	$ 769,843	659,994	425,142	344,067
Weighted-average number of shares outstanding, before retroactive adjustments (thousands)	145,800	145,800	142,942	142,942
Net income per share before retroactive adjustments	$ 5.28	4.53	2.97	2.41
Weighted-average number of shares outstanding, after retroactive adjustments (thousands)			145,800	145,800
Net income per share after retroactive adjustments			$ 2.92	2.36
Diluted net income per share:				
Weighted-average number of shares outstanding, before retroactive adjustments (thousands)	145,800	145,800	142,942	142,942
Effects of dilutive potential common stock:				
Employee bonuses	1,196	1,196	683	683
Weighted-average number of shares outstanding, before retroactive adjustments (thousands)	146,996	146,996	143,625	143,625
Net income per share before retroactive adjustments	$ 5.24	4.49	2.96	2.40
Effects of dilutive potential common stock:				
Weighted-average number of shares outstanding, after retroactive adjustments (thousands)			145,800	145,800
Effects of dilutive potential common stock:				
Employee bonuses			683	683
Weighted-average number of shares outstanding, after retroactive adjustments (thousands)			146,483	146,483
Diluted net income per share after retroactive adjustments			$ 2.90	2.35

The employee stock options issued by the Company in December 2007 were potential common shares. However, the employee stock options had no dilution effect for the years ended December 31, 2010 and 2009. Therefore, when the Company calculated the diluted net income per share for 2010 and 2009, the employee stock options were not considered.

(Continued)

(17) Related Information about Financial Instruments

(a) Fair value of financial instruments

As of December 31, 2010 and 2009, the details of fair value of financial assets and financial liabilities were as follows:

	December 31, 2010		December 31, 2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets:				
Financial assets held for trading	$ 395,647	395,647	150,030	150,030
Available-for-sale financial assets – current	22,575	22,575	20,323	20,323
Financial assets carried at cost – non-current	231,178	-	237,993	-
Forward foreign currency exchange contracts	2,354	2,354	-	-
Long-term accounts receivable	5,594	5,594	33,510	33,510
Financial liabilities:				
Forward foreign currency exchange contracts	-	-	351	351
Off-balance sheet financial liabilities:				
Guarantees	-	843,699	-	940,559

(b) The following methods and assumptions were used in estimating fair values:

1. The book value of short-term financial instruments is considered to be the fair value due to the short-term nature of these instruments, and the book value method is considered to be a reasonable basis to assess the fair value. Such method is applicable to cash and cash equivalents, notes and accounts receivable/payable, other current financial assets (except derivative financial instruments), short-term loans, and accrued expenses and other current liabilities (except derivative financial instruments).

2. If public quoting of financial assets and liabilities is available, then the quoted price will be the fair value.

3. None of the Company's financial assets carried at cost are publicly listed. No publicly quoted prices are available for these investments.

4. The fair value of the long-term accounts receivable was based on the credit rating of the debtor, the payment of principal, and the currency.

(Continued)

(c) The fair value of financial assets and financial liabilities evaluated by the Company under public quoting or an assessment method was as follows:

	December 31, 2010		December 31, 2009	
	Public quote value	Assessment value	Public quote value	Assessment value
Financial assets:				
Mutual funds	$ 395,647	-	150,030	-
Available-for-sale financial assets – current	22,575	-	20,323	-
Forward foreign currency exchange contracts	-	2,354	-	-
Financial liabilities:				
Forward foreign currency exchange contracts	-	-	-	351

The net gain or loss resulting from an assessment method were a gain of $2,280 and a loss of $16,769 for the years ended December 31, 2010 and 2009, respectively.

(d) Information about financial risk

1. Market risk

The equity securities held by the Company are classified as financial assets measured at fair value through profit or loss. As the assets are measured at fair value, the Company has risk exposure related to changes in fair value in an equity securities market.

2. Credit risk

The primary potential credit risk is from financial instruments like cash, cash equivalents, equity securities, and accounts receivable. The Company deposits cash in different financial institutions. Cash equivalents represent investments in bonds purchased under repurchase agreements with a maturity of three months or less from the date of investment. Equity securities were funds issued by a company with good credit ratings. The Company manages credit risk exposure related to each financial institution and believes that there is no significant credit risk of cash.

The aggregation of sales to the Company's major customers exceeding 10% of the Company total sales accounted for 22% of the total net sales for the years ended December 31, 2010 and 2009. In order to reduce credit risk, the Company assesses the financial status of the customers and the possibility of collection of receivables in order to estimate an adequate allowance for doubtful accounts on a regular basis. The customers have a good credit and profit record. The Company has never been exposed to significant credit risk.

(Continued)

3. Liquidity risk

The Company will have cash inflows and outflows within the periods shown below. There are no significant financing risks due to expected sufficient capital. Management believes that the cash flow risk is not significant because the contracted foreign currency exchange rates are fixed.

December 31, 2010			
Financial instruments	Date	Cash outflow	Cash inflow
Forward foreign currency exchange contracts bought – (USD/NTD)	January 13, 2011	NTD 7,522,000	USD 250,000
Forward foreign currency exchange contracts bought – (JPY/NTD)	January 7~ February 1, 2011	NTD63,753,000	JPY 176,904,000

December 31, 2009			
Financial instruments	Date	Cash outflow	Cash inflow
Forward foreign currency exchange contracts sold – (JPY/NTD)	January 5~ 20, 2010	NTD38,586,000	JPY110,000,000

The Company is exposed to a liquidity risk since a portion of equity investments, recorded as financial assets carried at cost – non-current, have no active market.

(18) Related-party Transactions

(a) Name of the related parties and relationship

Related Party	Relationship with the Company
Topco Quartz	Investee company accounted for under the equity method
Fortune Energy	"
Shin-Etsu	The Company's chairman is a director
Shin-Etsu Opto Electronic Co., Ltd. (Shin-Etsu Opto)	"
Taiwan E&M	Subsidiary of the Company
Topco International	"
Topco Investment	"
Topco Group	"
Chien Yueh	"
Cai Yan International Co., Ltd.	Subsidiary of Topco International
Topco Scientific Co., Ltd. (Japan) (Topco Japan)	"
Kuan Yueh Technology Engineering Co., Ltd. (Kuan Yueh)	"
Jia Yi Energy Co., Ltd. (Jia Yi)	"

(Continued)

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Related Party	Relationship with the Company
Asia IC Mic-process, Inc. (Asia IC)	Investee company of Topco International accounted for under the equity method
Asia Topco Investment Ltd. (Asia Topco)	Subsidiary of Topco Group
Topscience (s) Pte. Ltd. (Topscience (s))	"
Topco Ningbo	Subsidiary of Asia Topco Investment Ltd.
Topco Shanghai	"
Topco Suzhou	"
The board of directors, supervisors, chief executive officer, and executive vice president	The Company's main management

(b) Summary of significant transactions with related parties

1. Sales

(i) Sales to related parties for the years ended December 31, 2010 and 2009, were as follows:

	2010		2009	
	Amount	% of net sales	Amount	% of net sales
Shin-Etsu	$ 33,014	-	23,413	-
Topco Shanghai	1,753	-	13,436	-
Jia Yi	6,233	-	-	-
Others	1,682	-	4,051	-
	$ 42,682	-	40,900	-

Selling prices for related parties were similar to those for other customers. The terms of collection for related parties were within 60 to 90 days after monthly closing, and within 30 to 90 days after monthly closing for third parties.

(ii) Service revenue – commission and other

	2010		2009	
	Amount	%	Amount	%
Shin-Etsu	$ 142,653	1	87,967	1
Topco Quartz	79,620	1	43,802	1
Others	3,240	-	273	-
	$ 225,513	2	132,042	2

The prices and collection terms in the contracts were similar to those for other customers.

(Continued)

(iii) Construction revenue

The Company signed a construction contract with Topco Quartz to build its new factory, and the price and collection terms were negotiated by the two parties. The construction was finished in 2007, and the construction profit was $37,983. In accordance with accounting principles, the Company deferred the related profit of $15,129 calculated on the basis of the percentage of ownership and is recognizing the deferred profit over a certain period. The profit recognized amounted to $3,026 for each of the years ended December 31, 2010 and 2009. As of December 31, 2010 and 2009, the deferred profit recorded as deferred credits amounted to $6,051 and $9,077, respectively.

2. Purchases

(i) Purchases from related parties for the years ended December 31, 2010 and 2009, were as follows:

	2010		2009	
	Amount	% of net purchases	Amount	% of net purchases
Topco Quartz	$ 20,043	-	59,466	1
Shin-Etsu Opto	56,320	1	57,505	1
Taiwan E&M	5,326	-	594	-
Topscience (s)	3,480	-	22,499	-
Topco Ningbo	-	-	7,628	-
Others	2,079	-	1,113	-
	$ 87,248	1	148,805	2

Purchase prices from related parties were similar to those from third-party suppliers. The payment periods were within 45 to 60 days after monthly closing for related parties, and within 30 to 60 days after monthly closing for third parties.

(ii) Construction cost

The related parties provided construction-related services for the Company. The construction cost for the years ended December 31, 2010 and 2009, was as follows:

	2010	2009
Chien Yueh	$ 32,612	38,510
Kuan Yueh	3,933	3,350
Topco Suzhou	-	5,404
	36,545	47,264

(Continued)

3. Other expenses

Taiwan E&M and Shin-Etsu provide technical service for the Company. The related service expenses for the years ended December 31, 2010 and 2009, amounted to $3,611 and $4,020, respectively, recorded as operating expenses.

Chien Yueh and Kuan Yueh provide construction service for the Company. The related service expenses for the years ended December 31, 2010 and 2009, amounted to $18,666 and $8,942, respectively, recorded as operating expenses.

4. The balances resulting from the above sales and purchases as of December 31, 2010 and 2009, were as follows:

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Notes and accounts receivable:				
Shin-Etsu	$ 27,759	2	20,284	2
Topco Quartz	12,292	1	16,827	1
Jia Yi	6,560	-	-	-
Others	750	-	1,242	-
	$ 47,361	3	38,353	3

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Notes and accounts payable:				
Asia IC	$ 11,228	1	30,240	2
Shin-Etsu Opto	7,240	-	10,832	-
Topco Quartz	3,391	-	3,700	-
Others	310	-	1,897	-
	$ 22,169	1	46,669	2

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Advance payments:				
Topco Ningbo	$ 1,077	1	-	-

(Continued)

	December 31, 2010 Amount	%	December 31, 2009 Amount	%
Accrued expense and other current liabilities:				
Topco Ningbo	$ 145,650	32	164,714	45
Chien Yueh	2,991	1	5,450	2
Topco Shanghai	2,427	-	-	-
Others	295	-	392	-
	$ 151,363	33	170,556	47

The accrued expense payable to Topco Ningbo as of December 31, 2010, amounted to $145,650. Because Topco Ningbo terminated its contract with its ultimate customer, the Company also terminated its contract with Topco Ningbo. As a result, the Company is required to refund the advance receipt amount.

5. Loss on inventory contract

The Company signed an inventory indemnification contract with Topco Quartz on July 1, 2002, to cover any excess customized inventory ordered. In 2010 and 2009, the estimated loss on claims under the inventory contract was $600 and $210, respectively, recorded as cost of goods sold. As of December 31, 2010 and 2009, the claims payable were $600, recorded under accrued expenses and other current liabilities.

6. Stock transaction

The Company sold part of its shares of Ultra to Topco International for $5,565, based on the market price. The Company recognized gain on sale of financial assets amounting to $1,244.

7. Financing

	2010					
	Maximum balance	Ending balance	Interest rate	Contract period	Interest income	Interest receivable
Asia Topco	$ 57,922	55,347	2.2%	March 1, 2010~ February 28, 2011	1,082	1,436

	2009					
	Maximum balance	Ending balance	Interest rate	Contract period	Interest income	Interest receivable
Asia Topco	$ 51,184	51,184	2.2%	March 1, 2009~ February 28, 2011	354	354

(Continued)

To meet Asia Topco's operational demands, the Company provided financing to Asia Topco, recorded as other current financial assets.

8. Guarantees

	December 31, 2010	December 31, 2009	Subject
Fortune Energy	$ 321,500	400,400	Guarantees for secured loans
Topco Ningbo	84,594	92,899	"
Topco Shanghai	123,803	135,958	"(note 1)
Topco Suzhou	123,802	135,957	"(note 1)
Taiwan E&M	-	30,000	"
Topco Japan	-	17,360	"
Asia Topco	-	47,985	"
Chien Yueh	190,000	80,000	"
	$ 843,699	940,559	

Note 1: As of December 31, 2010 and 2009, Topco Shanghai and Topco Suzhou jointly shared credit lines of loans and credit lines for trading of financial instruments of $131,085 and $143,955, respectively.

As of December 31, 2010, as per construction contract requirements, Chien Yueh had provided guarantees for the Company amounting to $19,248.

(c) Salaries and remuneration of main management

The Company paid salaries and remuneration to the directors, supervisors, chief executive officer, and executive vice president in 2010 and 2009 as follows:

	2010	2009
Salaries	$ 46,234	35,718
Incentives	19,151	4,232
Special compensation	45	65
Employee bonus	8,137	4,173

Note: The directors' and supervisors' remuneration and employee bonus were an estimate as stated in note 14 "stockholders' equity".

(Continued)

(19) Pledged Assets

The book value of assets pledged as collateral as of December 31, 2010 and 2009, is summarized as follows:

Assets	Subject	December 31, 2010	December 31, 2009
Other current financial assets – time deposits	Guarantees for construction contracts and lawsuit deposits	$ 64,600	65,100
Other current financial assets – bonds purchased under repurchase agreements	Guarantees for short-term loans	-	12,042
Deferred income tax asset and others – time deposits	Guarantees for construction contracts	9,039	4,672
		$ 73,639	81,814

(20) Commitments and Contingencies

(a) As of December 31, 2010, the details of commitments and contingencies other than guarantees for related parties mentioned in note 18 and the contract dispute mentioned in note 21 were as follows:

(i) The Company had unused and outstanding letters of credit of approximately $496,233.

(ii) The Company had outstanding commitments for construction contracts amounting to $340,867, net of the payment made and accrued payment.

(iii) The Company had entered into line of credit agreements with several banks to guarantee payments under various construction contracts. As of December 31, 2010, the total amount was $225,153.

(b) Due to the dispute about the different cognition on the construction period stated in the construction contract with a customer, the Company applied for mediation of the contract dispute with the Public Construction Commission of the Executive Yuan. Parts of the contract dispute were not settled in the mediation process and the Company therefore was going to undergo an arbitration process. The other parts of the contract dispute were already settled prior to the reporting date, and the related losses were recognized in the current year's financial statements. As of December 31, 2010, for prudent purpose, the Company has estimated the possible construction losses related to the above unsolved contract dispute by using the historical experience. Beside it, the Company assessed that there is no other significant loss, which should be reflected at book.

(Continued)

(21) Others

(a) Employee expenses, depreciation expenses, and amortization expenses for the years ended December 31, 2010 and 2009, were as follows:

	2010			2009		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee expenses						
Salaries and wages	44,412	410,254	454,666	39,275	295,504	334,779
Labor and health insurance	-	22,416	22,416	-	20,040	20,040
Pension expense	1,198	22,525	23,723	1,326	20,967	22,293
Other	-	21,230	21,230	-	18,099	18,099
Depreciation expenses (note)	260	12,480	12,740	659	13,375	14,034
Amortization expenses	-	4,461	4,461	-	8,129	8,129

Note: Depreciation expenses excluded the depreciation of rental assets amounting to $307 and $735 in 2010 and 2009, respectively, recorded as a reduction of rental income.

(b) Dispute on contract performance

1. In November 2005, the Company entered into a "Turnkey Engineering Procurement and Construction Contract" (the Construction Contract) amounting to US$14,000,000 and an "Agreement for Purchase and Installation of Equipment" (the Equipment Contract) amounting to US$27,000,000 with a certain customer (the Customer). The Company performed its obligations based on the contracts and the Customer's purchase orders, and recorded the related revenue and cost starting from December 2005. However, due to different understandings of the contract details, the contracts were suspended. On December 21, 2006, the Customer's attorney informed the Company that the Company had not performed certain terms of the construction contracts and ended the contracts as well as cancelling the related purchase orders. In January and March 2007, the Customer also filed an attachment of the Company's property amounting to US$1,800,000 and US$135,000, respectively, with the Taiwan Shihlin District Court. In April 2007, the Company submitted pledged deposits of US$1,800,000 and US$135,000 as counter-security to the Court for lifting the attachment.

(Continued)

2. The Company's attorney issued an opinion on February 13, 2008, stating that the above contracts are based on Hong Kong laws and that his analysis is solely based on the terms of the contracts. According to the attorney's analysis, the Company had the right to suspend the contract since the Customer did not perform related matters under the contracts and is unable to identify any contract violations by the Company. As of December 31, 2010, the inventories purchased for the contracts amounted to $131,091; the Company recorded a provision for inventory valuation loss amounting to $51,316 based on net realizable value. In addition, based on the attorney's analysis, the attribution of the Customer's payments under the Construction Contract and the Equipment Contract (recorded as advance collection) amounting to $197,057 is explained as follows:

   (i) The Construction Contract

   Even on the assumption that the Company or the Customer has violated the contract, the Company will still be able to retain the amount the Customer had already paid under the contract except if the courts issue an unfavorable final judgment.

   (ii) The Equipment Contract

   The Company can keep the payment from the Customer as compensation if the Company proves that the actual loss is higher than the amount received after the Equipment Contract is ended, unless the related laws of Hong Kong specify differently.

3. Concerning the aforementioned contractual dispute, the Customer filed an application for arbitration against the Company with the International Chamber of Commerce (ICC) on February 8, 2008, in accordance with the arbitration provisions under the relevant contracts. The Customer alleged that the Company is obligated to return the amount paid and claimed compensation for the business loss. A three-arbitrator team was formed. Both parties submitted answers and witness testimony to arbitrators and to each other. The arbitration court held hearings from March 2 to 11 and March 30 to April 1, 2009, at the ICC. On January 27, 2010, the Company received a partial award regarding the aforementioned dispute. In the award, the arbitrators held that the Company was not in default nor liable for the issue. In relation to the indemnity claimed by the Company against the contracting Customer, the arbitrators held hearings to review it on October 28 and 29, 2010, and have not granted any award regarding the indemnity for now; therefore, the Company is unable to estimate how much it is entitled to. According to the legal opinion issued by the Company's Hong Kong attorney on January 19, 2011, because the hearing on merits is not completed, it is premature to predict the final outcome of the damage claim and assess the possible award; other than the estimated arbitration fee and lawyer fee, the Company assesses that there is no probable future material loss which should be reflected in the books.

(Continued)

(c) Reserve for loss on outward investment

The Company has provided a loss reserve on outward investment, in accordance with the "Statute for Upgrading Industries". The amount was computed at 20% of the total amount of outward investment, which is the limit stipulated by the "Statute for Upgrading Industries". The statute also stipulates that if there are no actual losses in the five years after the initial provision for the reserve, the loss reserve should be reversed and recognized as revenue in the fifth year. However, as such reserve is not in accordance with generally accepted accounting principles, the loss reserve is reversed during the preparation of the financial statements, but the Company does not adjust the books. Accordingly, the net income and the retained earnings on the Company's books were decreased by the following amounts:

	2010	2009
Net income	$ -	3,480
Retained earnings	25,827	25,827

(d) Other

Some of the Company's high-ranking managers were prosecuted by the Shihlin District Prosecutors Office for violating the Securities and Exchange Act on May 8, 2009. Since the prosecutors concluded that the Company had the ability to control Best Tec Co., Limited and other companies directly and indirectly and that the aforementioned managers were the persons substantially in charge of the companies above that the, the prosecutors therefore concluded that those managers had violated the low, the restatement of financial statements resulting from the business dispute with the Singaporean customers mentioned in Note (21)(b) was invalid.

However, many of the prosecutors' accusations do not agree with the facts, and those managers will make a detailed pleading to the court in the process of investigation. According to the legal opinion of the Company's attorneys issued on January 7 and January 13, 2011, this case is still in process, and it is impossible to assess the outcome of litigation. The Company has already drawn up appropriate procedures to deal with the emergency, and the litigation should have no material effect on the Company's financing and operations.

(Continued)

(e) Information of significant foreign currency assets and liabilities was as follows (expressed in thousand dollars):

	December 31, 2010			December 31, 2009		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets:						
Monetary items						
USD	25,933	29.13	755,428	17,887	31.99	572,205
JPY	1,930,228	0.3582	691,408	1,988,106	0.3472	690,270
Long-term investments under equity method						
USD	12,339	29.13	359,444	10,887	31.99	348,275
Financial liabilities:						
Monetary items						
USD	33,105	29.13	964,349	24,972	31.99	798,854
JPY	2,308,861	0.3582	827,034	2,509,602	0.3472	871,334

(Continued)

(22) Segment Information

(a) Industrial information

	2010						
	Advanced Material Division	Semiconductor Division	Environmental Engineering Division	Electronics Division	Wafer Materials Division	Other Divisions	Total
Division revenue	$ 5,056,920	3,059,119	769,163	1,443,929	514,304	870,766	11,714,201
Division income (loss)	$ 475,611	397,698	(91,636)	121,101	132,299	(454,795)	580,278
Investment income							160,043
Interest expense							(639)
Expenses (including non-operating), net							30,161
Income before taxes							$ 769,843
Identifiable assets	$ 1,094,577	1,039,681	449,115	466,044	120,797	143,240	3,313,454
Long-term equity investments							1,603,075
General assets							2,331,866
Total assets							$ 7,248,395
Depreciation expense							$ 12,740
Capital expenditure							$ 41,477

(Continued)

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	2009						
	Advanced Material Division	Semiconductor Division	Environmental Engineering Division	Electronics Division	Wafer Materials Division	Other Divisions	Total
Division revenue	$ 3,147,934	2,182,263	976,862	948,258	537,978	750,681	8,543,976
Division income (loss)	$ 232,868	250,735	920	58,367	31,693	(281,660)	292,923
Investment loss							(9,713)
Interest expense							(5,097)
Expenses (including non-operating), net							147,029
Income before taxes							$ 425,142
Identifiable assets	$ 900,401	796,103	717,185	480,723	51,533	113,836	3,059,781
Long-term equity investments							1,487,586
General assets							1,773,632
Total assets							$ 6,320,999
Depreciation expense							$ 14,034
Capital expenditure							$ 3,165

(Continued)

(b) Geographic information

The Company has no foreign operating segment; thus, no geographic information is provided.

(c) Export sales

Export sales to geographic areas constituting over 10% of the total revenue in 2010 and 2009 were as follows:

	2010		2009	
	Amount	% of net sales	Amount	% of net sales
Asia	$ 1,346,105	11	1,333,244	16

(d) Major customers

Sales to individual customers constituting over 10% of the total revenue in 2010 and 2009 were as follows:

	2010		2009	
	Amount	% of net sales	Amount	% of net sales
A Company	$ 2,627,860	22	1,900,917	22