

## **ITEQ Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2009 and 2008 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of ITEQ Corporation as of and for the year ended December 31, 2009, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ITEQ Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

ITEQ CORPORATION

By

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MAO CHEN TSAI  
Chairman

March 19, 2010

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
ITEQ Corporation

We have audited the accompanying consolidated balance sheets of ITEQ Corporation (the "Corporation") and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation and subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2009, the Corporation and subsidiaries adopted the newly revised Statements of Financial Accounting Standards No. 10, "Accounting for Inventories" and the related revisions of previously released interpretation.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2008 the Corporation and subsidiaries have adopted Accounting Research and Development Foundation Interpretation No. 2007-52 and recognized bonuses to employees and remuneration to directors and supervisors as expenses rather than as distributions of retained earnings.

March 19, 2010

Notice to Readers

*The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.*

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,349,488	12	\$ 1,068,689	12	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	\$ 1,021	-	\$ 7,367	-
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	37,480	-	1,784	-	Short-term debts (Notes 12 and 24)	852,509	8	739,696	8
Available-for-sale financial assets - current, net (Notes 2, 6 and 23)	157,991	1	79,697	1	Short-term bills payable, net (Note 13)	119,903	1	-	-
Notes receivable, net (Notes 2 and 7)	321,319	3	152,255	2	Notes payable	56,737	1	48,659	1
Accounts receivable, net (Notes 2 and 7)	3,356,347	30	2,562,830	28	Accounts payable	3,478,679	31	2,282,101	25
Accounts receivable from related parties (Notes 7 and 23)	-	-	66	-	Accrued expenses	251,256	2	210,478	2
Other receivables (Note 7)	455,730	4	785,939	8	Other payables	129,365	1	412,237	4
Inventories, net (Notes 2, 3 and 8)	1,068,428	10	273,325	3	Current portion of long-term liabilities (Notes 2, 14, 15, 16 and 24)	251,526	2	136,346	1
Restricted bank deposits - current (Note 24)	-	-	45,540	-	Other current liabilities	188,047	2	51,665	1
Other current assets (Notes 2, 17 and 21)	301,077	3	208,646	2					
Total current assets	7,047,860	63	5,178,771	56	Total current liabilities	5,329,043	48	3,888,549	42
<b>FINANCIAL ASSETS CARRIED AT COST - NONCURRENT (Notes 2 and 9)</b>	15,907	-	16,514	-	<b>LONG-TERM LIABILITIES</b>				
<b>PROPERTIES (Notes 2, 10 and 24)</b>					Financial liabilities at fair value through profit or loss - noncurrent (Notes 2 and 5)	-	-	7,740	-
Cost					Bonds payable (Notes 2 and 14)	-	-	266,034	3
Land	253,716	2	253,716	3	Long-term debts, net of current portion (Notes 15 and 24)	919,836	8	604,310	6
Buildings	1,178,411	11	1,161,015	13	Long-term payable (Note 16)	40,538	-	49,515	1
Machinery and equipment	2,843,873	26	2,803,671	30	Total long-term liabilities	960,374	8	927,599	10
Transportation equipment	49,567	-	45,218	1	<b>GUARANTEE DEPOSITS RECEIVED</b>	6,577	-	4,556	-
Office equipment	288,521	3	288,640	3	Total liabilities	6,295,994	56	4,820,704	52
Miscellaneous equipment	359,350	3	314,415	3	<b>STOCKHOLDERS' EQUITY</b>				
Total cost	4,973,438	45	4,866,675	53	Common stock				
Accumulated depreciation	(1,636,435)	(15)	(1,294,893)	(14)	Capital stock - NT\$10 par value				
Accumulated impairment	(83,646)	(1)	(73,441)	(1)	Authorized - 350,000 thousand shares				
	3,253,357	29	3,498,341	38	Issued and outstanding - 286,679 thousand shares and 294,679 thousand shares at December 31, 2009 and 2008	2,866,792	26	2,946,792	32
Prepayments for equipment	451,965	4	241,240	2	Capital surplus				
Net property, plant and equipment	3,705,322	33	3,739,581	40	Capital surplus - paid-in capital in excess of par value	658,806	6	667,341	7
<b>OTHER ASSETS (Notes 2, 11, 21 and 24)</b>	378,234	4	337,336	4	Capital surplus - stock option	38,652	-	34,230	-
					Total capital surplus	697,458	6	701,571	7
					Retained earnings				
					Legal reserve	333,560	3	291,882	3
					Unappropriated earnings	868,198	8	416,773	5
					Total retained earnings	1,201,758	11	708,655	8
					Other equity				
					Cumulative translation adjustments	265,744	2	388,031	4
					Unrealized gain (loss) on financial instruments	67,862	1	(55,867)	(1)
					Treasury stock	(248,285)	(2)	(237,684)	(2)
					Total other equity	85,321	1	94,480	1
					Total stockholders' equity	4,851,329	44	4,451,498	48
<b>TOTAL</b>	<b>\$ 11,147,323</b>	<b>100</b>	<b>\$ 9,272,202</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 11,147,323</b>	<b>100</b>	<b>\$ 9,272,202</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 19, 2010)

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 23)	\$ 12,642,730	103	\$ 14,200,953	103
SALES RETURNS AND ALLOWANCES	<u>362,628</u>	<u>3</u>	<u>389,279</u>	<u>3</u>
NET SALES (Notes 2 and 23)	12,280,102	100	13,811,674	100
COSTS OF SALES (Note 20)	<u>10,445,067</u>	<u>85</u>	<u>12,119,586</u>	<u>88</u>
GROSS PROFIT	1,835,035	15	1,692,088	12
OPERATING EXPENSES (Note 20)	<u>845,973</u>	<u>7</u>	<u>882,691</u>	<u>6</u>
INCOME FROM OPERATIONS	<u>989,062</u>	<u>8</u>	<u>809,397</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 27)	7,133	-	15,940	-
Gain on sale of investments, net (Notes 2 and 5)	-	-	18,320	-
Gain on disposal of available-for-sale financial assets (Note 2)	66,613	1	1,543	-
Gain on disposal of financial assets carried at cost	206	-	-	-
Foreign exchange gain, net (Note 2)	-	-	88,110	1
Gain on reversal of allowance for bad debt (Notes 2 and 7)	33,456	-	-	-
Valuation gain on financial instruments, net (Notes 2, 5 and 27)	44,373	1	-	-
Income from tax refund	13,596	-	20,693	-
Others (Note 2)	<u>42,741</u>	<u>-</u>	<u>35,051</u>	<u>-</u>
Total nonoperating income and gains	<u>208,118</u>	<u>2</u>	<u>179,657</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expenses, net of capitalized interests (Notes 2, 10 and 27)	68,721	1	171,443	1
Loss on sale of investments, net (Notes 2 and 5)	5,429	-	-	-
Foreign exchange loss, net (Note 2)	7,873	-	-	-
Loss on assets impairment (Notes 2, 9, 10 and 11)	23,714	-	237,551	2
Valuation loss on financial instruments, net (Notes 2, 5 and 27)	-	-	5,227	-
Others (Notes 2 and 20)	<u>39,392</u>	<u>-</u>	<u>79,709</u>	<u>-</u>
Total nonoperating expenses and losses	<u>145,129</u>	<u>1</u>	<u>493,930</u>	<u>3</u>

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# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,052,051	9	\$ 495,124	4
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 21)	<u>(249,144)</u>	<u>(2)</u>	<u>13,099</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 802,907</u>	<u>7</u>	<u>\$ 508,223</u>	<u>4</u>
ATTRIBUTED TO:				
Stockholders of parent company	\$ 802,907	7	\$ 508,223	4
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 802,907</u>	<u>7</u>	<u>\$ 508,223</u>	<u>4</u>
	2009		2008	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.81</u>	<u>\$ 2.91</u>	<u>\$ 1.70</u>	<u>\$ 1.74</u>
Diluted	<u>\$ 3.47</u>	<u>\$ 2.65</u>	<u>\$ 1.68</u>	<u>\$ 1.73</u>

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

(With Deloitte & Touche audit report dated March 19, 2010)

(Concluded)

**ITEQ CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock - Issued and Outstanding		Capital Surplus (Notes 2, 14 and 18)	Retained Earnings (Notes 2 and 18)			Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 18)	Treasury Stock (Notes 2 and 19)	Total Stockholders' Equity of Parent Company	Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount		Legal Reserve	Retained Earnings	Total						
BALANCE, JANUARY 1, 2008	276,023	\$ 2,760,231	\$ 671,964	\$ 186,195	\$ 1,057,906	\$ 1,244,101	\$ 167,333	\$ -	\$ (138,448)	\$ 4,705,181	\$ 112	\$ 4,705,293
Appropriation of 2007 earnings												
Legal reserve	-	-	-	105,687	(105,687)	-	-	-	-	-	-	-
Bonus to employees - stock	5,327	53,266	-	-	(53,266)	(53,266)	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	(22,828)	(22,828)	-	-	-	(22,828)	-	(22,828)
Bonus to directors and supervisors	-	-	-	-	(19,024)	(19,024)	-	-	-	(19,024)	-	(19,024)
Stock dividends - NT\$0.628 per share	17,094	170,945	-	-	(170,945)	(170,945)	-	-	-	-	-	-
Cash dividends - NT\$2.512 per share	-	-	-	-	(683,781)	(683,781)	-	-	-	(683,781)	-	(683,781)
Balance after appropriation	298,444	2,984,442	671,964	291,882	2,375	294,257	167,333	-	(138,448)	3,979,548	112	3,979,660
Issuance of stock from exercising employees stock options	235	2,350	-	-	-	-	-	-	-	2,350	-	2,350
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(237,684)	(237,684)	-	(237,684)
Retirement of treasury stock - 4,000 thousand shares	(4,000)	(40,000)	(4,623)	-	(93,825)	(93,825)	-	-	138,448	-	-	-
Equity component of convertible bonds - stock option	-	-	34,230	-	-	-	-	-	-	34,230	-	34,230
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	(55,867)	-	(55,867)	-	(55,867)
Cumulative translation adjustment on long-term equity investments	-	-	-	-	-	-	220,698	-	-	220,698	-	220,698
Acquisition of 0.3% equity of Bou Mou in September 2008	-	-	-	-	-	-	-	-	-	-	(112)	(112)
Net consolidated income in 2008	-	-	-	-	508,223	508,223	-	-	-	508,223	-	508,223
BALANCE, DECEMBER 31, 2008	294,679	2,946,792	701,571	291,882	416,773	708,655	388,031	(55,867)	(237,684)	4,451,498	-	4,451,498
Appropriation of 2008 earnings(Note)												
Legal reserve	-	-	-	41,678	(41,678)	-	-	-	-	-	-	-
Cash dividends - NT\$1.029 per share	-	-	-	-	(280,679)	(280,679)	-	-	-	(280,679)	-	(280,679)
Balance after appropriation	294,679	2,946,792	701,571	333,560	94,416	427,976	388,031	(55,867)	(237,684)	4,170,819	-	4,170,819
Conversion of convertible bonds	-	-	(4,308)	-	(835)	(835)	-	-	28,143	23,000	-	23,000
Adjustment on convertible bonds' price	-	-	8,730	-	-	-	-	-	-	8,730	-	8,730
Retirement of treasury stock - 8,000 thousand shares	(8,000)	(80,000)	(8,535)	-	(28,290)	(28,290)	-	-	116,825	-	-	-
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(155,569)	(155,569)	-	(155,569)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	95,007	-	95,007	-	95,007
Change in unrealized gain on financial instruments of investees	-	-	-	-	-	-	-	28,722	-	28,722	-	28,722
Cumulative translation adjustment on long-term equity investments	-	-	-	-	-	-	(122,287)	-	-	(122,287)	-	(122,287)
Net consolidated income in 2009	-	-	-	-	802,907	802,907	-	-	-	802,907	-	802,907
BALANCE, DECEMBER 31, 2009	286,679	2,866,792	697,458	333,560	868,198	1,201,758	265,744	67,862	(248,285)	4,851,329	-	4,851,329

Note: Bonus to employees and bonus to directors and supervisors which totaled \$36,815 thousand had been recognized as expenses in the income statement for the year ended December 31, 2008.

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

(With Deloitte & Touche audit report dated March 19, 2010)

# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 802,907	\$ 508,223
Depreciation and amortization	438,039	430,186
Gain on disposal of available-for-sale financial assets	(66,613)	(1,543)
Loss (gain) on valuation of financial instruments, net	(44,373)	5,227
Provision for (reversal of) allowance for doubtful accounts	(33,456)	93,570
Deferred income tax	(31,895)	(64,916)
Provision for sales allowance	29,851	30,019
Loss on asset impairment	23,714	237,551
Loss (gain) on decline in market value and obsolescence of inventories	(16,711)	61,511
Amortization of discount on bonds payable	6,826	2,154
Loss (gain) on sale of investments	5,429	(18,320)
Loss on disposal of property, plant and equipment	2,293	684
Prepaid pension	(359)	(2,268)
Gain on disposal of financial assets carried at cost	(206)	-
Net changes in operating assets and liabilities		
Notes receivable	(169,064)	72,511
Accounts receivable	(744,429)	59,672
Accounts receivable from related parties	66	3,347
Other receivables	330,209	(84,690)
Inventories	(773,852)	717,790
Other current assets	(17,800)	(12,001)
Notes payable	8,078	(145,384)
Accounts payable	1,151,902	(592,366)
Accrued expenses	77,593	93,401
Other payables	(207,747)	26,351
Other current liabilities	<u>136,382</u>	<u>(41,597)</u>
Net cash provided by operating activities	<u>906,784</u>	<u>1,379,112</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (payment for) forward exchange contract	(5,429)	18,320
Acquisition of properties	(558,974)	(759,772)
Payment for financial assets carried at cost	(189)	-
Proceeds from disposal of financial assets carried at cost	206	-
Decrease in restricted bank deposits, current	45,540	62,033
Payment for acquisition of minority interest	-	(59)
Decrease (increase) in restricted bank deposits	(106,000)	41,350
Proceeds from sale of properties and asset held for disposal	36,711	11,099
Increase in refundable deposit	(7,047)	(6,162)
Proceeds from disposal of available-for-sale financial assets	307,570	46,817
Payment for acquisition of available-for-sale financial assets	(195,522)	(180,838)
Decrease (increase) in other assets	<u>(35,339)</u>	<u>58,659</u>
Net cash used in investing activities	<u>(518,473)</u>	<u>(708,553)</u>

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# ITEQ CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term debts	\$ (131,200)	\$ -
Proceeds from long-term debts	315,526	239,947
Cash dividends paid	(280,679)	(683,781)
Repurchase of treasury stock	(155,569)	(237,684)
Net increase (decrease) in short-term debts	103,496	(684,802)
Net increase in short-term bills payable	119,903	-
Repayments on bonds payable	-	(40,000)
Cash bonus to directors and supervisors	(7,502)	(19,024)
Issuance of stock from exercising employee's stock option	-	2,350
Cash bonus to employees	(29,313)	(22,828)
Issuance of convertible bonds	-	300,000
Increase in other liabilities	<u>2,021</u>	<u>4,226</u>
Net cash used in financing activities	<u>(63,317)</u>	<u>(1,141,596)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(44,195)</u>	<u>(126,995)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	280,799	(598,032)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,068,689</u>	<u>1,666,721</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,349,488</u>	<u>\$ 1,068,689</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 56,732	\$ 176,091
Less: Capitalized interest	<u>132</u>	<u>372</u>
Non-capitalized interests paid	<u>\$ 56,600</u>	<u>\$ 175,719</u>
Income tax paid	<u>\$ 428,424</u>	<u>\$ 115,476</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Translation adjustments on long-term equity investments	<u>\$ (122,287)</u>	<u>\$ 220,698</u>
Convertible bonds converted into common stocks and capital surplus	<u>\$ 23,000</u>	<u>\$ -</u>
Current portion of long-term debts	<u>\$ 251,526</u>	<u>\$ 136,346</u>
Retirement of treasury stock	<u>\$ 116,825</u>	<u>\$ 138,448</u>
Unrealized gain (loss) on financial instruments	<u>\$ (123,729)</u>	<u>\$ 55,867</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of properties	\$ 483,849	\$ 844,406
Changes in payables for acquisition of properties	<u>75,125</u>	<u>(84,634)</u>
Cash paid	<u>\$ 558,974</u>	<u>\$ 759,772</u>

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

(With Deloitte & Touche audit report dated March 19, 2010)

(Concluded)

# ITEQ CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

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### 1. ORGANIZATION AND OPERATIONS

ITEQ Corporation (the "Corporation") was incorporated in April 10, 1997. It manufactures and sells mass lamination boards, copper clad laminates, prepreg products and electronic components. The Corporation's shares have been traded on the over-the-counter (OTC) securities exchange since December 30, 2002. Afterward, the Corporation's shares have been approved and listed on the Taiwan Stock Exchange ("TSE") since January 21, 2008.

In February 2004, the Corporation invested in International Partners Limited (IPL, incorporated in Samoa), Ever Smart International (H.K.) Co., Ltd. (ESIC (HK), incorporated in Hong Kong), and ITEQ (Dong Guan) Corporation (ITEQ (DG), incorporated in Dong Guan, People's Republic of China or PRC) through Ever Smart International Corporation (ESIC, incorporated in the British Virgin Islands).

In March 2004, the Investment Commission of the Ministry of Economic Affairs (ICMOEA) approved the Corporation's investment structure change, in which ITEQ International Limited ("ITEQ International," incorporated in Samoa as a 100% subsidiary of the Corporation) acquired 100% equity interest in ITEQ Holding Limited ("ITEQ Holding," incorporated in the Cayman Islands). ITEQ Holding then acquired equity interests in the following companies: ESIC - 70%; IPL - 100%; ITEQ Technology Co., Ltd. (ITL, incorporated in the British Virgin Islands) - 100%; and Inspire Investment Ltd. (IIL, incorporated in the British Virgin Islands) - 100%. In addition, ESIC acquired equity interests of 100% each in ESIC (HK), which had been liquidated in May 2006, ITEQ (Guang Zhou) Corporation (ITEQ (GZ), incorporated in Guang Zhou, PRC), and ITEQ (DG), and ITL acquired 100% equity interests in ITEQ (WuXi) Electronics, Co., Ltd. (ITEQ (WX), incorporated in WuXi, PRC). The Corporation was approved by ICMOEA to acquire additional 30% equity of ESIC with US\$5,250 thousand through ITEQ Holding in February 2005 and ESIC became a wholly owned subsidiary of the Corporation.

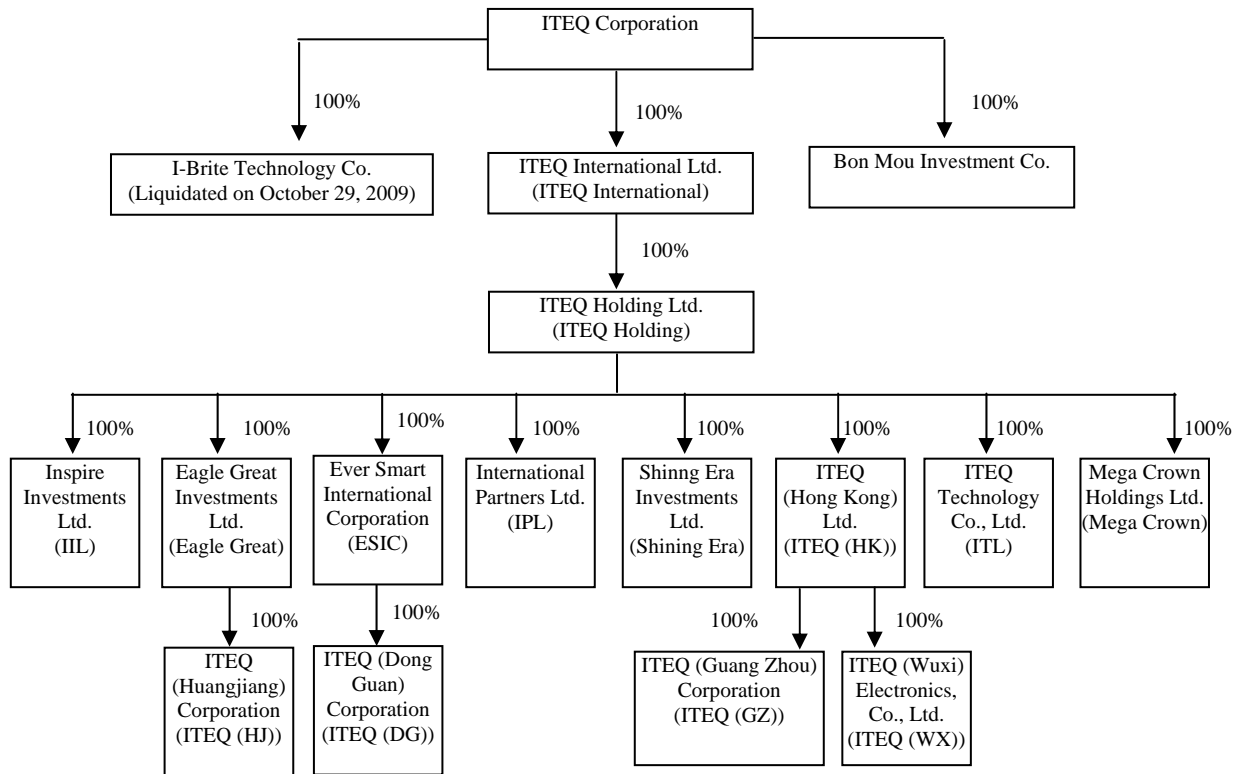
In April 2005, the ICMOEA approved the Corporation to invest in Eagle Great Investments Ltd. ("Eagle Great", incorporated in the British Virgin Islands - 60% owned by ITEQ Holding. The Corporation was approved by ICMOEA to acquire additional 40% equity of Eagle Great for US\$2,400 thousand through ITEQ Holding in June 2007, and Eagle Great became a wholly owned subsidiary of the Corporation). Eagle Great invested in ITEQ (Huangjiang) Corporation ("ITEQ (HJ)"), 100% owned by Eagle Great which was incorporated in Dong Guan, PRC.

On July 7, 2006, the ICMOEA approved the Corporation's investment structure change from investment in ITEQ (GZ) through ITEQ International, ITEQ Holding and ESIC to investment in ITEQ (GZ) through ITEQ International, ITEQ Holding and Shining Era Investment Ltd. ("Shining Era," incorporated in Samoa).

On February 20, 2008, the ICMOEA approved the Corporation's investment structure change from investment in ITEQ (DG), ITEQ (WX), ITEQ (GZ) and ITEQ (HJ) through ITEQ International, ITEQ Holding, ESIC, ITL, Eagle Great and Shining Era to investment in ITEQ (DG), ITEQ (WX), ITEQ (GZ) and ITEQ (HJ) through ITEQ International, ITEQ Holding, and ITEQ (Hong Kong) Limited ("ITEQ (HK)" incorporated in Hong Kong). As of March 19, 2010, the process of transferring ownership from ITEQ (HK) to investment in ITEQ (GZ) and ITEQ (WX) had been completed; other transferring of ownership had not been completed.

I-Brite Technology Co., which was incorporated in June 12, 2008 and engaged in manufacturing and selling brightness enhancement film, was liquidated on October 29, 2009. ESIC, ITEQ (HK) and Eagle Great mainly engage in investments. IPL, IIL and Shining Era sell mass lamination boards, prepreg products and electronic components. ITEQ (DG), ITEQ (GZ) ITEQ (HJ) and ITEQ (WX) manufacture and sell copper, copper clad laminates and mass lamination boards. Mega Crown Holding Ltd. (“Mega Crown”, incorporated in Samoa), and Bon Mou Investment Co. mainly engage in investments.

As of December 31, 2009, the relationships and ownership percentages of the Corporation and its subsidiaries are summarized as follows:



As of December 31, 2009 and 2008, the Corporation and its subsidiaries had 2,143 and 1,637 employees, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Consolidation

The accompanying consolidated financial statements for the years ended December 31, 2009 and 2008 included the accounts of the Corporation, I-Brite Investment Co., Bon Mou Investment Co., ITEQ International, ITEQ Holding, IIL, IPL, ITL, ESIC, Shining Era, ITEQ (HK), Eagle Great, Mega Crown Holdings Ltd., ITEQ (DG), ITEQ (HJ), ITEQ (WX) and ITEQ (GZ).

The Corporation’s consolidated financial statements included the 16 accounts of all direct and indirect subsidiaries (Note 1). All significant intercompany accounts and transactions have been eliminated upon consolidation.

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. Under these guidelines and principles, the Corporation and subsidiaries are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, sales allowances, decline in market value of inventories, valuation of financial instruments, property depreciation, impairment loss of assets, losses on suspended lawsuit, income tax provision, pension cost, bonuses to employees, and bonus to directors and supervisors. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The significant accounting policies of the Corporation and subsidiaries are summarized as follows:

### **Current and Noncurrent Assets and Liabilities**

Current assets include unrestricted cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. Properties and others not classified as current are noncurrent assets. Current liabilities include liabilities held primarily for trading and due on demand within one year from the balance sheet date. All other liabilities are classified as noncurrent.

### **Cash Equivalents**

Cash equivalents, consisting mainly of bank acceptance, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

### **Financial Assets/Liabilities at Fair Value Through Profit or Loss**

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation recognizes a financial asset or a financial liability on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise.

On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial instruments without quoted prices in an active market are determined using valuation techniques.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date (or upon the shareholders' resolutions), except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

### **Accounts Receivable and Allowance for Doubtful Accounts**

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of receivables. The Corporation and subsidiaries periodically evaluate the collectibility of receivable on the basis of aging analysis, counter-parties' credit rating and economic conditions.

When the Corporation and subsidiaries factor accounts receivable, they give up their rights to these receivables. Thus, the receivables are removed from the Corporation's accounts and the factors obtain the right to pledge or trade these receivables as their own. The Corporation and subsidiaries also have no rights or obligations to repurchase these receivables, and the transfer of these receivables should be recorded as a sale. If the Corporation and subsidiaries still maintain effective control over these receivables, the transaction will be considered as a pledged loan, and the amount received should be recognized as liabilities.

### **Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process. Before January 1, 2009, inventories were stated at the lower of weighted-average cost or market value (net realizable value or replacement cost). Losses on scrap and slow-moving items are estimated on the basis of a review of the service lives of inventories, and an allowance for losses on decline in market value is provided. Any write-down was made on an item by item basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. Inventories are stated at the lower of weighted-average cost or net realizable value, effective January 1, 2009. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

**Financial Assets Carried at Cost**

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

**Properties**

Properties are stated at cost less accumulated depreciation. Major additions, renewals, replacements and betterments are capitalized, while maintenance and repairs are expensed currently. Interests incurred during the construction period of the properties are capitalized.

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings, 3 to 55 years; machinery and equipment, 2 to 12 years; transportation equipment, 5 to 10 years; office equipment, 3 to 10 years; and miscellaneous equipment, 3 to 12 years. Fully depreciated properties still being used are depreciated over their new estimated service lives.

Upon disposal of properties, the related cost and accumulated depreciation are removed from the accounts. Any resulting gains or losses are recorded as non-operating income or loss in the year of disposal.

**Goodwill**

The investment in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized and is tested for impairment annually or whenever there are indications that the investments are impaired.

**Deferred Charges**

Deferred charges, accounted for as other assets, are costs of computer software and plant pipelines. The amounts are amortized using the straight-line method over 1 to 10 years.

**Land Use Rights**

Land use rights are amortized over 30 to 50 years.

**Asset Impairment**

If an asset is impaired, the Corporation and subsidiaries must calculate the recoverable amount of the asset or the cash-generating unit. Goodwill is tested for impairment annually regardless of whether there is any indication of impairment. An impairment loss should be recognized whenever the recoverable amount of an asset or cash-generating unit is below the carrying amount. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in future periods at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income and debited to accumulated impairment or is used to increase the carrying amount of the asset. However, the increased amount due to loss reversal should not be more than the carrying amount (net of depreciation) had the impairment loss not been recognized.

## **Convertible Bonds**

For convertible bonds issued on or after January 1, 2006, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Company uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

In accordance with Accounting Research and Development Foundation Interpretation (97) Ji-Mi Zih 331, reset options, call options and put options are recognized as financial liabilities held for trading. The conversion option without the reset right is recognized as equity. Any residual value is recognized as bonds payable (including the related discount or premium). A financial liability held for trading is measured at fair value. Bonds payable is measured at amortized cost. The conversion option is measured at original amount. Changes in fair value of financial liabilities held for trading are recognized as profit or loss, except that a decrease in fair value of financial liability resulting from reset of the conversion is recognized in equity.

## **Pension Costs**

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

Under a defined benefit plan, pension costs are recognized on the basis of actuarial valuations. Unrecognized prior pension costs are amortized using the straight-line method over the average remaining service years of employees. If the plan is curtailed or settled, the Corporation recognizes gains or losses as part of the net pension cost in the current year.

Under the defined contribution pension plan, contributions to the employees' individual pension accounts are recognized as pension cost during the year in which employees render services.

According to the PRC's endowment insurance, the subsidiaries in PRC contribute yearly amounts equal to fixed ratio of salaries and wages to the regulated institution.

## **Treasury Stock**

Treasury stock is accounted for at the cost to reacquire issued shares. Cost of treasury stock is shown as a deduction to arrive at stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to the capital surplus. If loss from selling treasury stocks exceeds the balance of the capital surplus, the excess is debited to retained earnings.

## **Revenue**

Sales are recognized at the time of shipment or the transfer of the title of a product to the customer. Sales are measured by the Corporation and subsidiaries at prices negotiated with customers (considering trade and quantity discount). Accounts receivable due within one year are not discounted at market interest rate because the fair value of these accounts approximates settlement value, and sales transactions are frequent.

The allowance for sales returns and discounts is estimated and provided at the time of sale and deducted from accounts receivable.

## **Contingent Loss**

Contingent loss is accrued and charged to current expense or loss at balance sheet date if it is very likely to occur and could be estimated reasonably. For contingent loss that can not be estimated reasonably, the underlying circumstances are disclosed in the notes to the consolidated financial statements.

## **Income Tax**

The Corporation applies inter-period allocation in accounting for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences, unused loss carryforwards, investment tax credits and certain credits to stockholders' equity, while deferred tax liabilities are recognized for the tax effects of taxable temporary differences and certain debits to stockholders' equity. Valuation allowance is provided for deferred tax assets that are not certain to be realized. Deferred tax assets or liabilities are classified as current or noncurrent according to the classification of the related assets or liabilities for financial reporting. If a deferred tax asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or noncurrent on the basis of the expected realization date of the temporary difference.

Tax credits arising from purchases of equipment or technology, research and development and personnel training are recognized using the flow-through method.

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

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

The income tax laws and regulations governing the consolidated subsidiaries in PRC, Cayman, Samoa and the British Virgin Islands are summarized as follows:

In the PRC, foreign enterprises are entitled to full exemption from the enterprise income tax (EIT) for two years from the first profitable year after offsetting all tax losses brought forward and to a 50% reduction in EIT for the next three years.

The subsidiaries in Cayman, Samoa and the British Virgin Islands pay annual fees which are recognized as operating expenses instead of income tax.

## **Foreign-currency Transactions and Translation of Foreign-currency Financial Statements**

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss. At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value are recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, such investee's financial statements are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Income and expenses - at average exchange rates for the year.
- c. Shareholders' equity - at historical exchange rates;
- d. Dividends - at the exchange rate prevailing on the dividend declaration date; and

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

### **Reclassifications**

Certain accounts for 2008 have been reclassified to conform to the 2009 consolidated financial statement presentation.

## **3. ACCOUNTING CHANGE**

### a. Accounting for Inventories

On January 1, 2009, the Corporation and subsidiaries adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption resulted in a decrease of NT\$18,140 thousand in after income tax net income and a decrease of NT\$0.07 in after income tax basic earnings per share for the year ended December 31, 2009. For comparison purposes, the Corporation and subsidiaries also reclassified write-downs of inventories of NT\$61,511 thousand and revenue from sale of scraps of NT\$78,305 thousand to cost of goods sold for the year ended December 31, 2008.

### b. Accounting for Bonuses to Employees, Directors and Supervisors

Effective January 1, 2008, the Corporation and subsidiaries adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation of ROC, which requires the Corporation and subsidiaries to record bonuses paid to employees, directors and supervisors as expense rather than as appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of NT\$26,968 thousand and NT\$0.09, respectively, for the year ended December 31, 2008.

### c. Accounting for Financial Instruments

On July 1, 2008, the Company adopted the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The amendments to SFAS 34 mainly deal with reclassifications of financial assets at fair value through profit or loss that are held for trading. Please see Note 27 for relevant information.

#### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2009</b>	<b>2008</b>
Cash on hand	\$ 666	\$ 835
Checking deposits	16,161	1,962
Demand deposits	275,954	219,976
Foreign currency deposits	1,056,707	843,660
Cash equivalents - bank acceptances	<u>-</u>	<u>2,256</u>
	<u>\$ 1,349,488</u>	<u>\$ 1,068,689</u>

As of December 31, 2009 and 2008, the Corporation and subsidiaries had foreign currency deposits as below:

	<u>December 31</u>			
	<u>2009</u>		<u>2008</u>	
	<b>Foreign Currency (In Thousands)</b>	<b>NT\$</b>	<b>Foreign Currency (In Thousands)</b>	<b>NT\$</b>
PRC	US\$ 15,231	\$ 487,232	US\$ 14,055	\$ 460,999
PRC	RMB 37,900	177,590	RMB 28,088	135,021
PRC	HK\$ 117	484	HK\$ 141	597
Hong Kong	US\$ 777	24,862	US\$ 1,124	36,863
Hong Kong	HK\$ 993	4,096	HK\$ 270	1,144
Hong Kong	JPY 7	3	JPY -	-
Italy	EUR 130	<u>6,008</u>	EUR 68	<u>3,149</u>
		<u>\$ 700,275</u>		<u>\$ 637,773</u>

#### 5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments for trading consisted of the following:

	<u>December 31</u>	
	<b>2009</b>	<b>2008</b>
<u>Financial assets at FVTPL - current</u>		
Forward exchange contract	\$ 1,301	\$ 1,784
Convertible bonds - repurchase right, redemption right and adjustment right of price	<u>36,179</u>	<u>-</u>
	<u>\$ 37,480</u>	<u>\$ 1,784</u>
<u>Financial liabilities at FVTPL - current</u>		
Forward exchange contract	<u>\$ 1,021</u>	<u>\$ 7,367</u>
<u>Financial liabilities at FVTPL - noncurrent</u>		
Convertible bonds - repurchase right, redemption right and adjustment right of price	<u>\$ -</u>	<u>\$ 7,740</u>

The Corporation and subsidiaries entered into derivative contracts during the years ended December 31, 2009 and 2008 to manage exposures due to the fluctuations of foreign exchange rates. The purpose of financial strategies of the Corporation and subsidiaries is to avoid most risks arising from cash flow.

Outstanding forward exchange contracts and cross currency swaps as of December 31, 2009 and 2008:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2009</u>			
Forward exchange - sell	HK\$/NT\$	Jan. 29, 2010	HK\$3,000/NT\$12,485
Forward exchange - sell	US\$/NT\$	Jan. 5, 2010	US\$2,000/NT\$64,246
Forward exchange - buy	US\$/NT\$	Jan. 4, 2010-Feb. 26, 2010	US\$3,000/NT\$95,536
<u>December 31, 2008</u>			
Forward exchange - sell	HK\$/NT\$	Jan. 22, 2009-Feb. 11, 2009	HK\$17,000/NT\$71,828
Forward exchange - sell	US\$/RMB	Jan. 15, 2009	US\$4,100/RMB27,536
Forward exchange - sell	US\$/NT\$	Feb. 6, 2009-Mar. 5, 2009	US\$4,000/NT\$132,456
Forward exchange - buy	US\$/RMB	Jan. 15, 2009-May 21, 2009	US\$16,100/RMB110,706

Net gain on financial instruments at FVTPL for the years ended December 31, 2009 and 2008 was NT\$38,944 thousand and NT\$13,093 thousand, respectively.

#### 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Domestic quoted stocks	<u>\$ 157,991</u>	<u>\$ 79,697</u>

#### 7. ACCOUNTS RECEIVABLE, NET AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Third parties	\$ 3,534,261	\$ 2,777,771
Allowance for doubtful accounts	(110,118)	(166,026)
Allowance for sales discounts	<u>(67,796)</u>	<u>(48,915)</u>
	3,356,347	2,562,830
Related parties	<u>-</u>	<u>66</u>
	<u>\$ 3,356,347</u>	<u>\$ 2,562,896</u>

Movements of allowance for doubtful accounts were as follows:

	<b>Years Ended December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Notes Receivable</b>	<b>Accounts Receivable</b>	<b>Notes Receivable</b>	<b>Accounts Receivable</b>
Balance, beginning of year	\$ 9,362	\$ 166,026	\$ 38,122	\$ 85,341
Deduct: Amounts written off	(9,362)	(21,681)	(38,122)	(9,598)
Add (deduct): Provision (reversal of provision) for doubtful accounts	-	(33,456)	9,362	84,208
Effects of exchange rate changes	-	(771)	-	6,075
Balance, end of year	<u>\$ -</u>	<u>\$ 110,118</u>	<u>\$ 9,362</u>	<u>\$ 166,026</u>

The information of factoring contracts was as follows:

The Corporation and subsidiaries entered into the contracts of factoring accounts receivable with financial institutions. According to the contracts, the banks have no recourse to the Corporation and subsidiaries on these specific receivables.

	<b>Advance Received Service Charge Rates (%)</b>	<b>Factored Amount</b>	<b>Advance Received</b>	<b>Reserved Amount (Recognized as Other Current Financial Assets)</b>	<b>Credit Lines</b>
<u>As of December 31, 2009</u>					
Taishin International Bank	1.16-1.50	\$ 202,112	\$ 126,139	\$ 75,973	\$ 655,870
Bank of Taiwan	1.24	66,677	2,007	64,670	223,930
UPS Capital HK Limited	1.82-2.24	53,539	994	52,545	488,270
Taipei Fubon Bank (Note)	-	20,867	-	20,867	159,950
HSBC (Note)	-	5,002	-	5,002	86,262
China Citic Bank	1.29-2.97	459,568	353,521	106,047	511,840
China Minsheng Bank	1.25-1.55	34,389	22,969	11,420	1,247,610
Bank of China	2.06	63,340	44,338	19,002	383,880
Far East International Commercial Bank	1.10-3.40	<u>113,980</u>	<u>66,731</u>	<u>47,249</u>	<u>319,900</u>
		<u>\$ 1,019,474</u>	<u>\$ 616,699</u>	<u>\$ 402,775</u>	<u>\$ 4,077,512</u>
<u>As of December 31, 2008</u>					
Taishin International Bank	3.56-4.16	\$ 135,315	\$ 135,315	\$ -	\$ 666,400
UPS Capital HK Limited	2.95-3.88	141,167	62,867	78,300	324,720
Mega International Commercial Bank	3.63	46,051	36,650	9,401	75,000
Taipei Fubon Bank	3.60	45,510	37,807	7,703	196,800
Bank of Taiwan	2.96-3.72	38,751	33,304	5,447	262,400
HSBC (Note)	-	12,888	-	12,888	154,856
Ta Chong Bank (Note)	-	4,307	-	4,307	131,200
Chinatrust Commercial Bank(Note)	-	401	-	401	40,000
China Citic Bank	5.13-7.80	146,255	109,650	36,605	262,400
China Minsheng Bank	5.51-8.01	693,589	343,908	349,681	895,440
China Agricultural Bank	5.76-6.06	122,016	47,724	74,292	98,400
Bank of China	8.09	87,675	38,606	49,069	262,400
Far East International Commercial Bank	3.61-3.76	<u>235,405</u>	<u>201,031</u>	<u>34,374</u>	<u>328,000</u>
		<u>\$ 1,709,330</u>	<u>\$ 1,046,862</u>	<u>\$ 662,468</u>	<u>\$ 3,698,016</u>

Note: No advance received in 2009 and 2008.

The above credit lines may be used on a revolving basis. Reserved amount of factoring accounts receivable as of December 31, 2008 has been recovered before March 2009.

As of December 31, 2009, the Corporation and subsidiaries had issued promissory notes with an aggregate amount of NT\$1,845,065 thousand to the banks as collateral. The promissory notes can be prompted only if commercial dispute arises from the Corporation and the Corporation failed to return advance received according to the contracts.

## 8. INVENTORIES, NET

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Finished goods	\$ 324,802	\$ 157,237
Work in process	53,110	20,248
Raw materials and general supplies	<u>690,516</u>	<u>95,840</u>
	<u>\$ 1,068,428</u>	<u>\$ 273,325</u>

As of December 31, 2009 and 2008, the allowance for inventory devaluation was NT\$104,422 thousand and NT\$121,133 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 was NT\$10,445,067 thousand and NT\$12,119,586 thousand, respectively. The cost of goods sold for the year ended December 31, 2009 included NT\$16,711 thousand gain on reversal of write-downs of inventories, and NT\$63,268 thousand gain on sale of scrap. The cost of goods sold for the year ended December 31, 2008 included NT\$61,511 thousand loss on write-downs of inventories, and NT\$78,305 thousand gain on sale of scrap.

## 9. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unquoted common stocks				
Da Sheng Technology Company	\$ 4,270	3.3	\$ 5,000	3.3
Big Sun Energy Technology Incorporation	9,009	0.2	8,820	0.2
Commerciale Internazionale Elettronica S.R.L.	2,628	18.0	2,694	18.0
Long-Bon Technology Company (Note)	-	-	-	10.2
Bon-In Biologic Technology Company	-	5.0	-	5.0
ProMe Digital Technology Company (Note)	-	-	-	1.1
Bon-Li International Technology	<u>-</u>	2.5	<u>-</u>	2.5
	<u>\$ 15,907</u>		<u>\$ 16,514</u>	

Note: Long-Bon Technology Company and Pro Me Digital Technology Company have been dissolved and liquidated on August 2009 and November 2009, respectively.

The above financial assets, which had no quoted prices in an active market and of which fair values could not be reliably measured, were carried at cost and not pledged.

For the year ended December 31, 2007, the Corporation recognized impairment loss on Long-Bon Technology Company, Bon-In Biologic Technology Company and ProMe Digital Technology Company to the extent that made the carrying value of the investment equal to zero.

For the year ended December 31, 2007, the Corporation recognized permanent impairment loss of NT\$5,445 thousand as non-operating loss on Commerciale Internazionale Electronica S.R.L. based on its net realizable value.

For the year ended December 31, 2009, Bon Mou Investment Co. recognized permanent impairment loss of NT\$730 thousand as non-operating loss on Da Sheng Technology Company based on its net realizable value.

## 10. PROPERTIES

Accumulated depreciation consisted of the following:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Buildings	\$ 207,555	\$ 161,346
Machinery and equipment	1,127,717	888,102
Transportation equipment	23,585	20,122
Office equipment	92,562	67,606
Miscellaneous equipment	<u>185,016</u>	<u>157,717</u>
	<u>\$ 1,636,435</u>	<u>\$ 1,294,893</u>

For the years ended December 31, 2009 and 2008, ITEQ (HJ) recognized an impairment loss of NT\$6,648 thousand and NT\$76,000 thousand, respectively, on fixed assets. The recoverable amount of the property was assessed on its net fair value.

Capitalized interest expenses for the years ended December 31, 2009 and 2008 amounted to NT\$132 thousand and NT\$372 thousand and the capitalized interest rates were 1.32% and 2.83%, respectively.

## 11. OTHER ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Asset held for disposal, net	\$ 90,201	\$ 104,160
Land use rights	47,010	85,586
Deferred charges	38,002	51,585
Materials and supplies	44,641	43,126
Refundable deposits	29,361	25,497
Deferred tax assets (Note 21)	9,572	16,709
Goodwill	9,378	9,607
Restricted bank deposits - noncurrent	106,000	-
Others	<u>4,069</u>	<u>1,066</u>
	<u>\$ 378,234</u>	<u>\$ 337,336</u>

As of December 31, 2009 and 2008, accumulated impairment of asset held for disposal was NT\$16,336 thousand and NT\$161,551 thousand, respectively.

Goodwill refers to the purchase price in excess of the fair market value of the net tangible assets of investee resulting from the acquisition by ITEQ Holding of 30% equity in ESIC and of 40% equity in Eagle Great by cash.

ITEQ (DG) acquired the land use rights to 17,919.5 square meters of land in Dong Guan for 50 years in 2002. However, the rent is amortized over 30 years because of the permitted operating duration of ITEQ (DG).

ITEQ (WX) acquired the land use rights to 76,002 square meters and 15,432 square meters of land in WuXi for 50 years in 2004 and 2005, respectively, and the rights are amortized over the same periods.

ITEQ (GZ) acquired the land use rights to 18,508 square meters of land in Guangzhou for 50 years in 2009, and the right is amortized over the same period.

With the approval of the Bureau of Foreign Trade and Economic Corporation of Gaungzhou Municipality in February 2009, ITEQ (GZ) received the subsidy NT\$34,675 thousand (RMB7,400 thousand). The subsidy was only used for acquisition or construction of non-current assets, and recognized as a deduction of land use rights.

The above assets including land use rights, restricted deposits - noncurrent, and refundable deposits were mortgaged for bank loans. Please refer to Note 24.

## 12. SHORT-TERM DEBTS

	<u>December 31</u>	
	2009	2008
Credit loans - repayable by January to May 2010, interest at 0.85%-1.76% in 2009 and 2.50%-4.95% in 2008	<u>\$ 852,509</u>	<u>\$ 739,696</u>

As of December 31, 2009 and 2008, the Corporation and subsidiaries had unused credit lines of NT\$5,117,785 thousand and NT\$4,599,908 thousand available for short-term borrowings and guarantee of purchase contracts, respectively.

## 13. SHORT-TERM BILLS PAYABLE

	<u>December 31, 2009</u>
Commercial paper	\$ 120,000
Unamortized discount on bills payable	<u>(97)</u>
	<u>\$ 119,903</u>
Interest rate	0.85%-0.98%
Maturity date	2010.03.11

The commercial paper guaranteed by financial institutions.

#### 14. BONDS PAYABLE

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Fifth unsecured convertible bonds	\$ 271,000	\$ 300,000
Discount on bonds payable	<u>(24,413)</u>	<u>(33,966)</u>
	246,587	266,034
Current portion	<u>(246,587)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 266,034</u>

On September 5, 2008, the Corporation made a fifth issuance of unsecured convertible bonds with an aggregate face value of \$300,000 thousand, which will mature on September 5, 2013 at a 0% nominal rate. According to the issuance terms, the conversion price was NT\$29.13 per share at the time of bonds issuance (to be adjusted subsequently using a certain formula). Except in the period as prescribed by the Company Law (such as ex-dividend period), the bondholders may either (a) convert the bonds into common stocks of the Corporation at any time from three months after the issuance to the 10th day before maturity, or (b) exercise the put option at 102.01% of the face value after the second year and thereafter, or (c) exercise the call option at book value at any time from three months after the issuance to the 40th day before maturity. As of December 31, 2009, an amount of NT\$29,000 thousand convertible bonds had been converted into 1,426 thousand common shares of the Corporation.

According to the fifth unsecured bonds issuance terms, the Corporation reset the price by simple arithmetic mean from six months after the issuance at 101% of the closing price at the first, third, and fifth business day on March 5, 2009. After the adjustment, the conversion price reduces from NT\$24.54 to NT\$21.53 per share. According to the fifth unsecured bonds issuance terms, the Corporation reset the price, by simple arithmetic mean, before ex-dividend date of the closing price at the first, third, and fifth business day on October 10, 2009. After the adjustment, the conversion price reduces from NT\$21.53 to NT\$20.34 per share, at least 80% of the conversion price at issued.

The Corporation has separated the call option, put option, and adjustment option of the convertible bonds recognized as financial assets and liabilities at FVTPL (Note 5) and separated the conversion option as equity.

#### 15. LONG-TERM DEBTS

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Credit loans - interest rate at 1.00%-1.14% in 2009 and 1.21%-5.08% in 2008	\$ 177,896	\$ 615,328
Mortgage loans on properties - interest rate at 1.80%-2.28% in 2009 and 7.94% in 2008	<u>741,940</u>	<u>120,182</u>
	919,836	735,510
Current portion	<u>-</u>	<u>(131,200)</u>
	<u>\$ 919,836</u>	<u>\$ 604,310</u>

On April 21, 2009, the Corporation obtained a \$1,300,000 thousand syndicated loan under an agreement with Hua Nan Bank and 4 other banks. As of December 31, 2009, the amount of NT\$550,000 thousand had been used. The syndicated loan agreement stipulated that:

- a. The ratio of current assets to current liabilities should not be lower than 100%.

- b. The ratio of liabilities to net tangible assets should not be higher than 175%.
- c. Interest coverage should not be lower than 400%.
- d. The net value of tangible assets should not be lower than NT\$3,700,000 thousand.

In September 2009, ITEQ (WX) obtained a three-year loan agreement for NT\$831,740 thousand (US\$26,000 thousand) with Bank of China. As of December 31, 2009, the amount of NT\$191,940 thousand (US\$6,000 thousand) had been used and will be paid in September 2012.

In November 2007, ITEQ (WX) obtained a three-year loan agreement for NT\$120,182 thousand (RMB25,000 thousand) with Bank of China. As of December 31, 2009, all amount of the loan had been used and will be paid in November 2010; however, the loan had been paid in advance in October 2009.

On June 28, 2007, the subsidiaries of IPL, Shining Era and IIL and the counterparts, Bank of Taiwan and 5 other banks, entered into a three-year syndicated loan agreement amounting to US\$30,000 thousand. As of December 31, 2009 and 2008, the amount of NT\$77,896 thousand and NT\$434,928 thousand had been used, respectively. The Corporation expected to and refinanced the loan and extended by twelve months after the balance sheet date. Thus, the loans was reported as long-term debts. However, the loan balance as of December 31, 2008 had been paid in advance in May 2009.

The agreement stipulated further that:

- a. The ratio of current assets to current liabilities should not be lower than 100%.
- b. The ratio of liabilities to net tangible assets should not be higher than 175%.
- c. The net value of net tangible assets should not be lower than \$3,200,000 thousand.
- d. Interest coverage should not be lower than 300%.

On October 10, 2009 and October 4, 2007, the Corporation, IIL and Eagle Great and the counterparts, China Development Industrial Bank, entered into a two-year loan agreement amounting to NT\$270,000 thousand. As of December 31, 2009 and 2008, the amount of NT\$100,000 thousand and NT\$131,200 thousand had been used, respectively. The Corporation expected to and refinanced the loan and extended by twelve months after the balance sheet date. Thus, the loan was reported as long-term debt. However, the loan as of December 31, 2008 had been paid in advance in March 2009.

On February 4, 2008, the Corporation, IIL, IPL and Shining Era and the counterparts, Industrial Bank of Taiwan, entered into a two-year loan agreement amounting to NT\$70,000 thousand. As of December 31, 2009, the amount of NT\$49,200 thousand had been used. The Corporation expected to and refinanced the loan and extended by twelve months after the balance sheet date. Thus, the loan was reported as long-term debt. However, the loan had been paid in advance in March 2009.

## 16. LONG-TERM PAYABLE

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Dong Ri Construction		
Repayable in 60 quarterly installments from May 1, 2008 to April 1, 2013, interest rate 6.23%.	\$ 45,477	\$ 54,661
Less: Current portion	<u>4,939</u>	<u>5,146</u>
	<u>\$ 40,538</u>	<u>\$ 49,515</u>

In March 2008, the subsidiary of ITEQ (GZ) entered into a building engineering contract amounting to RMB19,399 thousand with Dong Ri Construction, and repays in installment from May 2008.

## 17. PENSION PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were NT\$9,916 thousand and NT\$10,458 thousand for the years ended December 31, 2009 and 2008, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. On April 7, 2008 and April 6, 2009, respectively, the Corporation was approved by Tao Yuan County Government to suspend contribution to a pension fund for the period from March 2008 to February 2010.

Defined benefit pension plan of the Corporation is as follows:

### a. Pension fund changes

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
<u>Pension fund</u>		
Balance, beginning of year	\$ 31,179	\$ 30,765
Interest income	<u>919</u>	<u>414</u>
Balance, end of year	<u>\$ 32,098</u>	<u>\$ 31,179</u>

### b. Pension cost components

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Service cost	\$ -	\$ -
Interest cost	513	512
Projected return on plan assets	(797)	(846)
Amortization	(75)	(361)
Curtailement gain	<u>-</u>	<u>(1,573)</u>
Net pension cost	<u>\$ (359)</u>	<u>\$ (2,268)</u>

c. Reconciliation of funded status of the plan and prepaid pension cost

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>14,056</u>	<u>14,898</u>
Accumulated benefit obligation	14,056	14,898
Additional benefit based on future salaries	<u>5,567</u>	<u>5,641</u>
Projected benefit obligation	19,623	20,539
Fair value of plan assets	<u>(32,098)</u>	<u>(31,887)</u>
Funded status	(12,475)	(11,348)
Unrecognized net transitional obligation	(3,651)	(3,817)
Unrecognized net gain	<u>8,375</u>	<u>7,773</u>
 Prepaid pension (recognized as other current assets)	 <u>\$ (7,751)</u>	 <u>\$ (7,392)</u>

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
d. Vested benefits	<u>\$ -</u>	<u>\$ -</u>
	<b>2009</b>	<b>2008</b>

e. Actuarial assumptions

Discount rates used in determining present values	2.25%	2.50%
Future salary increase rates	2.00%	2.00%
Expected rates of return on plan assets	2.00%	2.50%

Under the retirement rules in the PRC, ITEQ (DG), ITEQ (HJ), ITEQ (GZ) and ITEQ (WX) contribute amounts equal to a fixed percentage of annual salaries to a pension insurance fund which are deposited to an account in a designated institution annually. This fund is administered by the labor department of a local government in the PRC. The other subsidiaries had no pension plan until December 31, 2009.

## 18. STOCKHOLDERS' EQUITY

The Corporation Law provides that capital surplus can only be used to offset deficit. However, paid-in capital from the issuance of stock in excess of par value, and donations may be declared as stock dividends at amounts not exceeding 10% of the paid-in capital. Capital surplus from equity-method investments cannot be used for any purpose.

The Corporation's Articles of Incorporation provide that the following should be appropriated from annual net income, less current income tax payable and deficit:

- a. 10% legal reserve;
- b. Special reserve in accordance with relevant laws or regulations;
- c. The remainder, to be appropriated as follows:
  - 1) Bonus of not less than 5% for employees

- 2) Bonus of 2% for directors and supervisors
- 3) The final remainder and unappropriated retained earnings, to be proposed by the board of directors and resolved by the stockholders.

The appropriation of earnings should be approved by the stockholders in the following year and given effect to in the financial statements of that year.

The Corporation is currently in its growth stage; thus, the policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budget, as well as benefits to be given out, balance in the distribution of stock and cash bonuses, and long-term financial planning. The Corporation's Articles of Incorporation further provide that at least 20% of dividends to stockholders shall be in cash.

For the years ended December 31, 2009 and 2008, the bonus to employees and bonus to directors and supervisors, representing 10% and 2% of net income (net of the bonus to employees and bonus to directors and supervisors), were NT\$86,714 thousand and NT\$36,815 thousand, respectively, were estimated based on the ratio of articles. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Under the regulations of the Securities and Futures Bureau ("SFB"), a special reserve equal to the debit balance of any account shown in the stockholders' equity section of balance sheet (including the unrealized loss on financial assets and cumulative translation adjustment) should be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts has reversed.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Corporation's paid-in capital. The reserve may be used to offset a deficit. When the reserve reaches 50% of the Corporation's paid-in capital, the portion in excess of 25% of the paid-in capital may be declared as stock dividends.

The appropriation of earnings should be approved by the stockholders in, and given effect to the financial statements of the year following the year of earnings generation. Stockholders are entitled to income tax credit upon the distribution of dividend arising from earnings generated starting January 1, 1998. The income tax credit is based on an income tax credit ratio that is determined on the date of dividend distribution.

The appropriation of the 2008 and 2007 earnings was approved in the stockholders' meetings on June 16, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Legal reserve	\$ 41,678	\$ 105,687		
Bonus paid to employees - stock	-	53,266		
Bonus paid to employees - cash	-	22,828		
Bonus to directors and supervisors - cash	-	19,024		
Stock dividends	-	170,945	\$-	\$0.628
Cash dividends	280,679	683,781	1.029	2.512

The amounts of the bonus to employees and the bonus to directors and supervisors were the same as accrual amounts of NT\$36,815 thousand which has approved in the stockholders' meetings on June 16, 2009 were estimated based on the financial statements for the year ended December 31, 2008.

The stock dividend appropriated from the 2007 earnings had been approved by the SFB, and the directors decided in their meeting that the dividend distribution date was September 30, 2008. Capital was amended and approved by the Ministry of Economics Affairs on October 20, 2008.

As of December 31, 2009, there were 29,000 thousand convertible bonds converted into 1,426 thousand common stocks. As of December 31, 2008, there was no convertible bond converted into common stock.

As of March 19, 2010, the appropriation of the 2009 earnings has not been decided by the directors. Related information of the appropriation of the 2009 earnings may be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

On July 14, 2003, the Securities and Futures Commission (the name of the SFB before July 1, 2004) approved the Corporation's Employee Stock Option Plan (the "Plan"). The maximum number of units authorized to be granted under the Plan was 5,000 units, with each unit representing one thousand shares of stock at the exercise price NT\$12.65 which will be adjusted using a certain formula subject to capital increment in cash, stock dividends, merger or stock split. These options had been granted as of December 31, 2004. Under the terms of the Plan, stock option rights are granted at an exercise price equal to the closing price of the Corporation's common shares listed on the OTC on the grant date. The validity period for the options is six years, and a grantee may exercise the options in accordance with a certain schedule starting two years from the grant date. Under the Plan, if the Corporation's adjusted price of stock options is lower than the book value of its common stocks, the book value becomes the exercise price. As of December 31, 2009, there were no exercisable stock options. The Corporation's outstanding stock options for the year ended December 31, 2008 was as follows:

	<b>For the Year Ended December 31, 2008</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance, beginning of period	235	\$10
Options granted	-	
Options exercised	235	10
Options forfeited	-	
Options canceled	-	
Balance, end of period	-	
Exercisable option	-	

For the years ended December 31, 2009 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Year ended December 31, 2009</u>			
Balance, beginning of year	\$ (55,867)	\$ -	\$ (55,867)
Recognized in shareholders' equity	148,682	28,722	177,404
Transferred to profit or loss	<u>(53,675)</u>	<u>-</u>	<u>(53,675)</u>
Balance, end of year	<u>\$ 39,140</u>	<u>\$ 28,722</u>	<u>\$ 67,862</u>
<u>Year ended December 31, 2008</u>			
Balance, beginning of year	\$ -	\$ -	\$ -
Recognized in shareholders' equity	<u>(55,867)</u>	<u>-</u>	<u>(55,867)</u>
Balance, end of year	<u>\$ (55,867)</u>	<u>\$ -</u>	<u>\$ (55,867)</u>

## 19. TREASURY STOCK

(Shares in Thousands)

Year/Purpose of Purchase	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
<u>For the year ended December 31, 2009</u>				
For transfer to employees	8,000	-	8,000	-
For convertible bonds	<u>6,000</u>	<u>8,000</u>	<u>1,426</u>	<u>12,574</u>
	<u>14,000</u>	<u>8,000</u>	<u>9,426</u>	<u>12,574</u>
<u>For the year ended December 31, 2008</u>				
For transfer to employees	-	8,000	-	8,000
For convertible bonds	-	6,000	-	6,000
To maintain the Company's credibility and shareholders' interest	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
	<u>4,000</u>	<u>14,000</u>	<u>4,000</u>	<u>14,000</u>

Under the Securities and Exchange Law of the ROC, treasury stock should not exceed 10% of the Corporation's stock issued. Treasury stocks should not be pledged. Dividends are not paid on treasury stocks nor are voting rights given with them. For transfer to employees, treasury stocks (8,000 thousand shares) acquired for NT\$116,825 thousand in 2008. However, on February 17, 2009, the directors decided to adjust purpose of purchase to maintain the Corporation's creditability and shareholders' interest. The treasury stocks had been retired on March 24, 2009 and approved by the Ministry of Economics Affairs on April 8, 2009.

On April 29, 2009, the directors decided to acquire 8,000 thousand shares of treasury stocks for convertible bonds at NT\$16 to NT\$24 per share. At the end of 2009, 8,000 thousand shares of treasury stocks were acquired for NT\$155,569 thousand.

## 20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

<b>For the Year Ended December 31, 2009</b>				
	<b>Classified as Costs of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Expenses</b>	<b>Total</b>
Personnel				
Salaries	\$ 276,960	\$ 289,715	\$ -	\$ 566,675
Labor and health insurance	13,313	23,167	-	36,480
Pension cost	5,476	4,081	-	9,557
Others	<u>37,294</u>	<u>10,557</u>	<u>-</u>	<u>47,851</u>
	<u>\$ 333,043</u>	<u>\$ 327,520</u>	<u>\$ -</u>	<u>\$ 660,563</u>
Depreciation	<u>\$ 363,104</u>	<u>\$ 28,863</u>	<u>\$ 1,136</u>	<u>\$ 393,103</u>
Amortization	<u>\$ 20,297</u>	<u>\$ 24,639</u>	<u>\$ -</u>	<u>\$ 44,936</u>
<b>For the Year Ended December 31, 2008</b>				
	<b>Classified as Costs of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Expenses</b>	<b>Total</b>
Personnel				
Salaries	\$ 267,862	\$ 210,990	\$ -	\$ 478,852
Labor and health insurance	13,306	22,697	-	36,003
Pension cost	6,088	2,102	-	8,190
Others	<u>28,570</u>	<u>29,990</u>	<u>-</u>	<u>58,560</u>
	<u>\$ 315,826</u>	<u>\$ 265,779</u>	<u>\$ -</u>	<u>\$ 581,605</u>
Depreciation	<u>\$ 342,042</u>	<u>\$ 31,039</u>	<u>\$ 1,434</u>	<u>\$ 374,515</u>
Amortization	<u>\$ 18,213</u>	<u>\$ 37,458</u>	<u>\$ -</u>	<u>\$ 55,671</u>

## 21. INCOME TAX

- a. The reconciliation between income tax expense on “income before income taxes” at statutory rate and “income tax expense ” is as follows:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax expense at 25% statutory rate	\$ 221,891	\$ 126,270
Tax effect on adjusting items:		
Permanent differences	(158,958)	(52,970)
Temporary differences	2,784	(2,161)
Non-tax income	(7,332)	(7,494)
Investment tax credits used	(25,242)	(20,268)
Additional 10% income tax on unappropriated earnings	5,540	16
Additional income tax under the Alternative Minimum Tax Act	<u>1,087</u>	<u>-</u>
Current income tax expense	39,770	43,393
Tax separately levied on interest from short-term bills	-	18
Deferred income tax expense		
Temporary differences	(2,767)	2,137
Effect of tax law changes on deferred income tax	6,934	-
Adjustments for prior years' tax	<u>41,853</u>	<u>(48,819)</u>
Income tax expense/(gain)	<u>\$ 85,790</u>	<u>\$ (3,271)</u>

- b. Deferred income tax assets consisted of the following:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Current (recognized as other current assets)		
Bad debts	\$ 10,953	\$ 12,879
Unrealized allowance for loss on inventories	8,440	8,764
Unrealized sales allowance	8,105	9,563
Unrealized exchange gain	(1,122)	(761)
Unrealized sales profit	149	6
Unrealized losses (gain) on valuation of financial assets	<u>56</u>	<u>(303)</u>
	<u>\$ 26,581</u>	<u>\$ 30,148</u>
Noncurrent (recognized as other assets)		
Unrealized gain on disposal of properties	\$ 1,151	\$ 1,734
Loss carryforwards	<u>-</u>	<u>17</u>
	<u>\$ 1,151</u>	<u>\$ 1,751</u>

- c. In May 2009, the amendment of Article 5 of the Income Tax Law of the Republic of China announced that the income tax rate of profit-seeking enterprises will be reduced from 25% to 20%, and will be effective starting in 2010. The Corporation and domestic subsidiaries had recalculated their deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax benefit or expense.

- d. For the year ended December 31, 2009, the Corporation and Bon Mou Investment Co. had no loss carryforward.
- e. The Corporation invested in manufacturing copper clad laminates, for which it obtained a five-year income tax holiday starting from the date of approval by the bureau of industry. The letter approved June 30, 2007 as the start of the tax holiday, which will end on June 30, 2012.
- f. Information about integrated income tax was as follows:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Imputation credit account (ICA) balances		
The Corporation	<u>\$ 53,761</u>	<u>\$ 45,600</u>
Bon Mou Investment Co.	<u>\$ 3,496</u>	<u>\$ 3,398</u>
I-Brite Technology Co.		<u>\$ -</u>

The expected and actual creditable ratios of the Corporation for distribution of earnings of 2009 and 2008 were 6.19% and 14.50%, and of Bon Mou Investment Co. were 13.20% and 22.27%, respectively. The imputation credits allocated to the stockholders are based on the ICA balance as of the date of dividends distribution. The expected creditable tax ratio for 2009 will be adjusted according to the ICA balance on the dividend distribution date. It may differ from the actual creditable ratio. I-Brite Technology Co. had no earnings for distribution, so the creditable ratios had not been calculated.

All unappropriated earnings of the Corporation and Bon Mou Investment Co. were generated in 1998 and thereafter.

- g. Income tax returns of the Corporation and Bon Mou Investment Co. through 2007 had been examined and assessed by the tax authorities.
- h. Under the income tax regulations in the PRC, ITEQ (DG) and ITEQ (WX) have tax payable since 2005 and 2006; ITEQ (HJ) and ITEQ (GZ) were exempted from income tax for the second year in 2009 and 2008. As of December 31, 2009 and 2008, tax expense of ITEQ (DG), ITEQ (WX) and ITEQ (GZ) was as follows:

	<b>2009</b>	<b>2008</b>
1)		
ITEQ (DG)	\$ 89,964	\$ (3,770)
ITEQ (WX)	64,745	10,204
ITEQ (GZ)	<u>8,645</u>	<u>(16,262)</u>
	<u>\$ 163,354</u>	<u>\$ (9,828)</u>

2) Deferred income tax assets consisted of the following:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Current (recognized as other current assets)		
Bad debts	\$ 154	\$ 10,219
Unrealized sales allowance	5,731	2,963
Unrealized allowance for loss on inventories	15,128	13,977
Unrealized exchange gain	(149)	(7,322)
Loss on asset impairment	93,995	45,364
Unrealized gain on valuation of financial assets	-	111
Valuation allowance	<u>(13,770)</u>	<u>(6,822)</u>
	<u>\$ 101,089</u>	<u>\$ 58,490</u>
Noncurrent (recognized as other assets)		
Loss carryforwards	\$ 23,188	\$ 124,315
Valuation allowance	<u>(14,767)</u>	<u>(109,357)</u>
	<u>\$ 8,421</u>	<u>\$ 14,958</u>

## 22. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) were as follows:

	<b>Amount (Numerator)</b>		<b>Shares (Denominator) (Thousands)</b>	<b>Earnings Per Share (NT Dollars)</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>		<b>Before Income Tax</b>	<b>After Income Tax</b>
<u>For the year ended December 31, 2009</u>					
Basic EPS (NT\$)					
Consolidated income of common shareholders	\$ 1,052,051	\$ 802,907	276,127	<u>\$ 3.81</u>	<u>\$ 2.91</u>
Effect of dilutive shares					
Bonus for employees	-	-	2,851		
Fifth convertible bonds	<u>(34,528)</u>	<u>(25,896)</u>	<u>14,474</u>		
Diluted EPS (NT\$)					
Consolidated income of common shareholders	<u>\$ 1,017,523</u>	<u>\$ 777,011</u>	<u>293,452</u>	<u>\$ 3.47</u>	<u>\$ 2.65</u>
<u>For the year ended December 31, 2008</u>					
Basic EPS (NT\$)					
Consolidated income of common shareholders	\$ 495,124	\$ 508,223	292,044	<u>\$ 1.70</u>	<u>\$ 1.74</u>
Effect of dilutive shares					
Stock options	-	-	12		
Bonus for employees	<u>-</u>	<u>-</u>	<u>2,341</u>		
Diluted EPS (NT\$)					
Consolidated income of common shareholders	<u>\$ 495,124</u>	<u>\$ 508,223</u>	<u>294,397</u>	<u>\$ 1.68</u>	<u>\$ 1.73</u>

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

For the year ended December 31, 2008, the fifth convertible bonds had anti-dilutive effect so they were not included in the calculation of diluted earnings per share.

### 23. RELATED-PARTY TRANSACTIONS

a.

<u>Related Party</u>	<u>Relationship with the Group</u>
O.T.I. Co., Ltd.	Its chairman is a director of the Corporation
Gemtek Technology Co., Ltd.	Its director is a chairman of the Corporation
Big Sun Energy Technology Incorporation	Its director is a subsidiary of the Corporation
Mag Layers Scientific Technology Co., Ltd.	Common chairman
Tian Teng Industry Co., Ltd.	Common chairman
Fu Chun Construction Co., Ltd.	Common chairman

b. The significant transactions with the foregoing related party are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the year ended December 31</u>				
a) Net sales				
O.T.I. Co., Ltd.	\$ 379	-	\$ 131	-
Mag Layers Scientific Technology Co., Ltd.	-	-	2	-
	<u>\$ 379</u>	<u>-</u>	<u>\$ 133</u>	<u>-</u>
<u>December 31</u>				
b) Accounts receivable from related parties				
O.T.I. Co., Ltd.	\$ -	-	\$ 64	97
Mag Layers Scientific Technology Co., Ltd.	-	-	2	3
	<u>\$ -</u>	<u>-</u>	<u>\$ 66</u>	<u>100</u>

The terms of these transactions were comparable to those for third parties.

- c. For the year ended December 31, 2009, the Corporation and subsidiaries held for 264 thousand shares of common stock issued by Big Sun Energy Technology Incorporation, which were bought for NT\$9,009 thousand and classified under financial assets carried at cost - noncurrent.
- d. For the year ended December 31, 2009, the Corporation and subsidiaries held for 1,801 thousand shares of common stock issued by Mag Layers Scientific Technology Co., Ltd, which were bought for NT\$85,661 thousand and classified under available-for-sale financial assets - current.
- e. Compensation of directors, supervisors and management personnel:

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
Salaries	\$ 25,209	\$ 17,063
Incentives	4,290	2,501
Special compensation	6,308	6,450
Bonus	<u>41,606</u>	<u>18,517</u>
	<u>\$ 77,413</u>	<u>\$ 44,531</u>

#### 24. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for short-term and long-term debts, renting factory and leasing transportation equipment:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Restricted bank deposits - current	\$ -	\$ 45,540
Properties, net	564,124	421,352
Restricted bank deposits - noncurrent (recognized as other assets)	106,000	-
Refundable deposits (recognized as other assets)	29,361	25,497
Land use rights (recognized as other assets)	9,383	-

#### 25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation and subsidiaries as of December 31, 2009 were as follows:

- a. Unused letters of credit amounted to approximately NT\$1,179,378 thousand.
- b. Total contracted construction equipment fees not yet paid were NT\$53,077 thousand.
- c. ITEQ (HJ) signed a contract of tenancy with San-Xie-Zhi-Ye (Dongguan) Investment Ltd. The rent for land and plants located in Huang Niu Pu Industrial Estate, Huang Jiang Zhen, Dong Guan City, Guang Dong Province, China is HK\$175 thousand per month. Moreover, ITEQ (HJ) promised to pay a deposit HK\$698 thousand when the capital of ITEQ (HJ) arrived. The rental duration is from March 1, 2005 through February 28, 2020.

## 26. SUBSEQUENT EVENTS

In February 2010, the Corporation signed an agreement for patent licensing with other company. According to the agreement, the Corporation shall not only annually pay a fixed amount for the patent during the next three but quarterly pay for a certain percentage of sales of product using the patent. During the effective period of the patent, annual payments for a certain percentage of sales of product shall not be less than a certain amount.

## 27. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Cash and cash equivalents	\$ 1,349,488	\$ 1,349,488	\$ 1,068,689	\$ 1,068,689
Financial assets at fair value through profit or loss - current	37,480	37,480	1,784	1,784
Available-for-sale financial assets - current	157,991	157,991	79,697	79,697
Notes receivable, net	321,319	321,319	152,255	152,255
Accounts receivable, net	3,356,347	3,356,347	2,562,830	2,562,830
Accounts receivable from related parties	-	-	66	66
Other receivables	455,730	455,730	785,939	785,939
Restricted bank deposits - current	-	-	45,540	45,540
Financial assets carried at cost - noncurrent	15,907	-	16,514	-
Restricted bank deposits - noncurrent	106,000	106,000	-	-
Refundable deposits	29,361	29,361	25,497	25,497
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	1,021	1,021	7,367	7,367
Short-term debts	852,509	852,509	739,696	739,696
Short-term bills payable, net	119,903	119,903	-	-
Notes payable	56,737	56,737	48,659	48,659
Accounts payable	3,478,679	3,478,679	2,282,101	2,282,101
Accrued expenses	251,256	251,256	210,478	210,478
Other accounts payable	129,365	129,365	412,237	412,237
Financial liabilities at fair value through profit or loss - noncurrent	-	-	7,740	7,740
Bonds payable	246,587	248,951	266,034	270,536
Long-term debts	919,836	919,836	735,510	735,510
Long-term payable	45,477	48,195	54,661	55,146
Guarantee deposits received	6,577	6,577	4,556	4,556

(Continued)

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Derivative financial instruments</u> <u>categorized by trading area</u>				
Domestic				
Forward exchange contract	\$ 280	\$ 280	\$ (5,583)	\$ (5,583)
				(Concluded)

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

- 1) The carrying amounts of the following short-term financial instrument, approximate their fair values because of their short maturities: Cash and cash equivalents, notes receivable, net, short-term bills payable, accounts receivable, net, accounts receivable from related parties, other receivables, short-term debts, short-term bills payable, net, notes payable, accounts payable, accrued expenses and other accounts payable.
- 2) Financial assets at fair value through profit or loss - current, available-for-sale financial assets - current, net financial liabilities at fair value through profit or loss - current, and financial liabilities at fair value through profit or loss - noncurrent designated as at FVTPL are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments, and the information could be acquired by the Corporation and subsidiaries.

The Corporation and subsidiaries estimated the fair market value of forward exchange contracts using the quoted forward rates from Reuters or Associated Press.

- 3) Financial assets carried at cost - noncurrent are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
  - 4) Restricted bank deposits - current, restricted bank deposits - noncurrent, refundable deposits and guarantee deposits received use book values because they did not have active market and quotation price.
  - 5) Long-term debts are floating interest rate liabilities. Their book value is the fair market value.
  - 6) Fair value of Bonds payable and long-term payable are estimated using the present value of future cash flows discounted by the interest rates the Corporation and subsidiaries may obtain for similar loans.
- c. Fair values of available-for-sale financial assets - current designated as at FVTPL are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates.
- d. Valuation gains arising from changes in the fair value of financial instruments determined using valuation techniques were NT\$44,373 thousand for the year ended December 31, 2009; and NT\$5,227 thousand losses for the year ended December 31, 2008.

- e. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk amounted to NT\$106,000 thousand and NT\$45,540 thousand, respectively, financial liabilities exposed to fair value interest rate risk amounted to NT\$1,264,476 thousand and NT\$1,065,378 thousand, respectively. Financial assets exposed to cash flow interest rate risk amounted to NT\$1,332,661 thousand and NT\$1,063,636 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT\$919,836 thousand and NT\$735,510 thousand, respectively.
- f. Interest revenue from financial instruments other than financial instrument at FVTPL for the years ended December 31, 2009 and 2008 was NT\$7,133 thousand and NT\$15,940 thousand, respectively. Interest expense (include capitalized interest) from financial instruments other than financial instrument at FVTPL for the years ended December 31, 2009 and 2008, was NT\$68,853 thousand and NT\$171,815 thousand, respectively.

g. Information about financial risks

- 1) Market risk. The fair value of forward exchange contracts is affected by fluctuations in currency exchange rates. Thus, if exchange rates between U.S. dollars and H.K. dollars rise by 1%, the fair value of forward exchange contracts will decrease by NT\$30 thousand and increase by NT\$10 thousand for the year ended December 31, 2009; if exchange rates between U.S. dollars and H.K. dollars rise by 1%, the fair value of forward exchange contracts will decrease by NT\$170 thousand and NT\$40 thousand for the year ended December 31, 2008 ; if exchange rates between U.S. dollars and RMB rise by 1%, the fair value of forward exchange contracts of the subsidiaries will increase by RMB120 thousand for the year ended December 31, 2008.
- 2) Credit risk. The financial assets are influenced by the counter-parties or other parties who fail to perform their obligations under financial instruments, or the degree of concentration of credit risk, components, and contract amounts. As of December 31, 2009 and 2008, credit risk exposure of the Corporation and subsidiaries, which represents the positive net settlement of financial instruments contracts with positive fair values at the balance sheet date, amounted to NT\$1,301 thousand and NT\$1,784 thousand, respectively.
- 3) Liquidity risk. The Corporation and subsidiaries operating funds are deemed sufficient to meet cash flow demand; therefore, liquidity risk is not considered to be significant.

The Corporation and subsidiaries's investments in equity instruments carried at cost have no active markets and insignificant; therefore, the liquidity risk is not expected to be material.

- 4) Cash flow risk. The cash flows of the Corporation and subsidiaries from derivative contracts during the years ended December 31, 2009 and 2008 were as follows:

	<b>Period</b>	<b>Cash Inflow (In Thousands)</b>	<b>Cash Outflow (In Thousands)</b>
<u>December 31, 2009</u>			
Forward exchange - sell	Jan. 29, 2010	NT\$12,485	HK\$3,000
Forward exchange - sell	Jan. 5, 2010	NT\$64,246	US\$2,000
Forward exchange - buy	Jan. 4, 2010-Feb. 26, 2010	US\$3,000	NT\$95,536
<u>December 31, 2008</u>			
Forward exchange - sell	Jan. 22, 2009-Feb. 11, 2009	NT\$71,828	HK\$17,000
Forward exchange - sell	Jan. 15, 2009	RMB27,536	US\$4,100
Forward exchange - sell	Feb. 6, 2009-Mar. 5, 2009	NT\$132,456	US\$4,000
Forward exchange - buy	Jan. 15, 2009-May 21, 2009	US\$16,100	RMB110,706

Since the exchange rates for forward exchange contracts and cross currency swap are fixed, there are no material cash flow risks.

Cash flow risk arising from the fluctuation of interest rate.

Demand deposits and foreign currency deposits of the Corporation and subsidiaries were floating interest rate assets. Therefore, cash flows are expected to fluctuate due to changes in effective interest rates as market interest rates change. As of December 31, 2009 and 2008, if the market interest rate decreases 1%, the Corporation expects to decrease cash inflows of NT\$13,327 thousand and NT\$10,659 thousand.

Long-term debts of the Corporation and subsidiaries were floating interest rate borrowings. Therefore, cash flows for repayment of debts are expected to fluctuate due to changes in long-term effective interest rate as market interest rates change. As of December 31, 2009 and 2008, when the market interest rate increases 1%, the Corporation expects to increase cash outflows of NT\$9,198 thousand and NT\$7,355 thousand.

h. Reclassifications

On October 30, 2008, the Corporation and subsidiaries reclassified its financial assets in accordance with the newly amended SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The fair values at the reclassification date were as follows:

	<b>Before Reclassifications</b>	<b>After Reclassifications</b>
Financial assets at fair value through profit or loss - held for trading	\$ 98,433	\$ -
Available-for-sale financial assets - current	<u>-</u>	<u>98,433</u>
	<u>\$ 98,433</u>	<u>\$ 98,433</u>

In view of the Corporation and subsidiaries’ intention of not selling the abovementioned financial assets held for trading within a short period of time as a result of the economic instability and deterioration of the world’s financial markets that has occurred during 2008, the held for trading financial assets were reclassified to available-for-sale financial assets - current.

As of December 31, 2009, the Corporation and subsidiaries have no reclassified financial assets (excluding those that had been derecognized).

**28. ADDITIONAL DISCLOSURES**

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

- 1) Financing provided: Table 1 (attached).
- 2) Endorsement/guarantee provided: Table 2 (attached).
- 3) Marketable securities held: Table 3 (attached).
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the capital stock: Table 4 (attached).

- 5) Acquisition of individual real estate at costs of at least \$100 million or 20% of the capital stock: None.
- 6) Disposal of individual real estate at prices of at least \$100 million or 20% of the capital stock: None.
- 7) Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the capital stock: Table 5 (attached).
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the capital stock: Table 6 (attached).
- 9) Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 7 (attached).
- 10) Derivative transactions: Notes 5 and 27.
- 11) Significant transactions and business relationship between parent company and subsidiaries: Table 9 (attached).

b. Investment in Mainland China

- 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 8 (attached).
- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
  - a) The amount and percentage of purchase and related accounts payable: During the year ended December 31, 2008, the Corporation's purchases from ITEQ (DG) and ITEQ (WX) amounted to NT\$1,040,267 thousand and NT\$165,110 thousand, respectively, or 32% and 5% of the Corporation's total purchases. The terms of these purchases were comparable to those for third parties, and realized gain of NT\$421 thousand for the year ended December 31, 2009 was eliminated in the consolidated financial statements.
  - b) The amount and percentage of sales and related accounts receivable: During the year ended December 31, 2009, the Corporation's sales to ITEQ (DG), ITEQ (WX) and ITEQ (HJ) amounted to NT\$42,349 thousand, NT\$2,028 thousand and NT\$4,435 thousand, respectively, or 1%, 0% and 0% of the Corporation's total cost of goods sold. The terms of these sales were comparable to those for third parties, and the unrealized gain of NT\$727 thousand for the year ended December 31, 2009 was eliminated in the consolidated financial statements.
  - c) The amount of assets disposed of and related gain or loss: As of December 31, 2009, the amount of assets disposed of and unrealized gain amounted of NT\$5,753 thousand was eliminated in the consolidated financial statements.
  - d) Endorsement/guarantee provided: Table 2 (attached).
  - e) Financing provided: Table 1 (attached).
  - f) Other transactions that significantly impacted current year's profit or loss or financial position: None.

## 29. SEGMENT INFORMATION

### a. Industry information

The Corporation and its subsidiaries engage in the electronics industry only.

### b. Geographic information

	<b>2009</b>			<b>Consolidated Amount</b>
	<b>Asia</b>	<b>Taiwan</b>	<b>Adjustment and Elimination</b>	
Sales from customers	\$ 8,414,408	\$ 3,865,694	\$ -	\$ 12,280,102
Sales from parent company and consolidated subsidiaries	<u>1,209,482</u>	<u>-</u>	<u>(1,209,482)</u>	<u>-</u>
Total net sales	<u>\$ 9,623,890</u>	<u>\$ 3,865,694</u>	<u>\$ (1,209,482)</u>	<u>\$ 12,280,102</u>
Gross profit (loss)	<u>\$ 750,815</u>	<u>\$ 236,645</u>	<u>\$ 1,602</u>	\$ 989,062
General income of the group				208,118
General expenses of the group				<u>(145,129)</u>
Net income before tax				<u>\$ 1,052,051</u>
Identifiable assets	<u>\$ 8,071,773</u>	<u>\$ 3,075,550</u>		<u>\$ 11,147,323</u>
	<b>2008</b>			
	<b>Asia</b>	<b>Taiwan</b>	<b>Adjustment and Elimination</b>	<b>Consolidated Amount</b>
Sales from customers	\$ 8,326,152	\$ 5,485,522	\$ -	\$ 13,811,674
Sales from parent company and consolidated subsidiaries	<u>2,714,496</u>	<u>-</u>	<u>(2,714,496)</u>	<u>-</u>
Total net sales	<u>\$ 11,040,648</u>	<u>\$ 5,485,522</u>	<u>\$ (2,714,496)</u>	<u>\$ 13,811,674</u>
Gross profit (loss)	<u>\$ 522,480</u>	<u>\$ 292,998</u>	<u>\$ (6,081)</u>	\$ 809,397
General income of the group				179,657
General expenses of the group				<u>(493,930)</u>
Net income before tax				<u>\$ 495,124</u>
Identifiable assets	<u>\$ 6,809,965</u>	<u>\$ 2,462,237</u>		<u>\$ 9,272,202</u>

c. Export sales information

<b>Region</b>	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Asia	\$ 9,463,425	\$ 10,975,951
Europe	364,142	469,578
Others	<u>36,667</u>	<u>5,489</u>
	<u>\$ 9,864,234</u>	<u>\$ 11,451,018</u>

d. Major customer information

In 2009 and 2008, the Corporation and subsidiaries had one customer that accounted for at least 10% of total sales.

<b>Customer</b>	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
A Company	<u>\$ 1,920,931</u>	16	<u>\$ 1,532,990</u>	11

## ITEQ CORPORATION AND SUBSIDIARIES

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars or of Foreign Currency)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Amount Limits (Note 2)
											Item	Value		
1	ITEQ	Shining Era Eagle Great I-Brite	Accounts and other receivables	US\$ 17	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 930,860	\$ 1,861,720
			Accounts and other receivables	US\$ 10	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	38	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
2	IPL	Shining Era ITEQ (DG) ITEQ (GZ) ESIC IIL Eagle Great	Accounts and other receivables	US\$ 4,885	US\$ 2,844	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 9,728	US\$ 6,190	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 600	US\$ 600	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 6	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 491	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 4,980	US\$ 45	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
3	IIL	ITEQ ITL ITEQ (WX) IPL ITEQ (HJ)	Accounts and other receivables	US\$ 63	US\$ 54	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 81	US\$ 81	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 10,084	US\$ 1,593	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 1	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 9	US\$ 9	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
4	Eagle Great	ITEQ (HJ) IPL	Accounts and other receivables	US\$ 3,902	US\$ 3,183	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 74	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
5	Shining Era	ITEQ (GZ) ITEQ (HK) ITEQ	Accounts and other receivables	US\$ 4,144	US\$ 2,122	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 2,219	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	US\$ 154	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
6	ITEQ Holding	ITEQ (HK)	Accounts and other receivables	US\$ 1	US\$ 1	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
7	ITEQ (DG)	ITEQ (GZ) ITEQ (WX) ITEQ (HJ)	Accounts and other receivables	RMB 13,925	RMB 13,925	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	RMB 479	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
			Accounts and other receivables	RMB 17,208	RMB 14,865	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
8	ITEQ (WX)	ITEQ (DG)	Accounts and other receivables	RMB 71	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720
9	ITEQ (HJ)	Eagle Great	Accounts and other receivables	RMB 100	-	-	Short-term financing	-	Operating capital	-	-	-	930,860	1,861,720

Note 1: Not exceeding 20% of the latest net assets of the Corporation audited or reviewed by auditors.

Note 2: Not exceeding 40% of the latest net assets of the Corporation audited or reviewed by auditors.

Note 3: Eliminated in consolidated financial statements.

## ITEQ CORPORATION AND SUBSIDIARIES

## ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	ITEQ Corporation	IIL	Note 3	\$ 3,490,725	\$ 3,367,510	\$ 3,188,872	\$ -	68.51%	\$ 5,817,875
		IPL	Note 3	3,490,725	3,157,870	3,061,091	-	65.77%	5,817,875
		ITEQ (WX)	Note 3	3,490,725	1,017,913	328,000	-	7.05%	5,817,875
		ITEQ (DG)	Note 3	3,490,725	546,338	63,980	-	1.37%	5,817,875
		Eagle Great	Note 3	3,490,725	482,550	479,850	-	10.31%	5,817,875
		Shining Era	Note 3	3,490,725	1,624,710	1,287,700	-	27.67%	5,817,875

Note 1: 75% of the latest audited or reviewed equity of the Corporation.

Note 2: 125% of the latest audited or reviewed equity of the Corporation.

Note 3: The relationship between investee company and ITEQ Corporation is stated in Note 1 to the financial statements.

## ITEQ CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars or of Foreign Currency)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
ITEQ Corporation	<u>Stock</u>							
	ITEQ International	Subsidiary	Investment accounted for by the equity method	18,500	\$ 4,455,317	100.0	\$ 4,459,422	Note 2
	Bon Mou Investment Co.	Subsidiary	Investment accounted for by the equity method	8,000	137,690	100.0	137,690	Note 2
	Mag Layers Scientific Technology Co., Ltd.	Common chairman	Available-for-sale financial - current	751	63,820	1.1	63,820	
	ITEQ Corporation (Note 1)	The same as holding company	Available-for-sale financial - current	34	1,073	-	1,073	
	Bon-In Biologic Technology Company	-	Financial assets carried at cost - noncurrent	100	-	5.0	176	
	Bon-Li International Technology	-	Financial assets carried at cost - noncurrent	205	-	2.5	-	
Bon Mou Investment Co.	<u>Stock</u>							
	Mag Layers Scientific Technology Co., Ltd.	Common chairman	Available-for-sale financial - current	1,050	89,250	1.5	89,250	
	Tai-Saw Technology Co., Ltd.	-	Available-for-sale financial - current	50	1,463	0.1	1,463	
	King Polytechnic Engineering Co., Ltd.	-	Available-for-sale financial - current	116	2,385	0.2	2,385	
	Da Sheng Technology Company	-	Financial assets carried at cost - noncurrent	500	4,270	3.3	3,349	
	Big Sun Energy Technology Inc.	Its director is a subsidiary of the Corporation	Financial assets carried at cost - noncurrent	264	9,009	0.2	3,528	
ITEQ International	<u>Equity</u>							
	ITEQ Holding	Subsidiary	Investment accounted for by the equity method	18,500	US\$ 139,398	100.0	US\$ 139,398	Note 2
	ESIC	Subsidiary	Investment accounted for by the equity method	10,750	US\$ 47,558	100.0	US\$ 47,558	Note 2
	ITL	Subsidiary	Investment accounted for by the equity method	12,900	US\$ 26,494	100.0	US\$ 26,494	Note 2
	IPL	Subsidiary	Investment accounted for by the equity method	500	US\$ 20,133	100.0	US\$ 20,133	Note 2
	IIL	Subsidiary	Investment accounted for by the equity method	1,000	US\$ 16,704	100.0	US\$ 16,704	Note 2
	Eagle Great	Subsidiary	Investment accounted for by the equity method	6,000	US\$ 2,126	100.0	US\$ 2,126	Note 2
	Shining Era	Subsidiary	Investment accounted for by the equity method	6,000	US\$ 1,569	100.0	US\$ 1,569	Note 2
	ITEQ (HK)	Subsidiary	Investment accounted for by the equity method	15,000	US\$ 24,647	100.0	US\$ 24,647	Note 2
	Mega Crown	Subsidiary	Investment accounted for by the equity method	300	US\$ 82	100.0	US\$ 82	Note 2
ESIC	<u>Equity</u>							
	ITEQ (DG)	Subsidiary	Investment accounted for by the equity method	-	US\$ 48,472	100.0	US\$ 48,472	Note 2
ITEQ (HK)	<u>Equity</u>							
	ITEQ (WX)	Subsidiary	Investment accounted for by the equity method	-	US\$ 43,959	100.0	US\$ 43,959	Note 2
	ITEQ (GZ)	Subsidiary	Investment accounted for by the equity method	-	US\$ 9,476	100.0	US\$ 9,476	Note 2
Eagle Great	<u>Equity</u>							
	ITEQ (HJ)	Subsidiary	Investment accounted for by the equity method	-	US\$ 1,703	100.0	US\$ 1,703	Note 2
Mega Crown	<u>Equity</u>							
	Commerciale Internazionale Elettronica S.R.L.	-	Financial assets carried at cost - noncurrent	-	US\$ 82	18.0	US\$ 82	

(Continued)

Note 1: The stock is obtained by the court decision.

Note 2: Period-end balances have been fully eliminated in consolidation.

(Concluded)

## ITEQ CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars or of Foreign Currency)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
ITEQ Corporation	ITEQ International	Investments accounted for by the equity method	Founder	Subsidiary	18,500	\$ 3,730,005	-	\$ 725,312 (Note 1)	-	\$ -	\$ -	\$ -	18,500	\$ 4,455,317
ITEQ International	ITEQ Holding	Investments accounted for by the equity method	Founder	Subsidiary	18,500	US\$113,854	-	US\$ 25,544 (Note 2)	-	-	-	-	18,500	US\$139,398
ITEQ Holding	ITEQ (HK)	Investments accounted for by the equity method	Founder	Subsidiary	6,000	US\$ 10,242	9,000	US\$ 14,405 (Note 3)	-	-	-	-	15,000	US\$ 24,647
ITEQ (HK)	ITEQ (WX)	Investments accounted for by the equity method	Founder	Subsidiary	-	US\$ 33,978	-	US\$ 9,981 (Note 4)	-	-	-	-	-	US\$ 43,959
	ITEQ (GZ)	Investments accounted for by the equity method	Founder	Subsidiary	-	US\$ 5,051	-	US\$ 4,425 (Note 5)	-	-	-	-	-	US\$ 9,476

Note 1: The acquisition amount includes investment cost of \$299,437 thousand, investment income recognized under equity method \$548,162 thousand and cumulative translation adjustments of \$(122,287) thousand.

Note 2: The acquisition amount includes investment cost of US\$9,000 thousand, investment income recognized under equity method US\$16,579 thousand, cumulative translation adjustments of US\$(35) thousand.

Note 3: The acquisition amount includes investment cost of US\$9,000 thousand, investment income recognized under equity method US\$5,419 thousand and cumulative translation adjustment of US\$(14) thousand.

Note 4: The acquisition amount includes investment cost of US\$3,800 thousand, investment income recognized under equity method US\$6,195 thousand and cumulative translation adjustment of US\$(14) thousand.

Note 5: The acquisition amount includes investment cost of US\$5,200 thousand, investment loss recognized under equity method US\$775 thousand.

Note 6: The year-end investment balances have been fully eliminated from the consolidation.

TABLE 5

## ITEQ CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ITEQ Corporation	ITEQ (DG)	Note 5	Purchase	\$ 1,040,267	32	-	\$ -	-	\$ (94,517)	(10)	Notes 1 and 3
	ITEQ (WX)	Note 5	Purchase	165,110	5	-	-	-	(99,577)	(10)	Notes 2 and 3
ITEQ (DG)	IPL	Note 5	Sale	1,416,779	32	-	-	-	346,219	19	
IPL	ITEQ (DG)	Note 5	Purchase	1,416,779	51	-	-	-	(346,219)	(39)	
	ITEQ (DG)	Note 5	Sale	1,061,241	36	-	-	-	691,626	51	
ITEQ (DG)	IPL	Note 5	Purchase	1,061,241	28	-	-	-	(691,626)	(43)	
IIL	ITEQ (WX)	Note 5	Sale	1,613,780	81	-	-	-	730,739	77	
ITEQ (WX)	IIL	Note 5	Purchase	1,613,780	36	-	-	-	(730,739)	(42)	
	IIL	Note 5	Sale	367,348	7	-	-	-	40,813	4	
IIL	ITEQ (WX)	Note 5	Purchase	367,348	20	-	-	-	(40,813)	(12)	
ITEQ (WX)	ITEQ (DG)	Note 5	Sale	211,477	4	-	-	-	84,558	8	
ITEQ (DG)	ITEQ (WX)	Note 5	Purchase	211,477	6	-	-	-	(84,558)	(5)	
ITEQ (HJ)	Eagle Great	Note 5	Sale	116,449	45	-	-	-	39,816	24	
Eagle Great	ITEQ (HJ)	Note 5	Purchase	116,449	54	-	-	-	(39,816)	(30)	
	ITEQ (HJ)	Note 5	Sale	109,081	47	-	-	-	195,903	69	
ITEQ (HJ)	Eagle Great	Note 5	Purchase	109,081	40	-	-	-	(195,903)	(69)	
IPL	ITEQ (GZ)	Note 5	Sale	338,057	12	-	-	-	322,351	25	
ITEQ (GZ)	IPL	Note 5	Purchase	338,057	62	-	-	-	(322,351)	(67)	
IPL	ESIC	Note 5	Sale	326,724	12	-	-	-	121,410	9	
ESIC	IPL	Note 5	Purchase	326,724	100	-	-	-	(121,410)	(100)	

(Continued)

Note 1: The transactions with ITEQ (DG) were made through IPL.

Note 2: The transactions with ITEQ (WX) were made through IIL.

Note 3: IPL and IIL add fixed percentage of original purchasing price and sell back to ITEQ Corporation.

Note 4: The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

Note 5: Period-end balances have been fully eliminated in consolidation.

Note 6: The relationship between investee company and ITEQ Corporation are stated in Note 1 to the financial statements.

(Concluded)

## ITEQ CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
IPL	ITEQ (DG)	Note 2	\$ 691,626	-	\$ -	-	\$ 176,175	\$ -
ITEQ (DG)	IPL	Note 2	346,219	-	-	-	214,502	-
IPL	ESIC	Note 2	121,410	-	-	-	-	-
	ITEQ (GZ)	Note 2	322,351	-	-	-	-	-
IIL	ITEQ (WX)	Note 2	730,739	-	-	-	172,655	-
Eagle Great	ITEQ (HJ)	Note 2	195,903	-	-	-	11,608	-

Note 1: Period-end balances have been fully eliminated in consolidation.

Note 2: The relationship between investee company and ITEQ Corporation are stated in Note 1 to the financial statements.

## ITEQ CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars or of Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note (Note 2)
				December 31, 2009	December 31, 2008	Shares (Thousands)	Percentage of Ownership	Carrying Value			
ITEQ Corporation	ITEQ International	Samoa	Investment	US\$ 51,820	US\$ 42,820	18,500	100.0	\$ 4,455,317	\$ 547,741	\$ 548,162	Note 1
	Bon Mou Investment	Taipei, Taiwan	Investment	\$ 80,000	\$ 20,000	8,000	100.0	137,690	11,461	11,461	
	I-Brite Technology Co.	Taoyuan, Taiwan	Investment	-	500	-	-	-	(17)	(17)	
ITEQ International	ITEQ Holding	British Cayman Islands	Investment	US\$ 51,820	US\$ 42,820	18,500	100.0	US\$139,398	US\$ 16,579	US\$ 16,579	
ITEQ Holding	ESIC	British Virgin Islands	Investment in PRC	US\$ 13,000	US\$ 13,000	10,750	100.0	US\$ 47,558	US\$ 7,879	US\$ 7,879	
	ITL	British Virgin Islands	Investment in PRC	US\$ 12,900	US\$ 12,900	12,900	100.0	US\$ 26,494	US\$ (1)	US\$ (1)	
	IPL	Samoa	Import and export business	US\$ 500	US\$ 500	500	100.0	US\$ 20,133	US\$ 1,097	US\$ 1,097	
	IIL	Samoa	Import and export business	US\$ 1,000	US\$ 1,000	1,000	100.0	US\$ 16,704	US\$ 3,270	US\$ 3,270	
	Eagle Great	British Cayman Islands	Investment in PRC	US\$ 6,000	US\$ 6,000	6,000	100.0	US\$ 2,126	US\$ (762)	US\$ (762)	
	Shining Era	Samoa	Investment	US\$ 3,000	US\$ 3,000	6,000	100.0	US\$ 1,569	US\$ (320)	US\$ (320)	
	ITEQ (HK)	Hong Kong	Investment	US\$ 15,000	US\$ 6,000	15,000	100.0	US\$ 24,647	US\$ 5,419	US\$ 5,419	
	Mega Crown	Samoa	Investment	US\$ 223	US\$ 223	300	100.0	US\$ 82			
ESIC	ITEQ (DG)	Dong Guan, PRC	Produces and sells prepreg products, copper clad lamination and mass lamination	US\$ 10,750	US\$ 10,750	-	100.0	US\$ 48,472	US\$ 8,059	US\$ 8,059	
Eagle Great	ITEQ (HJ)	Dong Guan, PRC	Produces and sells mass lamination	US\$ 6,000	US\$ 6,000	-	100.0	US\$ 1,703	US\$ (793)	US\$ (793)	
ITEQ (HK)	ITEQ (GZ)	Guang Zhou, PRC	Products and sells prepreg products, copper clad lamination and mass lamination	US\$ 11,200	US\$ 6,000	-	100.0	US\$ 9,476	US\$ (775)	US\$ (775)	
	ITEQ (WX)	Wu Xi, PRC	Products and sells prepreg products, copper clad lamination and mass lamination	US\$ 19,700	US\$ 15,900	-	100.0	US\$ 43,959	US\$ 6,195	US\$ 6,195	

Note 1: The Corporation recognized unrealized gain US\$421 thousand from upstream transaction by the equity method.

Note 2: Please refer to Note 2 for the relationship between the investee company and ITEQ Corporation.

Note 3: Period-end balances have been fully eliminated in consolidation.

## ITEQ CORPORATION AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars or of Foreign Currency)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009	% Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					Outflow	Inflow					
ITEQ (DG)	Produces and sells prepreg, copper clad lamination and mass lamination	US\$ 20,000	Note 1	US\$ 13,000	\$ -	\$ -	US\$ 13,000	100%	US\$ 8,059	US\$ 48,472	\$ -
ITEQ (WX)	Produces and sells prepreg and copper clad lamination	US\$ 29,000	Note 1	US\$ 15,900	US\$ 3,800	-	US\$ 19,700	100%	US\$ 6,195	US\$ 43,959	-
ITEQ (HJ)	Produces and sells mass lamination	US\$ 6,000	Note 1	US\$ 6,000	-	-	US\$ 6,000	100%	US\$ (793)	US\$ 1,703	-
ITEQ (GZ)	Produces and sells prepreg, copper clad lamination and mass lamination	US\$ 11,200	Note 1	US\$ 6,000	US\$ 5,200	-	US\$ 11,200	100%	US\$ (775)	US\$ 9,476	-

Accumulated Investment in Mainland China as of December 31, 2009	Investment Amounts Approved by Investment Commission IC MOEA	Investment Amounts Limits Set by Investment, Commission IC MOEA (Note 3)
US\$49,900	US\$54,900	\$2,910,797 (Note 3)

Note 1: Investment in China through incorporating an overseas company.

Note 2: Investment income (loss) was based on financial statements audited by the parent company's auditors. Related balances have been eliminated in the consolidated financial statements.

Note 3: Based on the regulation issued on August 29, 2008 by the Investment Commission under the Ministry of Economic Affairs.

## ITEQ CORPORATION AND SUBSIDIARIES

SIGNIFICANT INTERCOMPANY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Year ended December 31, 2009

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
0	ITEQ Corporation	IPL	1	Purchase (cost of goods sold and inventory)	\$ 1,040,267	Note 4	8.47%
1	IPL	ITEQ Corporation	2	Sales	1,040,267	Note 4	8.47%
0	ITEQ Corporation	IIL	1	Purchase (cost of goods sold and inventory)	165,110	Note 4	1.34%
2	IIL	ITEQ Corporation	2	Sales	165,110	Note 4	1.34%
0	ITEQ Corporation	IIL	1	Accounts payable	99,577	Note 4	0.89%
2	IIL	ITEQ Corporation	2	Accounts receivable	99,577	Note 4	0.89%
0	ITEQ Corporation	IPL	1	Accounts payable	94,517	Note 4	0.85%
1	IPL	ITEQ Corporation	2	Accounts receivable	94,517	Note 4	0.85%
4	ITEQ (WX)	IIL	3	Accounts payable	730,739	Note 4	6.56%
2	IIL	ITEQ (WX)	3	Accounts receivable	730,739	Note 4	6.56%
2	IIL	ITEQ (WX)	3	Accounts payable	40,813	Note 4	0.37%
4	ITEQ (WX)	IIL	3	Accounts receivable	40,813	Note 4	0.37%
4	ITEQ (WX)	IIL	3	Other payable	57,966	Note 4	0.52%
2	IIL	ITEQ (WX)	3	Other receivable	57,966	Note 4	0.52%
3	ITEQ (DG)	IPL	3	Other payable	26,860	Note 4	0.24%
1	IPL	ITEQ (DG)	3	Other receivable	26,860	Note 4	0.24%
3	ITEQ (DG)	IPL	3	Accounts payable	691,626	Note 4	6.20%
1	IPL	ITEQ (DG)	3	Accounts receivable	691,626	Note 4	6.20%

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
1	IPL	ITEQ (DG)	3	Accounts payable	\$ 346,219	Note 4	3.11%
3	ITEQ (DG)	IPL	3	Accounts receivable	346,219	Note 4	3.11%
7	ESIC	IPL	3	Accounts payable	121,410	Note 4	1.09%
1	IPL	ESIC	3	Accounts receivable	121,410	Note 4	1.09%
5	ITEQ (HJ)	Eagle Great	3	Accounts payable	195,903	Note 4	1.76%
6	Eagle Great	ITEQ (HJ)	3	Accounts receivable	195,903	Note 4	1.76%
6	Eagle Great	ITEQ (HJ)	3	Accounts payable	39,816	Note 4	0.36%
5	ITEQ (HJ)	Eagle Great	3	Accounts receivable	39,816	Note 4	0.36%
6	Eagle Grat	IPL	3	Accounts payable	84,931	Note 4	0.76%
1	IPL	Eagle Great	3	Accounts receivable	84,931	Note 4	0.76%
5	ITEQ (HJ)	ITEQ (DG)	3	Other payable	132,640	Note 4	1.19%
3	ITEQ (DG)	ITEQ (HJ)	3	Other receivable	132,640	Note 4	1.19%
10	ITL	ITEQ (HK)	3	Accounts receivable	849,939	Note 4	7.62%
11	ITEQ (HK)	ITL	3	Other payable	849,939	Note 4	7.62%
8	Shining Era	IPL	3	Other payable	90,990	Note 4	0.82%
1	IPL	Shining Era	3	Other receivable	90,990	Note 4	0.82%
9	ITEQ (GZ)	Shining Era	3	Other payable	68,722	Note 4	0.62%
8	Shining Era	ITEQ (GZ)	3	Other receivable	68,722	Note 4	0.62%
11	ITEQ (HK)	Shining Era	3	Accounts payable	27,980	Note 4	0.25%
8	Shining Era	ITEQ (HK)	3	Other receivable	27,980	Note 4	0.25%
11	ITEQ (HK)	Shining Era	3	Other payable	42,998	Note 4	0.39%
8	Shining Era	ITEQ (HK)	3	Other receivable	42,998	Note 4	0.39%
3	ITEQ (DG)	ITEQ (WX)	3	Accounts payable	84,558	Note 4	0.76%
4	ITEQ (WX)	ITEQ (DG)	3	Accounts receivable	84,558	Note 4	0.76%

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
3	ITEQ (DG)	ITEQ (GZ)	3	Accounts payable	\$ 102,851	Note 4	0.92%
9	ITEQ (GZ)	ITEQ (DG)	3	Accounts receivable	102,851	Note 4	0.92%
9	ITEQ (GZ)	ITEQ (DG)	3	Other payable	65,798	Note 4	0.59%
3	ITEQ (DG)	ITEQ (GZ)	3	Other receivable	65,798	Note 4	0.59%
9	ITEQ (GZ)	IPL	3	Accounts payable	322,351	Note 4	2.89%
1	IPL	ITEQ (GZ)	3	Accounts receivable	322,351	Note 4	2.89%
3	ITEQ (DG)	IPL	3	Sales	1,416,779	Note 4	11.54%
3	ITEQ (DG)	IPL	3	Sales discount	44,517	Note 4	0.36%
1	IPL	ITEQ (DG)	3	Purchase (cost of goods sold and inventory)	1,372,262	Note 4	11.18%
4	ITEQ (WX)	IIL	3	Sales	367,348	Note 4	2.99%
4	ITEQ (WX)	IIL	3	Sales discount	3,745	Note 4	0.03%
2	IIL	ITEQ (WX)	3	Purchase (cost of goods sold and inventory)	363,603	Note 4	2.96%
1	IPL	ESIC	3	Sales	326,724	Note 4	2.66%
1	IPL	ESIC	3	Sales discount	4,770	Note 4	0.04%
7	ESIC	IPL	3	Purchase (cost of goods sold and inventory)	321,954	Note 4	2.62%
2	IIL	ITEQ (WX)	3	Sales	1,613,780	Note 4	13.14%
2	IIL	ITEQ (WX)	3	Sales discount	26,071	Note 4	0.21%
4	ITEQ (WX)	IIL	3	Purchase (cost of goods sold and inventory)	1,587,709	Note 4	12.93%
1	IPL	ITEQ (DG)	3	Sales	1,061,241	Note 4	8.64%
1	IPL	ITEQ (DG)	3	Sales discount	4,382	Note 4	0.04%
3	ITEQ (DG)	IPL	3	Purchase (cost of goods sold and inventory)	1,056,859	Note 4	8.60%
1	IPL	Eagle Great	3	Sales	97,063	Note 4	0.79%
1	IPL	Eagle Great	3	Sales discount	6,081	Note 4	0.05%
6	Eagle Great	IPL	3	Purchase (cost of goods sold and inventory)	90,982	Note 4	0.74%

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
1	IPL	ITEQ (GZ)	3	Sales	\$ 338,057	Note 4	2.75%
1	IPL	ITEQ (GZ)	3	Sales discount	3,476	Note 4	0.03%
9	ITEQ (GZ)	IPL	3	Purchase (cost of goods sold and inventory)	334,581	Note 4	2.72%
7	ITEQ (HJ)	Eagle Great	3	Sales	116,449	Note 4	0.95%
7	ITEQ (HJ)	Eagle Great	3	Sales discount	2,406	Note 4	0.02%
6	Eagle Great	ITEQ (HJ)	3	Purchase (cost of goods sold and inventory)	114,043	Note 4	0.93%
6	Eagle Great	ITEQ (HJ)	3	Sales	109,081	Note 4	0.89%
6	Eagle Great	ITEQ (HJ)	3	Sales discount	6,081	Note 4	0.05%
7	ITEQ (HJ)	Eagle Great	3	Purchase (cost of goods sold and inventory)	103,000	Note 4	0.84%
2	IIL	IPL	3	Sales	40,390	Note 4	0.33%
1	IPL	IIL	3	Purchase (cost of goods sold and inventory)	40,390	Note 4	0.33%
4	ITEQ (WX)	ITEQ (DG)	3	Sales	211,477	Note 4	1.72%
3	ITEQ (DG)	ITEQ (WX)	3	Purchase (cost of goods sold and inventory)	211,477	Note 4	1.72%

Year ended December 31, 2008

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
0	ITEQ Corporation	IPL	1	Purchase (cost of goods sold and inventory)	\$ 2,444,054	Note 4	17.70%
1	IPL	ITEQ Corporation	2	Sales	2,444,054	Note 4	17.70%
0	ITEQ Corporation	IIL	1	Purchase (cost of goods sold and inventory)	265,916	Note 4	1.93%
2	IIL	ITEQ Corporation	2	Sales	265,916	Note 4	1.93%
0	ITEQ Corporation	IPL	1	Accounts payable	265,115	Note 4	2.83%
1	IPL	ITEQ Corporation	2	Accounts receivable	265,115	Note 4	2.83%
0	ITEQ Corporation	IIL	1	Accounts payable	29,065	Note 4	0.03%
2	IIL	ITEQ Corporation	2	Accounts receivable	29,065	Note 4	0.03%

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
7	ITEQ (HJ)	Eagle Great	3	Accounts payable	\$ 473,547	Note 4	5.11%
6	Eagle Great	ITEQ (HJ)	3	Accounts receivable	473,547	Note 4	5.11%
6	Eagle Great	ITEQ (HJ)	3	Accounts payable	319,837	Note 4	3.45%
7	ITEQ (HJ)	Eagle Great	3	Accounts receivable	319,837	Note 4	3.45%
3	ITEQ (DG)	IPL	3	Sales	3,094,044	Note 4	22.40%
3	ITEQ (DG)	IPL	3	Sales discount	84,688	Note 4	0.61%
1	IPL	ITEQ (DG)	3	Purchase (cost of goods sold and inventory)	3,009,356	Note 4	21.79%
5	ITEQ (WX)	IIL	3	Sales	832,971	Note 4	6.03%
5	ITEQ (WX)	IIL	3	Sales discount	4,947	Note 4	0.03%
2	IIL	ITEQ (WX)	3	Purchase (cost of goods sold and inventory)	828,024	Note 4	6.00%
1	IPL	ESIC	3	Sales	652,327	Note 4	4.72%
1	IPL	ESIC	3	Sales discount	14,605	Note 4	0.10%
8	ESIC	IPL	3	Purchase (cost of goods sold and inventory)	637,722	Note 4	4.62%
7	ITEQ (HJ)	Eagle Great	3	Sales	305,865	Note 4	2.21%
7	ITEQ (HJ)	Eagle Great	3	Sales discount	18,257	Note 4	0.13%
6	Eagle Great	ITEQ (HJ)	3	Purchase (cost of goods sold and inventory)	287,608	Note 4	2.08%
2	IIL	ITEQ (WX)	3	Sales	2,936,412	Note 4	21.26%
2	IIL	ITEQ (WX)	3	Sales discount	133,644	Note 4	0.97%
5	ITEQ (WX)	IIL	3	Purchase (cost of goods sold and inventory)	2,802,768	Note 4	20.29%
1	IPL	ITEQ (DG)	3	Sales	1,654,899	Note 4	11.98%
1	IPL	ITEQ (DG)	3	Sales discount	39,504	Note 4	0.29%
3	ITEQ (DG)	IPL	3	Purchase (cost of goods sold and inventory)	1,615,395	Note 4	11.70%

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
1	IPL	Eagle Great	3	Sales	\$ 86,952	Note 4	0.63%
1	IPL	Eagle Great	3	Sales discount	10,967	Note 4	0.08%
6	Eagle Great	IPL	3	Purchase (cost of goods sold and inventory)	75,985	Note 4	0.55%
6	Eagle Great	ITEQ (HJ)	3	Sales	155,983	Note 4	1.13%
6	Eagle Great	ITEQ (HJ)	3	Sales discount	11,292	Note 4	0.08%
7	ITEQ (HJ)	Eagle Great	3	Purchase (cost of goods sold and inventory)	141,691	Note 4	1.05%
1	IPL	IPL	3	Accounts payable	80,214	Note 4	0.87%
2	IIL	IIL	3	Accounts receivable	80,214	Note 4	0.87%
3	ITEQ (DG)	IPL	3	Accounts payable	714,447	Note 4	7.71%
1	IPL	ITEQ (DG)	3	Accounts receivable	714,447	Note 4	7.71%
8	ESIC	IPL	3	Accounts payable	96,265	Note 4	1.04%
1	IPL	ESIC	3	Accounts receivable	96,265	Note 4	1.04%
1	IPL	ITEQ (DG)	3	Accounts payable	516,950	Note 4	5.58%
3	ITEQ (DG)	IPL	3	Accounts receivable	516,950	Note 4	5.58%
3	ITEQ (DG)	IPL	3	Other payable	164,589	Note 4	1.78%
1	IPL	ITEQ (DG)	3	Other receivable	164,589	Note 4	1.78%
5	ITEQ (WX)	IIL	3	Accounts payable	470,441	Note 4	5.07%
2	IIL	ITEQ (WX)	3	Accounts receivable	470,441	Note 4	5.07%
5	ITEQ (WX)	IIL	3	Other payable	145,001	Note 4	1.56%
2	IIL	ITEQ (WX)	3	Other receivable	145,001	Note 4	1.56%
9	ITEQ (GZ)	ITEQ (WX)	3	Accounts payable	20,847	Note 4	0.22%
5	ITEQ (WX)	ITEQ (GZ)	3	Other receivable	20,847	Note 4	0.22%

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
6	Eagle Great	IPL	3	Accounts payable	\$ 54,079	Note 4	0.58%
1	IPL	Eagle Great	3	Accounts receivable	54,079	Note 4	0.58%
7	ITEQ (HJ)	ITEQ (DG)	3	Other payable	83,296	Note 4	0.90%
3	ITEQ (DG)	ITEQ (HJ)	3	Other receivable	83,296	Note 4	0.90%
6	Eagle Great	IPL	3	Other payable	125,457	Note 4	1.35%
1	IPL	Eagle Great	3	Other receivable	125,457	Note 4	1.35%
11	HK	ITL	3	Other payable	871,460	Note 4	9.40%
12	ITL	HK	3	Accounts receivable	871,460	Note 4	9.40%
10	Shining Era	IPL	3	Other payable	142,726	Note 4	1.54%
1	IPL	Shining Era	3	Other receivable	142,726	Note 4	1.54%
9	ITEQ (GZ)	Shining Era	3	Accounts payable	131,109	Note 4	1.41%
10	Shining Era	ITEQ (GZ)	3	Other receivable	131,109	Note 4	1.41%
11	HK	Shining Era	3	Other payable	72,775	Note 4	0.78%
10	Shining Era	HK	3	Other receivable	72,775	Note 4	0.78%

Note 1: The types of transaction companies are identified by the following numbers shown in the No. column:

- a. 0 - ITEQ (parent company)
- b. 1 to 12 - subsidiaries

Note 2: The relationships show there are three kinds of intercompany transactions:

- a. 1 - Between parent company and subsidiaries
- b. 2 - Between subsidiaries and parent company
- c. 3 - Between subsidiaries and subsidiaries

Note 3: The ratio of consolidated revenue/assets depends on the account to which it belongs. The profit and loss account is a percentage of consolidated revenue while the assets/liabilities are a percentage of consolidated total assets.

Note 4: The transaction terms are comparable to those for third parties.

Note 5: A transaction is disclosed if it amounts to more than \$20,000 thousand.

(Concluded)