

# **BES Engineering Corporation**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
BES Engineering Corporation

We have audited the accompanying balance sheets of BES Engineering Corporation (the "Corporation") as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2009 and 2008 of BES Investment Corp., Chung Kung Safeguarding & Securities Corp., BES Construction Corporation (BES, U.S.A.), Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.) and BA & BES Contracting (L.L.C.) and the financial statement as of and for the year ended December 31, 2008 of Hautung Power Corp. The investments in these companies, which were directly owned by the Corporation or by its wholly owned subsidiaries, were all accounted for by the equity method. As of December 31, 2009 and 2008, the carrying values of these investments were 2.65% (NT\$913,447 thousand) and 2.36% (NT\$799,662 thousand), respectively, of the Corporation's total assets. The equity in the investees' net gain was 43.72% (NT\$125,097 thousand) and 30.87% (NT\$38,973 thousand) of the Corporation's income before income tax in 2009 and 2008, respectively. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to these investments, is based solely on the reports of the other auditors.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of BES Engineering Corporation as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, the Accounting Research and Development Foundation issued Interpretation 2007-052, which 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.

We have also audited the consolidated financial statements of BES Engineering Corporation as of and for the years ended December 31, 2009 and 2008 and have issued a modified unqualified opinion thereon in our report dated April 2, 2010.

Our audits also comprehended the translation of the 2009 and 2008 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers.

April 2, 2010

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying 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 financial statements shall prevail.*

# BES ENGINEERING CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(Dollars and Shares in Thousands, Except Par Value)

ASSETS	2009			2008			LIABILITIES AND SHAREHOLDERS' EQUITY	2009			2008		
	New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%		New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash (Note 4)	\$ 4,092,471	\$ 127,930	12	\$ 2,643,077	\$ 80,582	8	Short-term debts (Notes 14 and 26)	\$ 3,686,604	\$ 115,242	11	\$ 3,740,253	\$ 114,032	11
Available-for-sale financial assets - current (Notes 2 and 5)	411,172	12,853	1	261,864	7,983	1	Short-term bills payable (Notes 15 and 26)	1,029,427	32,180	3	1,214,022	37,013	4
Investments in bonds with no active market - current (Notes 2, 11 and 26)	13,320	417	-	13,320	406	-	Notes payable (Note 19)	271,106	8,475	1	376,175	11,469	1
Accounts receivable, net of allowance for doubtful accounts of NT\$126,382 thousand in 2008 (Notes 2, 19 and 25)	3,940,562	123,181	12	4,646,378	141,658	14	Accounts payable (Note 19)	2,710,634	84,734	8	2,536,106	77,320	8
Accounts receivable on the development of industrial districts (Notes 2, 6 and 19)	10,710,994	334,823	31	11,368,102	346,588	34	Accounts payable - related parties (Notes 19 and 25)	80,298	2,510	-	105,266	3,209	-
Buildings and land held for sale (Notes 2, 3, 7, 19 and 26)	397,221	12,417	1	286,089	8,722	1	Accrued expenses (Notes 20 and 25)	166,379	5,201	1	151,282	4,612	1
Land for construction (Notes 2, 3, 8, 19 and 26)	651,483	20,365	2	-	-	-	Accounts payable for the development of industrial districts (Notes 2, 16 and 19)	2,016,278	63,028	6	2,428,449	74,038	7
Construction in progress in excess of progressive billings (Notes 2, 19 and 25)	1,511,667	47,254	4	1,599,625	48,769	5	Progressive billings in excess of construction in progress (Notes 2 and 19)	1,366,777	42,725	4	1,110,883	33,868	3
Prepaid expenses	153,367	4,794	1	693,810	21,153	2	Current portion of long-term debts (Notes 17 and 26)	787,100	24,605	2	1,156,415	35,257	3
Deferred income taxes - current (Notes 2 and 21)	40,207	1,257	-	39,165	1,194	-	Construction warranty (Notes 19 and 26)	158,143	4,944	-	150,346	4,584	1
Restricted assets (Notes 19 and 26)	1,145,345	35,803	3	1,235,486	37,668	4	Guarantee deposits on construction contracts (Notes 19 and 25)	430,532	13,458	1	443,212	13,513	1
Refundable deposits on construction contracts (Notes 19 and 25)	283,155	8,852	1	477,835	14,568	1	Other current liabilities (Notes 2 and 21)	606,735	18,966	2	436,095	13,296	1
Other current assets (Notes 25 and 27)	733,318	22,923	2	545,455	16,630	1	<b>Total current liabilities</b>	<b>13,310,013</b>	<b>416,068</b>	<b>39</b>	<b>13,848,504</b>	<b>422,211</b>	<b>41</b>
<b>Total current assets</b>	<b>24,084,282</b>	<b>752,869</b>	<b>70</b>	<b>23,810,206</b>	<b>725,921</b>	<b>71</b>	<b>LONG-TERM DEBTS</b>						
<b>LONG-TERM INVESTMENTS (Notes 2, 9, 10, 11 and 26)</b>							Bank loans, net of current portion (Notes 17 and 26)	1,119,947	35,009	3	318,400	9,707	1
Investments accounted for by the equity-method	4,364,192	136,424	13	3,212,847	97,953	9	<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 12)</b>	<b>1,309,358</b>	<b>40,930</b>	<b>4</b>	<b>1,309,358</b>	<b>39,919</b>	<b>4</b>
Financial assets carried at cost - noncurrent	411,773	12,872	1	917,561	27,974	3	<b>OTHER LIABILITIES</b>						
Investments in bonds with no active market - noncurrent	26,640	833	-	39,960	1,218	-	Guarantee deposits received (Notes 13 and 25)	23,156	724	-	17,772	542	-
<b>Total long-term investments</b>	<b>4,802,605</b>	<b>150,129</b>	<b>14</b>	<b>4,170,368</b>	<b>127,145</b>	<b>12</b>	Deferred income tax liabilities (Notes 2 and 21)	54,471	1,703	-	24,622	751	-
<b>PROPERTIES (Notes 2, 12, 25 and 26)</b>							<b>Total other liabilities</b>	<b>77,627</b>	<b>2,427</b>	<b>-</b>	<b>42,394</b>	<b>1,293</b>	<b>-</b>
Cost							<b>Total liabilities</b>	<b>15,816,945</b>	<b>494,434</b>	<b>46</b>	<b>15,518,656</b>	<b>473,130</b>	<b>46</b>
Land	1,101,817	34,443	3	1,101,817	33,592	3	<b>SHAREHOLDERS' EQUITY</b>						
Land improvements	20,542	642	-	20,542	626	-	Capital stock at par value of NT\$10.00 each;						
Buildings	252,568	7,895	1	252,568	7,700	1	Authorized - 1,800,000 thousand shares						
Machinery and equipment	146,448	4,578	-	149,765	4,566	1	Issued and outstanding - 1,525,017 thousand shares	15,250,175	476,717	44	15,250,175	464,944	45
Transportation equipment	22,025	688	-	22,863	697	-	Capital surplus						
Miscellaneous equipment	12,836	401	-	10,105	308	-	Additional paid-in capital - share issuance in excess of par value	18,861	590	-	18,861	575	-
Revaluation increment	1,556,236	48,647	4	1,557,660	47,489	5	Treasury stock transactions	1,757	55	-	1,757	54	-
Total cost and revaluation increment	2,354,652	73,606	7	2,354,652	71,788	7	From long-term equity investments	103,381	3,232	1	103,381	3,152	1
Accumulated depreciation	260,510	8,143	1	257,207	7,841	1	Total capital surplus	123,999	3,877	1	123,999	3,781	1
Accumulated impairment	172,483	5,392	-	172,483	5,258	1	Retained earnings						
<b>Net properties</b>	<b>3,477,895</b>	<b>108,718</b>	<b>10</b>	<b>3,482,622</b>	<b>106,178</b>	<b>10</b>	Legal reserve	350,975	10,971	1	347,193	10,585	1
<b>OTHER ASSETS</b>							Special reserve	412,107	12,882	1	412,107	12,564	1
Leased assets, net (Notes 2, 12, 13 and 26)	2,027,833	63,390	6	2,040,511	62,211	6	Unappropriated earnings	385,910	12,064	1	362,868	11,063	1
Refundable deposits (Note 25)	29,914	935	-	24,277	740	-	Total retained earnings	1,148,992	35,917	3	1,122,168	34,212	3
Deferred charges, net (Notes 2 and 25)	46,166	1,443	-	33,650	1,026	-	Others						
Long-term accounts receivable - related parties (Note 25)	-	-	-	209,785	6,396	1	Cumulative translation adjustments	17,147	536	-	84,366	2,572	-
Certificates of deposits - restricted (Note 26)	39,700	1,241	-	37,200	1,134	-	Net loss not recognized as pension cost	(7)	-	-	-	-	
Miscellaneous (Notes 2 and 18)	13,857	433	-	10,897	332	-	Unrealized gain (loss) on financial assets	101,152	3,162	-	(343,697)	(10,478)	(1)
<b>Total other assets</b>	<b>2,157,470</b>	<b>67,442</b>	<b>6</b>	<b>2,356,320</b>	<b>71,839</b>	<b>7</b>	Unrealized revaluation increment	2,063,849	64,515	6	2,063,849	62,922	6
<b>TOTAL</b>	<b>\$ 34,522,252</b>	<b>\$ 1,079,158</b>	<b>100</b>	<b>\$ 33,819,516</b>	<b>\$ 1,031,083</b>	<b>100</b>	Total others	2,182,141	68,213	6	1,804,518	55,016	5
							<b>Total shareholders' equity</b>	<b>18,705,307</b>	<b>584,724</b>	<b>54</b>	<b>18,300,860</b>	<b>557,953</b>	<b>54</b>
							<b>TOTAL</b>	<b>\$ 34,522,252</b>	<b>\$ 1,079,158</b>	<b>100</b>	<b>\$ 33,819,516</b>	<b>\$ 1,031,083</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated April 2, 2010)

## BES ENGINEERING CORPORATION

### STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008 (Dollars and Shares in Thousands, Except Earnings Per Share)

	2009			2008		
	New Taiwan Dollars	U.S. Dollars (Note 2)	%	New Taiwan Dollars	U.S. Dollars (Note 2)	%
<b>OPERATING REVENUES</b>						
Construction income (Note 2)	\$ 11,271,062	\$ 352,331	90	\$ 12,977,478	\$ 395,655	99
Other (Notes 2 and 25)	<u>1,214,991</u>	<u>37,980</u>	<u>10</u>	<u>169,938</u>	<u>5,181</u>	<u>1</u>
Total operating revenues	<u>12,486,053</u>	<u>390,311</u>	<u>100</u>	<u>13,147,416</u>	<u>400,836</u>	<u>100</u>
<b>OPERATING COSTS</b>						
Construction (Notes 2, 22 and 25)	11,110,507	347,312	89	13,019,809	396,945	99
Other (Note 2, 3, 7 and 25)	<u>1,087,482</u>	<u>33,994</u>	<u>9</u>	<u>61,245</u>	<u>1,868</u>	<u>-</u>
Total operating costs	<u>12,197,989</u>	<u>381,306</u>	<u>98</u>	<u>13,081,054</u>	<u>398,813</u>	<u>99</u>
GROSS INCOME	<u>288,064</u>	<u>9,005</u>	<u>2</u>	<u>66,362</u>	<u>2,023</u>	<u>1</u>
<b>OPERATING EXPENSES (Notes 22 and 25)</b>						
Marketing	44,384	1,388	-	30,837	940	-
Administrative	173,003	5,408	2	165,320	5,040	2
Research and development	<u>15,977</u>	<u>499</u>	<u>-</u>	<u>14,596</u>	<u>445</u>	<u>-</u>
Total operating expenses	<u>233,364</u>	<u>7,295</u>	<u>2</u>	<u>210,753</u>	<u>6,425</u>	<u>2</u>
OPERATING GAIN (LOSS)	<u>54,700</u>	<u>1,710</u>	<u>-</u>	<u>(144,391)</u>	<u>(4,402)</u>	<u>(1)</u>
<b>NONOPERATING INCOME AND GAINS</b>						
Interest (Note 25)	266,107	8,319	2	340,260	10,374	2
Investment income recognized under the equity method (Notes 2 and 9)	73,094	2,285	1	-	-	-
Rental (Notes 13, 22 and 25)	64,246	2,008	-	54,854	1,672	-
Compensation from lawsuit	-	-	-	104,109	3,174	1
Other (Note 25)	<u>71,310</u>	<u>2,229</u>	<u>1</u>	<u>89,128</u>	<u>2,718</u>	<u>1</u>
Total nonoperating income and gains	<u>474,757</u>	<u>14,841</u>	<u>4</u>	<u>588,351</u>	<u>17,938</u>	<u>4</u>
<b>NONOPERATING EXPENSES AND LOSSES</b>						
Interest (Notes 8 and 13)	60,309	1,885	1	60,197	1,835	-
Investment loss recognized under the equity method (Notes 2 and 9)	-	-	-	11,467	350	-
Loss on sale of investments, net	15,016	470	-	136,309	4,156	1
Impairment loss on financial assets (Notes 2 and 10)	-	-	-	12,443	379	-
Other	<u>167,980</u>	<u>5,251</u>	<u>1</u>	<u>97,312</u>	<u>2,967</u>	<u>1</u>
Total nonoperating expenses and losses	<u>243,305</u>	<u>7,606</u>	<u>2</u>	<u>317,728</u>	<u>9,687</u>	<u>2</u>
INCOME BEFORE INCOME TAX	286,152	8,945	2	126,232	3,849	1
INCOME TAX (Notes 2 and 21)	<u>76,326</u>	<u>2,386</u>	<u>-</u>	<u>88,414</u>	<u>2,696</u>	<u>1</u>
NET INCOME (Note 3)	<u>\$ 209,826</u>	<u>\$ 6,559</u>	<u>2</u>	<u>\$ 37,818</u>	<u>\$ 1,153</u>	<u>-</u>

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**BES ENGINEERING CORPORATION**

**STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**  
**(Dollars and Shares in Thousands, Except Earnings Per Share)**

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	2009		2008	
	NT\$ Before Income Tax	NT\$ After Income Tax	NT\$ Before Income Tax	NT\$ After Income Tax
EARNINGS PER SHARE (Notes 3 and 23)				
Basic	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Diluted	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>

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

(With Deloitte & Touche audit report dated April 2, 2010)

(Concluded)

**BES ENGINEERING CORPORATION**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

(New Taiwan Dollars and Shares in Thousands, Except Amounts Per Share)

	Capital Surplus (Notes 2 and 20)						Others (Notes 2, 12 and 20)									
	Capital Stock		Additional Paid-in Capital - Share Issuance in Excess of Par	Treasury Stock Transactions	From Long-term Equity Investments	Total	Retained Earnings (Note 20)				Cumulative and Foreign Currency Translation Adjustments	Change in Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Assets	Unrealized Revaluation Increment	Total	Total Shareholders' Equity
	Shares	Amount					Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2008	1,525,017	\$ 15,250,175	\$ 18,861	\$ 1,757	\$ 104,094	\$ 124,712	\$ 291,211	\$ 412,107	\$ 734,195	\$ 1,437,513	\$ (27,841)	\$ -	\$ 27,737	\$ 2,063,849	\$ 2,063,745	\$ 18,876,145
Appropriation of the 2007 earnings																
Legal reserve	-	-	-	-	-	-	55,982	-	(55,982)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(7,064)	(7,064)	-	-	-	-	-	(7,064)
Bonus to employees paid in cash	-	-	-	-	-	-	-	-	(10,595)	(10,595)	-	-	-	-	-	(10,595)
Cash dividends - NT\$0.22 per share	-	-	-	-	-	-	-	-	(335,504)	(335,504)	-	-	-	-	-	(335,504)
Net income in 2008	-	-	-	-	-	-	-	-	37,818	37,818	-	-	-	-	-	37,818
Capital surplus on long-term equity investments	-	-	-	-	(713)	(713)	-	-	-	-	-	-	-	-	-	(713)
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	(138,814)	(138,814)	(138,814)	(138,814)
Unrealized valuation gain on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(232,620)	(232,620)	(232,620)	(232,620)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	112,308	-	-	112,308	112,308	112,308
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(101)	-	-	(101)	(101)	(101)
BALANCE, DECEMBER 31, 2008	1,525,017	15,250,175	18,861	1,757	103,381	123,999	347,193	412,107	362,868	1,122,168	84,366	-	(343,697)	2,063,849	1,804,518	18,300,860
Appropriation of the 2008 earnings																
Legal reserve	-	-	-	-	-	-	3,782	-	(3,782)	-	-	-	-	-	-	-
Cash dividends - NT\$0.12 per share	-	-	-	-	-	-	-	-	(183,002)	(183,002)	-	-	-	-	-	(183,002)
Net income in 2009	-	-	-	-	-	-	-	-	209,826	209,826	-	-	-	-	-	209,826
Unrealized gain on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	175,210	175,210	175,210	175,210
Unrealized valuation loss on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	269,639	269,639	269,639	269,639
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(67,173)	-	-	(67,173)	(67,173)	(67,173)
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(46)	-	-	(46)	(46)	(46)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)	(7)	(7)
BALANCE, DECEMBER 31, 2009	1,525,017	15,250,175	18,861	1,757	103,381	123,999	350,975	412,107	385,910	1,148,992	17,147	(7)	101,152	2,063,849	2,182,141	18,705,307

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

(With Deloitte & Touche audit report dated April 2, 2010)

**BES ENGINEERING CORPORATION**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2009 AND 2008  
(U.S. Dollars and Shares in Thousands, Except Amounts Per Share)**

	Capital Stock		Capital Surplus (Notes 2 and 20)				Retained Earnings (Note 20)				Others (Notes 2, 12 and 20)			Total Shareholders' Equity	
	Issued and Outstanding		Additional Paid-in Capital - Share Issuance in Excess of Par	Treasury Stock Transactions	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative and Foreign Currency Translation Adjustments	Unrealized Valuation Gain (Loss) on Financial Assets	Unrealized Revaluation Increment		Total
	Shares	Amount													
BALANCE, JANUARY 1, 2008 (BASED ON THE PREVALING EXCHANGE RATE OF US\$1.00=NT\$32.43)	1,525,017	\$ 470,249	\$ 582	\$ 54	\$ 3,210	\$ 3,846	\$ 8,980	\$ 12,707	\$ 22,639	\$ 44,326	\$ (859)	\$ 856	\$ 63,640	\$ 63,637	\$ 582,058
TRANSLATION ADJUSTMENT (BASED ON THE EXCHANGE RATE OF US\$1.00=NT\$32.80 AS OF DECEMBER 31, 2008)	-	(5,305)	(7)	-	(36)	(43)	(102)	(143)	(255)	(500)	10	(10)	(718)	(718)	(6,566)
BALANCE, JANUARY 1, 2008, AS ADJUSTED	1,525,017	464,944	575	54	3,174	3,803	8,878	12,564	22,384	43,826	(849)	846	62,922	62,919	575,492
Appropriation of the 2007 earnings															
Legal reserve	-	-	-	-	-	-	1,707	-	(1,707)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(215)	(215)	-	-	-	-	(215)
Bonus to employees paid in cash	-	-	-	-	-	-	-	-	(323)	(323)	-	-	-	-	(323)
Cash dividends - US\$0.0067 per share	-	-	-	-	-	-	-	-	(10,229)	(10,229)	-	-	-	-	(10,229)
Net income in 2008	-	-	-	-	-	-	-	-	1,153	1,153	-	-	-	-	1,153
Capital surplus on long-term equity investments	-	-	-	-	(22)	(22)	-	-	-	-	-	-	-	-	(22)
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(4,232)	-	(4,232)	(4,232)
Unrealized valuation loss on financial assets	-	-	-	-	-	-	-	-	-	-	-	(7,092)	-	(7,092)	(7,092)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	3,424	-	-	3,424	3,424
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(3)	-	-	(3)	(3)
BALANCE, DECEMBER 31, 2008 (BASED ON THE PREVALING EXCHANGE RATE OF US\$1.00=NT\$32.80)	1,525,017	464,944	575	54	3,152	3,781	10,585	12,564	11,063	34,212	2,572	(10,478)	62,922	55,016	557,953
TRANSLATION ADJUSTMENT (BASED ON THE EXCHANGE RATE OF US\$1.00=NT\$31.99 AS OF DECEMBER 31, 2009)	-	11,773	15	1	80	96	268	318	280	866	65	(266)	1,593	1,392	14,127
BALANCE, DECEMBER 31, 2008, AS ADJUSTED	1,525,017	476,717	590	55	3,232	3,877	10,853	12,882	11,343	35,078	2,637	(10,744)	64,515	56,408	572,080
Appropriation of the 2008 earnings															
Legal reserve	-	-	-	-	-	-	118	-	(118)	-	-	-	-	-	-
Cash dividends - US\$0.0038 per share	-	-	-	-	-	-	-	-	(5,720)	(5,720)	-	-	-	-	(5,720)
Net income in 2009	-	-	-	-	-	-	-	-	6,559	6,559	-	-	-	-	6,559
Unrealized gain on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	5,477	-	5,477	5,477
Unrealized valuation gain on financial assets	-	-	-	-	-	-	-	-	-	-	-	8,429	-	8,429	8,429
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(2,100)	-	-	(2,100)	(2,100)
Foreign-currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	(1)
BALANCE, DECEMBER 31, 2009	<u>1,525,017</u>	<u>\$ 476,717</u>	<u>\$ 590</u>	<u>\$ 55</u>	<u>\$ 3,232</u>	<u>\$ 3,877</u>	<u>\$ 10,971</u>	<u>\$ 12,882</u>	<u>\$ 12,064</u>	<u>\$ 35,917</u>	<u>\$ 536</u>	<u>\$ 3,162</u>	<u>\$ 64,515</u>	<u>\$ 68,213</u>	<u>\$ 584,724</u>

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

(With Deloitte & Touche audit report dated April 2, 2010)

# BES ENGINEERING CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (Dollars in Thousands)

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	\$ 209,826	\$ 6,559	\$ 37,818	\$ 1,153
Adjustments to reconcile net income to net cash provided by operating activities:				
Reversal of allowance for doubtful accounts	(62,530)	(1,955)	(1,293)	(39)
Depreciation and amortization	54,213	1,695	48,264	1,471
Loss on sales of investments, net	15,016	469	136,309	4,156
Loss on sales of properties, net	1,525	48	403	12
Impairment loss on building and land held for sale	5,735	179	-	-
Compensation from lawsuit	-	-	(104,109)	(3,174)
Cash dividends from equity-method investees	9,554	299	18,021	549
Equity in net loss (gain) of investees, net	(73,094)	(2,285)	11,467	350
Impairment loss on financial assets	-	-	12,443	379
Liquidation gain on financial asset carried at cost	(2,015)	(63)	-	-
Reversal of pension costs	(2,960)	(93)	(8,688)	(265)
Deferred income taxes	28,807	900	36,543	1,114
Net changes in operating assets and liabilities				
Accounts receivable	768,346	24,018	(251,367)	(7,664)
Accounts receivable on the development of industrial districts	657,108	20,541	2,271,949	69,267
Inventories	-	-	418	13
Buildings and land held for sale	(116,867)	(3,653)	37,682	1,149
Land for construction	(651,483)	(20,365)	-	-
Construction in progress in excess of progressive billings	87,958	2,749	401,819	12,251
Prepaid expenses	540,443	16,894	(428,835)	(13,074)
Restricted assets	90,141	2,818	142,751	4,352
Refundable deposits on construction contracts	194,680	6,086	(427,836)	(13,044)
Other current assets	(170,623)	(5,334)	(23,917)	(729)
Notes payable	(105,069)	(3,284)	(61,660)	(1,880)
Accounts payable	174,528	5,456	(86,539)	(2,638)
Accounts payable - related parties	(24,968)	(780)	(71,636)	(2,184)
Accrued expenses	15,097	472	(23,924)	(729)
Accounts payable for the development of industrial districts	(412,171)	(12,884)	1,522,491	46,417
Progressive billings in excess of construction in progress	255,894	7,999	278,986	8,506
Construction warranty	7,797	244	(957)	(29)
Guarantee deposits on construction contracts	(12,680)	(396)	(12,754)	(389)
Other current liabilities	<u>170,640</u>	<u>5,334</u>	<u>(53,712)</u>	<u>(1,638)</u>
Net cash provided by operating activities	<u>1,652,848</u>	<u>51,668</u>	<u>3,400,137</u>	<u>103,663</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in available-for-sale financial assets	(432,044)	(13,506)	(749,403)	(22,848)
Proceeds of the sale of available-for-sale financial assets	537,288	16,795	283,092	8,631
Decrease in investments in bonds with no active market	13,320	416	13,320	406
Acquisition of long-term equity investments	(502,055)	(15,694)	(173,600)	(5,292)
Acquisition of financial assets carried at cost - noncurrent	-	-	(317,000)	(9,664)
Capital return on the liquidation of financial assets carried at cost	6,069	190	-	-
Proceeds from disposal of financial assets carried at cost	74	2	-	-
Proceeds of the reduction of investees' capital	-	-	8,993	274
Proceeds of the liquidation of long-term equity investments	6,771	212	855	26
Additions to properties	(17,537)	(548)	(440,759)	(13,438)

(Continued)

# BES ENGINEERING CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (Dollars in Thousands)

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Proceeds of the sale of properties	\$ 184	\$ 6	\$ 13,558	\$ 413
Increase in deferred charges	(33,496)	(1,047)	(19,849)	(605)
Decrease (increase) in refundable deposits	(5,637)	(176)	424	13
Decrease in long-term accounts receivable - related parties	209,785	6,558	17,450	532
Decrease (increase) in restricted deposits	<u>(2,500)</u>	<u>(78)</u>	<u>35,600</u>	<u>1,085</u>
Net cash used in investing activities	<u>(219,778)</u>	<u>(6,870)</u>	<u>(1,327,319)</u>	<u>(40,467)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Decrease in short-term debts	(53,649)	(1,677)	(1,056,876)	(32,222)
Decrease in notes and bills payable	(184,595)	(5,770)	(196,603)	(5,994)
Increase in long-term debts	432,232	13,511	36,693	1,119
Increase (decrease) in guarantee deposits received	5,384	168	(1,406)	(43)
Cash dividends	(183,002)	(5,721)	(335,504)	(10,229)
Payment of directors' remuneration and employees' bonuses	<u>-</u>	<u>-</u>	<u>(17,659)</u>	<u>(538)</u>
Net cash provided by (used in) financing activities	<u>16,370</u>	<u>511</u>	<u>(1,571,355)</u>	<u>(47,907)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(46)</u>	<u>(1)</u>	<u>(101)</u>	<u>(3)</u>
NET INCREASE IN CASH	1,449,394	45,308	501,362	15,286
CASH, BEGINNING OF YEAR	<u>2,643,077</u>	<u>82,622</u>	<u>2,141,715</u>	<u>65,296</u>
CASH, END OF YEAR	<u>\$ 4,092,471</u>	<u>\$ 127,930</u>	<u>\$ 2,643,077</u>	<u>\$ 80,582</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>				
Interest paid (excluding amounts capitalized)	<u>\$ 61,122</u>	<u>\$ 1,911</u>	<u>\$ 69,734</u>	<u>\$ 2,126</u>
Income tax paid	<u>\$ 30,242</u>	<u>\$ 945</u>	<u>\$ 45,120</u>	<u>\$ 1,376</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>				
Financial assets carried at cost - noncurrent transferred to investments accounted for by equity method	<u>\$ 484,492</u>	<u>\$ 15,145</u>	<u>\$ -</u>	<u>\$ -</u>
Current portion of long-term debts	<u>\$ 787,100</u>	<u>\$ 24,605</u>	<u>\$ 1,156,415</u>	<u>\$ 35,257</u>
Investment accounted for by the equity method transferred to other receivables	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial asset carried at cost - noncurrent transferred to other receivables	<u>\$ 17,239</u>	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ -</u>
Properties transferred to leased assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,703</u>	<u>\$ 4,686</u>
Leased assets transferred to properties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,596</u>	<u>\$ 1,146</u>

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

(With Deloitte & Touche audit report dated April 2, 2010)

(Concluded)

# **BES ENGINEERING CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of Dollars, Unless Stated Otherwise)**

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### **1. ORGANIZATION AND OPERATIONS**

BES Engineering Corporation (the “Corporation”), a state-owned enterprise until June 22, 1994, engages mainly in civil engineering, building construction, and developing industrial districts for the government. Its stock has been traded on the Taiwan Stock Exchange since March 2, 1993.

The Corporation had 589 and 590 employees as of December 31, 2009 and 2008, respectively.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, impairment loss on building and land held for sale, impairment loss on financial assets, accumulated impairment, depreciation of properties and leased asset, amortization of deferred expenses, pension cost, losses on unsolved litigation, losses on long-term construction contracts, provision for construction warranty, bonuses to employees, directors and supervisors, and income tax, etc. Actual results could differ from these estimates.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

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

Current assets include cash and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

The terms of the Corporation’s construction contracts and the development of industrial districts vary but are typically over one year. Thus, the contract-related assets and liabilities are classified as current or noncurrent depending on the terms of the contracts.

#### **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.

Fair values of financial assets at the balance sheet date are determined as follows: Publicly traded stocks and Taiwan depository receipts - at closing prices, and open-end mutual funds - at net asset values.

Cash dividends are recognized on the ex-dividend date, 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.

### **Allowance for Doubtful Accounts**

An allowance for doubtful accounts is provided on the basis of a review of the collectibility and aging of receivables as well as the evaluation of construction progress and economic circumstances.

### **Buildings and Land Held for Sale**

Buildings and land held for sale are stated at the lower of cost or market value (net realizable value). Before January 1, 2009, any write-down for buildings and land held for sale was made on a total-inventory basis. As stated in Note 3, effective January 1, 2009, write-downs for buildings and land held for sale are made by item. Net realizable value is the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

### **Real Estate Construction**

Real estate sales are recognized by the completed method. However, projects covered by Interpretation No. 99 issued by the Accounting Research and Development Foundation in 1989 should be recognized by the percentage-of-completion method.

Construction revenues and costs for the current year are the cumulative construction revenue and costs, determined using the percentage-of-completion method, in excess of the cumulative construction revenue and costs recognized in prior years. Estimated loss on a construction contract is recognized currently; any subsequent adjustment of this loss is recognized as either income or loss in the year of adjustment. Marketing expenses arising from advance sales are recorded as deferred marketing expenses. Market expenses recognized in the current year are calculated from the cumulative deferred marketing expenses, determined using the percentage-of-completion method, in excess of the cumulative deferred market expenses recognized in prior years.

Under the completed contract method, advance payment by buyers of uncompleted real estate is recorded as receipts in advance.

Interest cost incurred during the construction period until the project is completed or the property can be used is capitalized (i.e., included in land and building cost). As stated in Note 3, effective January 1, 2009, land for construction and land for development are stated at the lower of cost or net realizable value, and write-downs are made by item. Net realizable value is the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Costs of sold real estate construction are determined using the specific identification method.

### **Long-term Construction Contracts**

Revenues and costs of long-term construction contracts are recognized by the percentage-of-completion method. Under this method, the stage of completion of each contract is measured at the ratio of cumulative construction revenue to total estimated contract price.

Construction revenues and costs for the current year are the cumulative construction revenue and costs, determined using the percentage-of-completion method, in excess of the cumulative construction revenue and costs recognized in prior years. Estimated loss on a construction contract is recognized currently; any subsequent adjustment of this loss is recognized as either income or loss in the year of adjustment.

Long-term construction in progress is carried at cost plus estimated construction profit or less estimated losses. Installment payments or collections received from construction projects are credited to advances from construction. Upon completion of each project, these advances are offset against construction in progress.

At year-end, the balances of construction in progress and progressive billings are netted out, and the result is classified as current asset or current liability.

### **Development of Industrial Districts**

The Ministry of Economic Affairs (MOEA) has engaged the Corporation to develop and market industrial districts. While the project is ongoing, the cumulative development costs are reported in the financial statements as receivables and the sales proceeds are shown as payables. Upon the completion and sale of each development project and the repayment of project-related debts, the receivable and payable accounts are offset against each other and then closed, and the resulting credit balance is remitted to the MOEA. Service income from each development project is recognized on the basis of contracts and the regulations governing development of industrial districts.

### **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.

### **Investments in Bonds with No Active Market**

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. Investments in bonds with no active market are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis. However, there is no restriction on the timing of the disposal of these bonds.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

### **Investments Accounted for by the Equity Method**

Investments in which the Corporation holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Corporation's proportionate share in the investee's equity was amortized by the straight-line method over five years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is analyzed, and the acquisition cost in excess of the Corporation's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired. The excess of the Corporation's share of the fair value of the net identifiable assets acquired over the cost of acquisition is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

When the Corporation subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Corporation records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

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. Cash dividends received are deducted from the investments.

Unrealized profits from downstream transactions with an equity-method investee that is not majority-owned are eliminated in proportion to the Corporation's percentage of ownership in the investee but are entirely eliminated if the transactions are with subsidiaries. Unrealized profits from upstream transactions with all equity-method investees are eliminated in proportion to the Corporation's percentage of ownership in the investee. Unrealized profits from transactions between investees are accounted for in proportion to the Corporation's percentage of ownership in the investee. Unrealized profits are deferred and amortized to income over future periods depending on the nature of transactions. All of the deferred profits are realized when the products are sold to third parties.

Costs of investments sold are determined using the weighted-average method.

### **Properties and Leased Assets**

Properties and leased assets are stated at cost, or cost plus revaluation increment, less accumulated depreciation and accumulated impairment losses. Major additions and improvements to properties and leased assets are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a fixed-percentage-on-declining-balance-method over estimated useful lives as follows: land improvements, 8 to 40 years; buildings, 4 to 60 years; machinery and equipment, 2 to 13 years; transportation equipment, 3 to 13 years; and miscellaneous equipment, 3 to 20 years. Depreciation of revaluated assets is provided over their remaining estimated useful lives determined at the time of revaluation. Properties and leased assets still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of properties and leased assets are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

## **Deferred Charges**

Deferred charges, consisting mainly of costs of engineering and construction facilities, are amortized over the duration of each project.

## **Impairment of Assets**

If the recoverable amount of an asset (mainly properties, leased assets, deferred charges, and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

## **Pension Cost**

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net pension cost for the year.

## **Income Tax**

The Corporation applies inter-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, and personnel training expenditures 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.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

The financial statements of foreign branches 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. Shareholders' equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign branches 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 branches are closed.

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 are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) 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, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

### **Translation into U.S. Dollars**

The financial statements are stated in New Taiwan dollars. The translations of the 2009 and 2008 New Taiwan dollar amounts are included solely for the convenience of readers, using the exchange rates as of December 31, 2009 and 2008 of NT\$31.99=US\$1.00 and NT\$32.80=US\$1.00, respectively, as published by the Bank of Taiwan. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could be, converted into U.S. dollars at these or any other exchange rates.

## **3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

### **Accounting for Inventories**

On January 1, 2009, the Corporation adopted the newly revised Statement of Financial Accounting Standard No. 10- "Inventories". The main revisions are (1) buildings and land held for sale and real estate construction are stated at the lower of cost or net realizable value, and are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; and (2) write-downs of and any reversal of write-downs are recorded as operating cost for the period. This accounting change had no effect on net income and after income tax basic earnings per share for the year ended December 31, 2009, and the Corporation did not have to reclassify any accounts in the financial statements for the year ended December 31, 2008.

### **Accounting for Bonuses to Employees, Directors and Supervisors**

In March 2007, the Accounting Research and Development Foundation issued Interpretation 2007-052, which 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. This accounting change resulted in a decrease of NT\$7,373 thousand (US\$225 thousand) in net income but had no effects on the after income tax basic earnings per share of 2008.

#### 4. CASH

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Cash on hand	\$ 107	\$ 3	\$ 30	\$ 1
Petty cash	5,836	183	6,581	201
Checking accounts and demand deposits	3,256,528	101,798	2,335,128	71,193
Time deposits	<u>830,000</u>	<u>25,946</u>	<u>301,338</u>	<u>9,187</u>
	<u>\$ 4,092,471</u>	<u>\$ 127,930</u>	<u>\$ 2,643,077</u>	<u>\$ 80,582</u>

The Corporation's overseas' deposits as of December 31, 2009 and 2008 were as follows:

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Malaysia - Sabah (MYR24 thousand in 2009 and MYR126 thousand in 2008)	<u>\$ 223</u>	<u>\$ 7</u>	<u>\$ 1,191</u>	<u>\$ 36</u>

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

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Domestic quoted stocks	\$ 390,228	\$ 12,199	\$ 258,941	\$ 7,894
Mutual funds	16,294	509	2,923	89
Taiwan depositary receipts	<u>4,650</u>	<u>145</u>	-	-
	<u>\$ 411,172</u>	<u>\$ 12,853</u>	<u>\$ 261,864</u>	<u>\$ 7,983</u>

## 6. ACCOUNTS RECEIVABLE ON THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

The Ministry of Economic Affairs (MOEA) engaged the Corporation to develop and market industrial districts. Following were the accounts receivable on the development of industrial districts, which included the development cost and capital interest.

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
Chung Hua Coastal Industrial Park	\$ 7,637,921	\$ 238,760	\$ 7,458,749	\$ 227,401
Yunlin Technology Industrial Park	620,103	19,384	1,452,597	44,286
Other Industrial District	<u>2,452,970</u>	<u>76,679</u>	<u>2,456,756</u>	<u>74,901</u>
	<u>\$ 10,710,994</u>	<u>\$ 334,823</u>	<u>\$ 11,368,102</u>	<u>\$ 346,588</u>

The increases in development costs (including capital interest) were NT\$588,315 thousand (US\$18,391 thousand) in 2009 and NT\$1,458,263 thousand (US\$44,459 thousand) in 2008. Amounts collected were NT\$1,245,423 thousand (US\$38,932 thousand) in 2009 and NT\$3,730,212 thousand (US\$113,726 thousand) in 2008.

## 7. BUILDINGS AND LAND HELD FOR SALE

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
Litzer Industrial District	\$ 267,436	\$ 8,360	\$ 269,712	\$ 8,223
Building and land in Danshui Township	97,102	3,035	-	-
Land in Beitun District in Taichung	21,355	668	-	-
Central Bai-shi Building	9,315	291	9,642	294
Jing-Xin Graden	2,013	63	2,013	61
Da-Gang Store	<u>-</u>	<u>-</u>	<u>4,722</u>	<u>144</u>
	<u>\$ 397,221</u>	<u>\$ 12,417</u>	<u>\$ 286,089</u>	<u>\$ 8,722</u>

Valuation allowance was NT\$5,735 thousand (US\$179 thousand) in 2009. Other operating cost associated with buildings and land for sale in 2008 were NT\$1,065,151 thousand (US\$33,296 thousand) in 2009 and NT\$37,355 thousand (US\$1,139 thousand) in 2008, and these costs in 2009 included write-downs of NT\$5,735 thousand (US\$179 thousand) for buildings and land held for sale.

## 8. LAND FOR CONSTRUCTION

	<b>December 31, 2009</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
Land in Zhengyi Sec., Taipei City	\$ 626,247	\$ 19,576
Land in Linyi Sec., Taipei City	<u>25,236</u>	<u>789</u>
	<u>\$ 651,483</u>	<u>\$ 20,365</u>

The Corporation acquired land in Zhengyi Section in Taipei City in July 2009 and land in Linyi Section in Taipei City in November 2009. In 2009, interest expenses before capitalization were NT\$64,487 thousand (US\$2,016 thousand), and capitalized interest was NT\$4,178 thousand (US\$131 thousand). The capitalization rate was 2.32%.

## 9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<b>December 31</b>					
	<b>2009</b>			<b>2008</b>		
	<b>Carrying Amount</b>			<b>Carrying Amount</b>		
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>% of Ownership</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>% of Ownership</b>
<u>Unlisted common stocks</u>						
Core Pacific World	\$ 1,024,784	\$ 32,034	99.78	\$ 1,090,846	\$ 33,257	99.78
Core Pacific City	919,131	28,732	20.47	-	-	-
BES Machinery	856,720	26,781	96.58	722,211	22,019	96.58
BES Investment	719,855	22,503	100.00	590,232	17,995	100.00
BES Logistics International	500,825	15,656	100.00	459,810	14,019	100.00
Corporacion De Inversion Y Desarrollo, BES, S.A. (Costa Rica) (BES, S.A.)	114,802	3,589	100.00	109,126	3,327	100.00
Coreasia Human Resource Management	77,614	2,426	100.00	73,766	2,249	100.00
Chung Kung Safeguarding & Security	47,550	1,486	64.67	43,952	1,340	64.67
Cinemark-Core Pacific	34,314	1,073	15.38	33,978	1,036	15.38
BES Construction (BES, U.S.A.)	31,240	976	91.78	32,192	981	91.78
BES Global Investment	25,530	798	100.00	26,224	799	100.00
Huatung Power	11,827	370	30.00	18,225	556	30.00
BA & BES Contracting (L.L.C.)	-	-	40.00	5,935	181	40.00
Core Pacific Consulting	-	-	-	<u>6,350</u>	<u>194</u>	55.00
	<u>\$ 4,364,192</u>	<u>\$ 136,424</u>		<u>\$ 3,212,847</u>	<u>\$ 97,953</u>	

The Corporation's equity in Cinemark-Core Pacific was less than 20%, but the total equity in Cinemark-Core Pacific of the Corporation and its subsidiaries exceeded 50%. Thus, the investment in Cinemark-Core Pacific was accounted for by the equity method.

The financial statements used as basis for calculating the carrying amounts of the equity-method investments and the equity in their net income or net loss had all been audited, except those of Core Pacific Consulting for 2009 (liquidated on November 2009) and 2008 and BES Construction & Development for 2008 (liquidated on August 2008). Management believes that had these investees' financial statements been audited, there would have been no material effect on the Corporation's financial statements.

The Corporation's investment in Core Pacific City was previously classified as a financial asset carried at cost - noncurrent. When the Corporation increased its equity in Core Pacific City from 10.67% to 20.47% in April 2009, it began to account for this investment by the equity method.

Consolidated financial statements should include the accounts of the Corporation and all its subsidiaries and other investees over which the Corporation has controlling interests. The consolidated financial statements as of and for the years ended December 31, 2009 and 2008 included the accounts of all direct and indirect subsidiaries.

## 10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31					
	2009			2008		
	Carrying Amount			Carrying Amount		
	New Taiwan Dollars	U.S. Dollars (Note 2)	% of Ownership	New Taiwan Dollars	U.S. Dollars (Note 2)	% of Ownership
<u>Listed private common stock</u>						
Taiwan Tea	\$ 317,000	\$ 9,909	4.38	\$ 317,000	\$ 9,665	4.38
<u>Unlisted common stocks</u>						
Century Development	50,000	1,563	3.03	50,000	1,525	3.03
Core Pacific Venture Capital	23,202	725	18.31	23,202	707	18.31
Overseas Investment & Development	12,444	389	2.89	12,444	379	2.89
iGlobe Partner Fund L.P.	7,210	226	0.69	7,210	220	0.69
Neurologic	-	-	2.25	-	-	2.25
Core Pacific City	-	-	-	484,492	14,771	10.67
Chien-Kung Venture Capital	-	-	-	15,224	464	12.66
CCI Electronic	-	-	-	2	-	6.60
Agora Garden	-	-	-	1	-	0.02
	<u>92,856</u>	<u>2,903</u>		<u>592,575</u>	<u>18,066</u>	
<u>Unlisted preferred stock</u>						
NanoAmp Solutions	<u>1,917</u>	<u>60</u>	1.08	<u>7,986</u>	<u>243</u>	1.08
	<u>\$ 411,773</u>	<u>\$ 12,872</u>		<u>\$ 917,561</u>	<u>\$ 27,974</u>	

The above equity investments, which had no quoted prices in an active market and of which fair values could not be reliably measured, were carried at cost. Management assessed impairment losses of NT\$12,443 thousand (US\$379 thousand) in 2008 on the Corporation's partial investments since their estimated recoverable amounts were less than their carrying amounts.

The Corporation's investment in Core Pacific City was previously classified as a financial asset carried at cost - noncurrent. When the Corporation increased its equity in Core Pacific City from 10.67% to 20.47% in April 2009, it began to account for this investment by the equity method.

## 11. INVESTMENTS IN BONDS WITH NO ACTIVE MARKET - NONCURRENT

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Bond - Chinfon Bank	\$ 39,960	\$ 1,249	\$ 53,280	\$ 1,624
Less: Current portion	<u>13,320</u>	<u>416</u>	<u>13,320</u>	<u>406</u>
	<u>\$ 26,640</u>	<u>\$ 833</u>	<u>\$ 39,960</u>	<u>\$ 1,218</u>

On June 3, 2005, the Corporation bought a seven-year corporate bond at par value for NT\$66,600 thousand (US\$2,027 thousand) with an effective interest rate of 2.300% in 2009 and 2.975% in 2008. This bond will mature on June 28, 2012.

Under the bond issuance contract, the Corporation should redeem 20% of the bond principal each year from 2008 to 2012. Otherwise, based on the loan agreement between the Corporation and Chinfon Bank, the redeemed amount could only be used to settle the loan from the bank. As of December 31, 2009, the Corporation had simultaneously redeemed bonds amounting to NT\$26,640 thousand (US\$833 thousand) and settled its bank loan.

## 12. PROPERTIES

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Cost	\$ 1,556,236	\$ 48,647	\$ 1,557,660	\$ 47,489
Revaluation increment				
Land	2,351,584	73,510	2,351,584	71,694
Land improvements	755	24	755	23
Buildings	551	17	551	17
Machinery and equipment	<u>1,762</u>	<u>55</u>	<u>1,762</u>	<u>54</u>
	<u>2,354,652</u>	<u>73,606</u>	<u>2,354,652</u>	<u>71,788</u>
Total cost and revaluation increment	<u>3,910,888</u>	<u>122,253</u>	<u>3,912,312</u>	<u>119,277</u>
Less: Accumulated depreciation				
Land improvements	19,042	595	18,998	579
Buildings	90,902	2,842	83,381	2,542
Machinery and equipment	122,379	3,826	126,064	3,843
Transportation equipment	19,058	595	20,643	629
Miscellaneous equipment	<u>9,129</u>	<u>285</u>	<u>8,121</u>	<u>248</u>
	<u>260,510</u>	<u>8,143</u>	<u>257,207</u>	<u>7,841</u>
Less: Accumulated impairment losses	<u>172,483</u>	<u>5,392</u>	<u>172,483</u>	<u>5,258</u>
Net properties	<u>\$ 3,477,895</u>	<u>\$ 108,718</u>	<u>\$ 3,482,622</u>	<u>\$ 106,178</u>

The Corporation revalued its land in 1971, 1992 and 1994 and other properties (consisting of buildings, machinery and transportation equipment) in 1982 in accordance with government regulations. The resulting appreciation or increment, net of reserve for land value increment tax, was credited to capital surplus.

### 13. LEASED ASSETS, NET

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Cost				
Land	\$ 514,558	\$ 16,085	\$ 514,558	\$ 15,688
Buildings	491,107	15,352	491,107	14,972
Machinery and equipment	<u>1,500</u>	<u>47</u>	<u>1,500</u>	<u>46</u>
	<u>1,007,165</u>	<u>31,484</u>	<u>1,007,165</u>	<u>30,706</u>
Revaluation increment				
Land	1,339,950	41,887	1,339,950	40,852
Buildings	<u>18,795</u>	<u>587</u>	<u>18,795</u>	<u>573</u>
	<u>1,358,745</u>	<u>42,474</u>	<u>1,358,745</u>	<u>41,425</u>
Total cost and revaluation increment	<u>2,365,910</u>	<u>73,958</u>	<u>2,365,910</u>	<u>72,131</u>
Less: Accumulated depreciation				
Buildings	232,735	7,275	220,057	6,709
Machinery and equipment	<u>1,350</u>	<u>42</u>	<u>1,350</u>	<u>41</u>
	<u>234,085</u>	<u>7,317</u>	<u>221,407</u>	<u>6,750</u>
Less: Accumulated impairment losses				
Land	71,258	2,228	71,258	2,172
Buildings	<u>32,734</u>	<u>1,023</u>	<u>32,734</u>	<u>998</u>
	<u>103,992</u>	<u>3,251</u>	<u>103,992</u>	<u>3,170</u>
	<u>\$ 2,027,833</u>	<u>\$ 63,390</u>	<u>\$ 2,040,511</u>	<u>\$ 62,211</u>

The rent receivables as of December 31, 2009 on the above leased assets under operating lease agreements were as follows:

Payment Term		Rent Receivable	
		New Taiwan Dollars	U.S. Dollars (Note 2)
Monthly payments by check or telegraphic transfer	2010	\$ 78,913	\$ 2,467
	2011	32,335	1,011
	2012	15,518	485
	2013	67	2
	2014	<u>69</u>	<u>2</u>
		<u>\$ 126,902</u>	<u>\$ 3,967</u>

For the leased assets mentioned above, the Corporation received guarantee deposits of NT\$11,990 thousand (US\$375 thousand) in 2009 and NT\$11,108 thousand (US\$339 thousand) in 2008. Based on these deposits, rent revenues of NT\$109 thousand (US\$3 thousand) in 2009 and NT\$290 thousand (US\$9 thousand) in 2008 were calculated at the prevailing annual interest rate for demand deposits; the same amounts were debited to interest expense.

#### 14. SHORT-TERM DEBTS

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Unsecured loans: Interest - 2.635%-2.760% in 2009 and 3.300%-3.525% in 2008	\$ 943,300	\$ 29,487	\$ 1,209,500	\$ 36,875
Secured loans: Interest - 2.120%-2.860% in 2009 and 3.425%-3.525% in 2008	2,643,792	82,645	2,363,816	72,068
Bank overdraft: Interest - 1.720%-2.760% in 2009 and 3.300%-3.495% in 2008	<u>99,512</u>	<u>3,110</u>	<u>166,937</u>	<u>5,089</u>
	<u>\$ 3,686,604</u>	<u>\$ 115,242</u>	<u>\$ 3,740,253</u>	<u>\$ 114,032</u>

#### 15. SHORT-TERM BILLS PAYABLE

	December 31					
	2009			2008		
	Discount Rate (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Discount Rate (%)	New Taiwan Dollars	U.S. Dollars (Note 2)
Commercial paper payable						
International Bills Finance Co., Ltd.	2.665-2.760	\$ 335,200	\$ 10,479	3.855-4.075	\$ 412,900	\$ 12,588
Taiwan Cooperative Bank	2.712	250,000	7,815	3.992	250,000	7,622
Bank of Taiwan	2.722	200,000	6,252	4.462	200,000	6,098
Mega Bills Finance Co., Ltd.	2.760	94,700	2,960	4.575	137,300	4,186
Hua Nan Commercial Bank Co., Ltd.	2.800	90,000	2,813	4.262	90,000	2,744
China Bills Finance Co., Ltd.	2.665	<u>67,200</u>	<u>2,101</u>	4.305	<u>130,700</u>	<u>3,985</u>
		1,037,100	32,420		1,220,900	37,223
Less: Unamortized discount on bills payable		<u>7,673</u>	<u>240</u>		<u>6,878</u>	<u>210</u>
		<u>\$ 1,029,427</u>	<u>\$ 32,180</u>		<u>\$ 1,214,022</u>	<u>\$ 37,013</u>

#### 16. ACCOUNTS PAYABLE FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Litser Industrial District	\$ 1,488,473	\$ 46,529	\$ 1,675,164	\$ 51,072
Kaohsiung Export Processing Zone	265,956	8,314	253,415	7,726
Tai-Chung Youth Industrial District	59,807	1,870	204,695	6,241
PingNan Industrial District	14,591	456	49,492	1,509
Other Industrial Districts	<u>187,451</u>	<u>5,859</u>	<u>245,683</u>	<u>7,490</u>
	<u>\$ 2,016,278</u>	<u>\$ 63,028</u>	<u>\$ 2,428,449</u>	<u>\$ 74,038</u>

Sale recognized were NT\$138,068 thousand (US\$4,316 thousand) in 2010 and NT\$1,726,536 thousand (US\$53,971 thousand) in 2009. Amounts remitted to the Ministry of Economic Affairs were NT\$550,239 thousand (US\$17,200 thousand) in 2010 and NT\$204,045 thousand (US\$6,378 thousand) in 2009.

## 17. LONG-TERM DEBTS

	Due Within One Year		Due After One Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>December 31, 2009</u>						
Unsecured loans - repayable in installments from February 2010 or through a one-time payment on maturity, 2.760-2.885% interest	\$ 373,800	\$ 11,685	\$ 534,547	\$ 16,710	\$ 908,347	\$ 28,395
Secured loans - repayable in installments from June 2008 or through a one-time payment on maturity, 1.750%-2.760% interest	<u>413,300</u>	<u>12,920</u>	<u>585,400</u>	<u>18,299</u>	<u>998,700</u>	<u>31,219</u>
	<u>\$ 787,100</u>	<u>\$ 24,605</u>	<u>\$ 1,119,947</u>	<u>\$ 35,009</u>	<u>\$ 1,907,047</u>	<u>\$ 59,614</u>
<u>December 31, 2008</u>						
Unsecured loans - repayable in installments from January 2009 or through a one-time payment on maturity, 3.425-3.525% interest	\$ 566,100	\$ 17,259	\$ -	\$ -	\$ 566,100	\$ 17,259
Secured loans - repayable in installments from December 2006 or through a one-time payment on maturity, 3.030-4.760% interest	<u>590,315</u>	<u>17,998</u>	<u>318,400</u>	<u>9,707</u>	<u>908,715</u>	<u>27,705</u>
	<u>\$ 1,156,415</u>	<u>\$ 35,257</u>	<u>\$ 318,400</u>	<u>\$ 9,707</u>	<u>\$ 1,474,815</u>	<u>\$ 44,964</u>

## 18. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the Corporation's monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were NT\$13,314 thousand (US\$416 thousand) and NT\$13,398 thousand (US\$408 thousand) for the years ended December 31, 2009 and 2008, respectively.

Based on the defined benefit plan under the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries and wages of the six months before retirement. The Corporation contributes amounts equal to 7.5% of total monthly salaries and wages from January 2008 to March 2008; 7.8% from April 2008 to March 2009; and 3.7% from April 2009 to December 2009 to a pension fund administered by the Corporation's Pension Fund Monitoring Committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. The Corporation recognized pension costs of NT\$10,643 thousand (US\$333 thousand) and NT\$13,962 thousand (US\$426 thousand) for the years ended December 31, 2009 and 2008, respectively.

Other information on the defined benefit plan is as follows:

a. Components of net pension cost

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Service cost	\$ 13,049	\$ 408	\$ 14,809	\$ 452
Interest cost	7,913	247	9,492	289
Projected return on plan assets:	(8,165)	(255)	(10,539)	(321)
Amortization (deferred)	<u>(2,154)</u>	<u>(67)</u>	<u>200</u>	<u>6</u>
	<u>\$ 10,643</u>	<u>\$ 333</u>	<u>\$ 13,962</u>	<u>\$ 426</u>

b. Reconciliation of the funded status of the plan and prepaid pension cost as of December 31, 2009 and 2008 (including in other assets - miscellaneous)

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Benefit obligation				
Vested benefit obligation	\$ (190,254)	\$ (5,947)	\$ (193,115)	\$ (5,888)
Non-vested benefit obligation	<u>(107,283)</u>	<u>(3,354)</u>	<u>(118,911)</u>	<u>(3,625)</u>
Accumulated benefit obligation	(297,537)	(9,301)	(312,026)	(9,513)
Additional benefits based on future salaries	<u>(46,308)</u>	<u>(1,448)</u>	<u>(49,837)</u>	<u>(1,519)</u>
Projected benefit obligation	(343,845)	(10,749)	(361,863)	(11,032)
Fair value of plan assets	<u>337,151</u>	<u>10,540</u>	<u>361,838</u>	<u>11,031</u>
Funded status	(6,694)	(209)	(25)	(1)
Unrecognized net transitional obligation	(2,980)	(93)	(4,967)	(152)
Unrecognized prior service cost	(1,906)	(60)	(2,073)	(63)
Unrecognized actuarial net loss	<u>25,437</u>	<u>795</u>	<u>17,962</u>	<u>548</u>
Prepaid pension cost	<u>\$ 13,857</u>	<u>\$ 433</u>	<u>\$ 10,897</u>	<u>\$ 332</u>
Vested benefit	<u>\$ 219,439</u>	<u>\$ 6,860</u>	<u>\$ 224,242</u>	<u>\$ 6,837</u>

c. Actuarial assumptions as of December 31, 2009 and 2008

	2009	2008
Discount rate used in determining present values of service and interest costs, benefit obligations, etc.	2.25%	2.25%
Future salary increase rate	1.50%	1.50%
Expected rate of return on plan assets	2.25%	2.25%

d. Changes in pension fund

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Contributions to the fund	\$ 13,538	\$ 423	\$ 22,650	\$ 691
Payments from the fund	\$ 40,581	\$ 1,269	\$ 28,687	\$ 875

## 19. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Corporation classified its assets and liabilities of the construction operations and developing industrial districts as current and noncurrent according to the length of the operating cycle of the construction operations and developing industrial districts. Maturity analysis of the related assets and liabilities was as follows:

	Due Within One Year		Due After One Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<b>Assets</b>						
Accounts receivable	\$ 2,804,285	\$ 87,661	\$ 1,136,277	\$ 35,520	\$ 3,940,562	\$ 123,181
Accounts receivable on the development of industrial districts	-	-	10,710,994	334,823	10,710,994	334,823
Buildings and land held for sale	-	-	397,221	12,417	397,221	12,417
Land for construction	-	-	651,483	20,365	651,483	20,365
Construction in progress in excess of progressive billings	760,573	23,775	751,094	23,479	1,511,667	47,254
Restricted assets	206,220	6,446	14,377	450	220,597	6,896
Refundable deposits on construction contracts	83,155	2,600	200,000	6,252	283,155	8,852
	<u>\$ 3,854,233</u>	<u>\$ 120,482</u>	<u>\$ 13,861,446</u>	<u>\$ 433,306</u>	<u>\$ 17,715,679</u>	<u>\$ 553,788</u>
<b>Liabilities</b>						
Notes payable	\$ 271,106	\$ 8,475	\$ -	\$ -	\$ 271,106	\$ 8,475
Accounts payable	1,902,341	59,467	808,293	25,267	2,710,634	84,734
Accounts payable - related parties	80,298	2,510	-	-	80,298	2,510
Accounts payable for the development of industrial districts	-	-	2,016,278	63,028	2,016,278	63,028
Progressive billings in excess of construction in progress	375,434	11,736	991,343	30,989	1,366,777	42,725
Construction warranty	52,897	1,653	105,246	3,291	158,143	4,944
Guarantee deposits on construction contracts	177,484	5,548	253,048	7,910	430,532	13,458
	<u>\$ 2,859,560</u>	<u>\$ 89,389</u>	<u>\$ 4,174,208</u>	<u>\$ 130,485</u>	<u>\$ 7,033,768</u>	<u>\$ 219,874</u>

	December 31, 2008					
	Due Within One Year		Due After One Year		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
<u>Assets</u>						
Accounts receivable	\$ 3,114,830	\$ 94,964	\$ 1,531,548	\$ 46,694	\$ 4,646,378	\$ 141,658
Accounts receivable on the development of industrial districts	-	-	11,368,102	346,588	11,368,102	346,588
Buildings and land held for sale	16,377	500	269,712	8,222	286,089	8,722
Construction in progress in excess of progressive billings	1,407,242	42,904	192,383	5,865	1,599,625	48,769
Restricted assets	319,773	9,749	70,250	2,142	390,023	11,891
Refundable deposits on construction contracts	<u>277,835</u>	<u>8,470</u>	<u>200,000</u>	<u>6,098</u>	<u>477,835</u>	<u>14,568</u>
	<u>\$ 5,136,057</u>	<u>\$ 156,587</u>	<u>\$ 13,631,995</u>	<u>\$ 415,609</u>	<u>\$ 18,768,052</u>	<u>\$ 572,196</u>
<u>Liabilities</u>						
Notes payable	\$ 376,175	\$ 11,469	\$ -	\$ -	\$ 376,175	\$ 11,469
Accounts payable	1,751,960	53,413	784,146	23,907	2,536,106	77,320
Accounts payable - related parties	105,266	3,209	-	-	105,266	3,209
Accounts payable for the development of industrial districts	-	-	2,428,449	74,038	2,428,449	74,038
Progressive billings in excess of construction in progress	583,441	17,788	527,442	16,080	1,110,883	33,868
Construction warranty	14,334	437	136,012	4,147	150,346	4,584
Guarantee deposits on construction contracts	<u>100,930</u>	<u>3,077</u>	<u>342,282</u>	<u>10,436</u>	<u>443,212</u>	<u>13,513</u>
	<u>\$ 2,932,106</u>	<u>\$ 89,393</u>	<u>\$ 4,218,331</u>	<u>\$ 128,608</u>	<u>\$ 7,150,437</u>	<u>\$ 218,001</u>

## 20. SHAREHOLDERS' EQUITY

### Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital. Also, the capital surplus from long-term equity investments accounted for by the equity method may not be used for any purpose.

### Appropriation of Earnings and Dividend Policy

The Corporation's Articles of Incorporation provide that 10% should be appropriated as legal reserve from annual net income less any prior years' deficits. Of the remainder, together with any unappropriated earnings of prior years, over 20% should be appropriated as follows:

- a. 2% as remuneration to directors and supervisors;
- b. 3% as bonus to employees; and
- c. 95% as dividends, of which more than 10% should be cash dividends. If cash dividend per share will be less than NT\$0.1, only stock dividends will be issued.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized gain or loss on financial instruments, cumulative transaction adjustments and net loss not recognized as pension cost) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The bonus to employees of NT\$6,260 thousand (US\$196 thousand) and NT\$5,779 thousand (US\$176 thousand), which were 3% of net income, less the legal reserve plus unappropriated earnings of last year, was estimated and recognized for 2009 and 2008, respectively. The remuneration to directors and supervisors of NT\$4,174 thousand (US\$130 thousand) and NT\$3,853 thousand (US\$117 thousand), which were 2%, of net income, less legal reserve plus unappropriated earnings of last year, was estimated and recognized for 2009 and 2008, respectively. The amounts were estimated on the basis of past experience. 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 immediately preceding the shareholders' meeting.

The appropriation of the earnings for 2008 and 2007 was proposed in the board of directors' meeting on June 19, 2009 and approved in the shareholders' meeting on June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings				Dividends Per Share (Dollar)			
	2008		2007		2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Legal reserve	\$ 3,782	\$ 118	\$ 55,982	\$ 1,707				
Bonus to employees								
- cash	-	-	10,595	323				
Remuneration to directors and supervisors								
	-	-	7,064	215				
Cash dividends	183,002	5,721	335,504	10,229	\$0.12	\$0.0038	\$0.22	\$0.0067

The remuneration to directors and supervisors of NT\$5,779 thousand (US\$176 thousand) and the bonus to employees of NT\$3,853 thousand (US\$117 thousand) had been approved in the shareholders' meetings. The bonus to employees of NT\$5,779 thousand (US\$176 thousand) were all paid in cash. No difference between such amounts approved in the shareholders' meeting and the amounts reflected in the financial statement for the year ended December 31, 2008.

As of April 2, 2010, the date of the accompanying auditors' report, independent the Corporation's board of directors had not decided the appropriation of the 2009 earnings. Information on the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

## 21. INCOME TAX

- a. A reconciliation of income tax expense based on income before income tax at the 25% statutory rate and income tax expense was as follows:

	Years Ended December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Income tax expense at the statutory rate	\$ 71,528	\$ 2,236	\$ 31,548	\$ 962
Tax effect of adjusting items:				
Permanent differences	4,163	130	47,743	1,456
Temporary differences	(18,884)	(590)	(51,042)	(1,556)
Additional 10% income tax on unappropriated earnings	<u>-</u>	<u>-</u>	<u>15,067</u>	<u>459</u>
Current income tax expense	56,807	1,776	43,316	1,321
Taxed separately levied on interest from short-term bills	317	10	189	6
Deferred income tax expense	42,424	1,326	36,543	1,114
Effect of tax law changes on deferred income tax	46,705	1,460	-	-
Adjustment in valuation allowance due to change in tax laws	(60,322)	(1,886)	-	-
Adjustment of prior year's tax	<u>(9,605)</u>	<u>(300)</u>	<u>8,366</u>	<u>255</u>
	<u>\$ 76,326</u>	<u>\$ 2,386</u>	<u>\$ 88,414</u>	<u>\$ 2,696</u>

In May 2009, the amendment of Article 5 of the Income Tax Law was approved by the Legislative Yuan, which reduces the enterprises' income tax rate from 25% to 20%, effective 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting differences as deferred income tax benefits or expenses.

- b. The change in income tax payable (including in other current liabilities) was as follows:

	Years Ended December 31			
	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Beginning balance	\$ 17,201	\$ 537	\$ 10,450	\$ 319
Current income tax expense	56,807	1,776	43,316	1,321
Income tax paid	(30,242)	(945)	(45,120)	(1,376)
Tax separately levied on interest from short-term bills	317	10	189	6
Adjustment of prior year's tax	<u>(9,535)</u>	<u>(298)</u>	<u>8,366</u>	<u>255</u>
Ending balance	<u>\$ 34,548</u>	<u>\$ 1,080</u>	<u>\$ 17,201</u>	<u>\$ 525</u>

c. Deferred income tax assets (liabilities) were as follows:

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
<b>Current</b>				
Deferred income tax assets				
Unrealized loss on litigation on construction contracts	\$ 57,907	\$ 1,810	\$ 43,235	\$ 1,318
Unrealized warranty costs	39,536	1,236	37,586	1,146
Others	<u>671</u>	<u>21</u>	<u>2,035</u>	<u>62</u>
	98,114	3,067	82,856	2,526
Less: Valuation allowance	<u>57,907</u>	<u>1,810</u>	<u>43,691</u>	<u>1,332</u>
	<u>\$ 40,207</u>	<u>\$ 1,257</u>	<u>\$ 39,165</u>	<u>\$ 1,194</u>
<b>Noncurrent</b>				
Deferred income tax assets				
Unrealized impairment loss on financial assets	\$ 170,866	\$ 5,341	\$ 219,192	\$ 6,683
Loss on asset impairment	<u>12,515</u>	<u>391</u>	<u>15,644</u>	<u>477</u>
	183,381	5,732	234,836	7,160
Less: Valuation allowance	<u>183,381</u>	<u>5,732</u>	<u>234,836</u>	<u>7,160</u>
	-	-	-	-
Deferred income tax liabilities				
Investment income recognized under equity method	\$ (54,471)	\$ (1,703)	\$ (24,622)	\$ (751)
	<u>\$ (54,471)</u>	<u>\$ (1,703)</u>	<u>\$ (24,622)</u>	<u>\$ (751)</u>

d. Information on integrated income tax was as follows:

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
Balance of the imputation credit account (ICA)	<u>\$ 19,073</u>	<u>\$ 596</u>	<u>\$ 26,096</u>	<u>\$ 796</u>

The expected and actual creditable ratios for distribution of earnings of 2009 and 2008 were 7.69% and 30.03%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

As of December 31, 2009 and 2008, the unappropriated retained earnings generated before January 1, 1998 each aggregated NT\$138,041 thousand (US\$4,315 thousand and US\$4,209 thousand).

The tax returns through 2006 had been assessed by the tax authorities. The Corporation disagreed with the tax authorities' assessment of its 2006 tax return and thus filed an appeal on this assessment. Nevertheless, the Corporation has provided for the income tax assessed by the tax authorities for conservatism purposes.

## 22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2009					
	Operating Costs		Operating Expenses		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Personnel						
Salary	\$ 412,833	\$ 12,905	\$ 96,463	\$ 3,015	\$ 509,296	\$ 15,920
Insurance	29,032	907	4,892	153	33,924	1,060
Pension	20,550	642	3,407	107	23,957	749
Others	15,713	491	1,405	44	17,118	535
Depreciation	8,434	264	12,121	379	20,555	643
Amortization	<u>19,834</u>	<u>620</u>	<u>1,146</u>	<u>36</u>	<u>20,980</u>	<u>656</u>
	<u>\$ 506,396</u>	<u>\$ 15,829</u>	<u>\$ 119,434</u>	<u>\$ 3,734</u>	<u>\$ 625,830</u>	<u>\$ 19,563</u>
	Year Ended December 31, 2008					
	Operating Costs		Operating Expenses		Total	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
Personnel						
Salary	\$ 487,060	\$ 14,850	\$ 86,739	\$ 2,644	\$ 573,799	\$ 17,494
Insurance	30,797	939	4,106	126	34,903	1,065
Pension	23,779	725	3,581	109	27,360	834
Others	16,397	500	2,235	68	18,632	568
Depreciation	12,573	383	9,724	297	22,297	680
Amortization	<u>13,302</u>	<u>405</u>	<u>-</u>	<u>-</u>	<u>13,302</u>	<u>405</u>
	<u>\$ 583,908</u>	<u>\$ 17,802</u>	<u>\$ 106,385</u>	<u>\$ 3,244</u>	<u>\$ 690,293</u>	<u>\$ 21,046</u>

Depreciation expenses for properties leased to others are not shown in the table above. These expenses (included in nonoperating income - rental) were about NT\$12,678 thousand (US\$396 thousand) and NT\$12,665 thousand (US\$386 thousand) for the years ended December 31, 2009 and 2008, respectively.

## 23. EARNINGS PER SHARE (EPS)

(Unit: New Taiwan Dollars)

	Years Ended December 31			
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Diluted EPS	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	Amount (Numerator)			EPS (NT\$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
<u>Year ended December 31, 2009</u>					
Basic EPS					
Income for the year	\$ 286,152	\$ 209,826	1,525,017	<u>\$ 0.19</u>	<u>\$ 0.14</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>1,087</u>		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 286,152</u>	<u>\$ 209,826</u>	<u>1,526,104</u>	<u>\$ 0.19</u>	<u>\$ 0.14</u>
<u>Year ended December 31, 2008</u>					
Basic EPS					
Income for the year	\$ 126,232	\$ 37,818	1,525,017	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>916</u>		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 126,232</u>	<u>\$ 37,818</u>	<u>1,525,933</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>

The Accounting Research and Development Foundation issued Interpretation 2007-052, which 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 Corporation decides to settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and, if the resulting potential shares have a dilutive effect, these shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. 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. The dilutive effect of the potential shares needs to 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.

## 24. FINANCIAL INSTRUMENTS

### a. Fair values of financial instruments

	<b>December 31, 2009</b>			
	<b>Carrying Amount</b>		<b>Fair Value</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
<u>Financial assets</u>				
Available-for-sale financial assets - current	\$ 411,172	\$ 12,853	\$ 411,172	\$ 12,853
Investments in bonds with no active market - current	13,320	417	-	-
Financial assets carried at cost - noncurrent	411,773	12,872	-	-
Investments in bonds with no active market - noncurrent	26,640	833	-	-
Refundable deposits	29,914	935	29,914	935
Certificates of deposits - restricted	39,700	1,241	39,700	1,241
<u>Financial liabilities</u>				
Bank loans, net of current portion	1,119,947	35,009	1,119,947	35,009
Guarantee deposits received	23,156	724	23,156	724

	<b>December 31, 2008</b>			
	<b>Carrying Amount</b>		<b>Fair Value</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
<u>Financial assets</u>				
Available-for-sale financial assets - current	\$ 261,864	\$ 7,983	\$ 261,864	\$ 7,983
Investments in bonds with no active market - current	13,320	406	-	-
Financial assets carried at cost - noncurrent	917,561	27,974	-	-
Investments in bonds with no active market - noncurrent	39,960	1,218	-	-
Refundable deposits	24,277	740	24,277	740
Certificates of deposits - restricted	37,200	1,134	37,200	1,134
<u>Financial liabilities</u>				
Bank loans, net of current portion	318,400	9,707	318,400	9,707
Guarantee deposits received	17,772	542	17,772	542

- 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 instruments approximate their fair values because of their short maturities: Cash, accounts receivable, net of allowance for doubtful accounts, restricted assets, refundable deposits on construction contracts, short-term debts, short-term bills payable, notes payable, accounts payable, accounts payable - related parties, current portion of long-term debts and guarantee deposits on construction contracts.
  - 2) Fair value of financial instruments designated as at available-for-sale financial assets is based on their quoted prices in an active market.
  - 3) Investments in bonds with no active market - current, financial assets carried at cost and Investments in bonds with no active market - 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) Fair value of long-term bank loans is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans (e.g., similar maturities).
  - 5) Fair values of refundable deposits, certificates of deposits - restricted and guarantee deposits received are estimated using the carrying amount.
- c. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk amounted to NT\$2,015,044 thousand (US\$62,990 thousand) and NT\$1,574,024 thousand (US\$47,989 thousand), respectively; financial liabilities exposed to fair value interest rate risk amounted to NT\$1,029,427 thousand (US\$32,180 thousand) and NT\$1,214,022 thousand (US\$37,013 thousand), respectively; financial assets exposed to cash flow interest rate risk amounted to NT\$2,971,154 thousand (US\$92,878 thousand) and NT\$2,086,345 thousand (US\$63,608 thousand), respectively; and financial liabilities exposed to cash flow interest rate risk amounted to NT\$5,593,651 thousand (US\$174,856 thousand) and NT\$5,215,068 thousand (US\$158,996 thousand), respectively.
- d. The Corporation's calculation of the fair values of available-for-sale financial assets, which consisted of both direct financial assets (held by the Corporation) and indirect financial assets (held by the Corporation's equity-method investees), showed an unrealized gain of NT\$101,152 thousand (US\$3,162 thousand) and an unrealized loss of NT\$343,697 thousand (US\$10,478 thousand) as of December 31, 2009 and 2008, respectively.
- e. Financial risks
- 1) Market risk

Except for listed domestic quoted stocks, Taiwan depositary receipts and mutual funds that have fair values based on market values, the Corporation has no material financial assets exposed to risks from currency, interest rate and fair value changes. As a result, no significant exposure to market risk is anticipated.
  - 2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions, business organizations and governments. Management does not expect the Corporation's exposure to default by those parties to be material.

### 3) Liquidity risk

The Corporation's operating funds are deemed sufficient to meet the cash flow demand; thus, liquidity risk is not considered significant.

The Corporation's investments in domestic quoted stocks, Taiwan depositary receipts and mutual funds are traded in active markets and can be disposed of quickly at close to their fair values. The Corporation's investments in equity instruments have no active markets; therefore, the liquidity risk is expected to be high.

### 4) Cash flow interest rate risk

The Corporation's short- and long- term debts are floating-rate loans. When the market interest rate increases by one percentage point, the Corporation's cash outflow will increase by NT\$55,937 thousand (US\$1,749 thousand) a year.

## 25. RELATED-PARTY TRANSACTIONS

- a. Related parties and their relationships with the Corporation were as follows:

<u>Names of Related Parties</u>	<u>Relationship with the Corporation</u>
Core Pacific World Corporation	Subsidiary
BES Machinery Corporation	Subsidiary
BES Investment Company Ltd.	Subsidiary
BES Construction & Development Corporation	Subsidiary (liquidated on August 26, 2008)
BES Global Investment Co.	Subsidiary
Coreasia Human Resource Management Corporation	Subsidiary
Chung Kung Safeguarding & Security Corporation	Subsidiary
BES Construction Corporation (BES, U.S.A.)	Subsidiary
Core Pacific Consulting Corporation	Subsidiary (liquidated on November 12, 2009)
Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.)	Subsidiary
BA & BES Contracting (L.L.C.)	Equity-method investee
Huatung Power Corporation	Equity-method investee
Core Pacific City Co., Ltd.	Equity-method investee
Cinemark-Core Pacific Ltd.	Subsidiary
BESM Holding Co., Ltd.	Subsidiary
Zhong Hua Cheng Development Co., Ltd.	Subsidiary
Chinese City International Investment Co., Ltd.	Subsidiary
K9 International Entertainment Corporation	Subsidiary
BES Consultant Corporation	Subsidiary
BES Global Consulting (Shanghai) Co., Ltd.	Subsidiary
Elite Human Resource Management Co., Ltd.	Subsidiary
Core Pacific Consulting (Changshu) Co., Ltd.	Subsidiary
Hua Cheng Consulting (Changshu) Co., Ltd.	Subsidiary
Wei-Jing Holdings Ltd.	Subsidiary's equity-method investee
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Subsidiary's equity-method investee
Core Pacific Overseas Holdings Ltd.	Subsidiary's equity-method investee
BES Department Maintenance & Management	Subsidiary

(Continued)

Names of Related Parties	Relationship with the Corporation
Agora Garden Corporation	Related party in substance
China Petrochemical Development Corporation	Corporate director
Glory Construction Co., Ltd.	Related party in substance
Yao Chuen Co., Ltd	Related party in substance

(Concluded)

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 27, are summarized as follows:

	2009			2008		
	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)
<u>For the year</u>						
1) Other revenue						
Agora Garden Corporation - consulting income	\$ 500	\$ 16	-	\$ -	\$ -	-
BES Machinery Corporation - technology service income	-	-	-	150	5	-
	<u>\$ 500</u>	<u>\$ 16</u>	<u>-</u>	<u>\$ 150</u>	<u>\$ 5</u>	<u>-</u>
2) Operating costs						
BES Machinery Corporation - machinery rental, concrete, testing, etc.	\$ 161,716	\$ 5,055	2	\$ 402,772	\$ 12,280	3
Chung Kung Safeguarding & Security Corporation - safeguarding, security and cleaning	35,048	1,096	-	33,555	1,023	-
Coreasia Human Resource Management Corporation	8,106	253	-	330	10	-
Other - others	2,813	88	-	4,761	145	-
	<u>\$ 207,683</u>	<u>\$ 6,492</u>	<u>2</u>	<u>\$ 441,418</u>	<u>\$ 13,458</u>	<u>3</u>
3) Other operating cost - safeguarding, security and cleaning						
Chung Kung Safeguarding & Security Corporation	<u>\$ 10,704</u>	<u>\$ 335</u>	<u>1</u>	<u>\$ 2,533</u>	<u>\$ 77</u>	<u>4</u>
4) Operating expense						
BES Machinery Corporation - rental	\$ 6,622	207	3	\$ 5,938	\$ 181	3
Chung Kung Safeguarding & Security Corporation - safeguarding, security and cleaning	2,092	65	1	3,135	95	1
Glory Construction Co., Ltd. - rental	840	26	-	5,991	183	3
Yao Chuen Co., Ltd. - rental	-	-	-	2,291	70	1
Others - other expense	1,939	61	1	5,811	177	3
	<u>\$ 11,493</u>	<u>\$ 359</u>	<u>5</u>	<u>\$ 23,166</u>	<u>\$ 706</u>	<u>11</u>

	2009			2008		
	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)	New Taiwan Dollars	U.S. Dollars (Note 2)	Percentage to Account (%)
5) Nonoperating income or gain						
Agora Garden Corporation - interest revenue	\$ 39,709	\$ 1,241	8	\$ 9,558	\$ 291	2
Glory Construction Co., Ltd.	6,615	207	1	551	7	-
BES Machinery Corporation - rental and interest revenue	5,966	186	1	7,109	217	1
Others - rental	2,207	69	1	2,459	75	1
Others - others	-	-	-	1,009	31	-
Others - interest	-	-	-	80	2	-
	<u>\$ 54,497</u>	<u>\$ 1,703</u>	<u>11</u>	<u>\$ 20,766</u>	<u>\$ 633</u>	<u>4</u>
<u>At year-end</u>						
1) Accounts receivable						
Core Pacific City Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 2,253</u>	<u>\$ 69</u>	<u>-</u>
2) Refundable deposits on construction contracts						
Huatung Power Contracting	<u>\$ 4,062</u>	<u>\$ 127</u>	<u>14</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
3) Other receivable						
Agora Garden Corporation	\$ 302,747	\$ 9,464	41	\$ -	\$ -	-
BES Machinery Corporation	2,278	71	-	110,491	3,369	20
Glory Construction Co., Ltd.	1,736	54	-	579	18	-
Others	<u>688</u>	<u>22</u>	<u>-</u>	<u>1,105</u>	<u>33</u>	<u>1</u>
	<u>\$ 307,449</u>	<u>\$ 9,611</u>	<u>41</u>	<u>\$ 112,175</u>	<u>\$ 3,420</u>	<u>21</u>
4) Refundable deposits						
Agora Garden Corporation	<u>\$ 900</u>	<u>\$ 28</u>	<u>3</u>	<u>\$ 900</u>	<u>\$ 27</u>	<u>4</u>
5) Long-term accounts receivable						
Agora Garden Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 209,785</u>	<u>\$ 6,396</u>	<u>100</u>
6) Accounts payable						
BES Machinery Corporation	\$ 61,008	\$ 1,907	76	\$ 93,933	\$ 2,864	89
Chung Kung Safeguarding & Security Corporation	16,739	523	21	11,144	340	9
Coreasia Human Resource Management Corporation	<u>2,551</u>	<u>80</u>	<u>3</u>	<u>189</u>	<u>5</u>	<u>2</u>
	<u>\$ 80,298</u>	<u>\$ 2,510</u>	<u>100</u>	<u>\$ 105,266</u>	<u>\$ 3,209</u>	<u>100</u>
7) Accrued expense						
BES Machinery Corporation	\$ 599	\$ 19	1	\$ 1,721	\$ 52	1
Others	<u>453</u>	<u>14</u>	<u>-</u>	<u>2,149</u>	<u>66</u>	<u>-</u>
	<u>\$ 1,052</u>	<u>\$ 33</u>	<u>1</u>	<u>\$ 3,870</u>	<u>\$ 118</u>	<u>3</u>
8) Guarantee deposits on construction contracts						
BES Machinery Corporation	<u>\$ 4,897</u>	<u>\$ 153</u>	<u>1</u>	<u>\$ 3,539</u>	<u>\$ 108</u>	<u>1</u>
9) Guarantee deposits received						
Chung Kung Safeguarding & Security Corporation	<u>\$ 51</u>	<u>\$ 2</u>	<u>-</u>	<u>\$ 51</u>	<u>\$ 2</u>	<u>-</u>

Rental contracts with related parties were based on market conditions and made under normal terms. Purchase and sales terms for related parties were similar to those for unrelated parties, except for contract-based terms for the other receivable from Agora Garden Corporation and BES Machinery Corporation, which arose mainly from the financings provided and its interest gained and from the disposal of construction facilities and steel plates. Refundable deposits on construction contracts with Huatung Power Contracting arose from the Corporation's tender for real estate.

c. Financing to related parties was as follows:

Related Party	Year Ended December 31, 2008									
	Maximum Balance		Ending Balance		Interest Rate	Interest Income		Interest New Taiwan Dollars	Receivable U.S. Dollars (Note 2)	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)		New Taiwan Dollars	U.S. Dollars (Note 2)			
Other receivable Agora Garden Corporation	\$ 300,000	\$ 9,378	\$ 300,000	\$ 9,378	2.635%	\$ 2,642	\$ 83	\$ 2,642	\$ 83	
Long-term accounts receivable Agora Garden Corporation	\$ 209,785	\$ 6,558	\$ -----	\$ -----	2.975-3.200%	\$ 4,281	\$ 134	\$ -----	\$ -----	

  

Related Party	Year Ended December 31, 2008									
	Maximum Balance		Ending Balance		Interest Rate	Interest Income		Interest New Taiwan Dollars	Receivable U.S. Dollars (Note 2)	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)		New Taiwan Dollars	U.S. Dollars (Note 2)			
Long-term accounts receivable Agora Garden Corporation	\$ 224,985	\$ 6,859	\$ 209,785	\$ 6,396	3.43-4.58%	\$ 9,558	\$ 291	\$ -	\$ -	
Huatung Power Corporation	1,500	46	-	-	4.53-4.68%	64	2	-	-	
Coreasia Human Resource Management Corporation	750	23	-	-	-	-	-	-	-	
	\$ 227,235	\$ 6,928	\$ 209,785	\$ 6,396		\$ 9,622	\$ 293	\$ -----	\$ -----	

The other receivable from Agora Garden Corporation ("Agora") was the refundable deposit of NT\$300,000 thousand (US\$9,378 thousand) on a construction contract involving a bid on Agord Garden. Because the related negotiation period exceeded the deadline stated in the contract, this receivable, under Interpretation No. 167 issued by Accounting Research Development foundation in 2004, was reclassified to other receivable - related parties and was treated as financing provided with interest; related information is shown in Table 1 - "Financings Provided." The Corporation collected this receivable plus interest in March 2010.

The long-term receivable - related parties from Agora was the warranty reservation for construction, for which the monthly payment of principal and interest was based on the construction agreement. The terms of repayment expired when the warranty ended in 2004. Since Agora still had a balance as of December 31, 2007, the receivable was reclassified to long-term account receivable - related party. The Corporation collected this receivable plus interest in September 2009.

The receivable from Coreasia Human Resource Management Corporation ("Coreasia") referred to consulting service fees. Since the related payment was overdue and Coreasia still had a balance as of December 31, 2007, this receivable was reclassified to long-term account receivable - related party. In March 2008, the Corporation collected the receivable under a settlement agreement. In addition, the Corporation provided funding to Huatung Power Corporation and collected all related receivables in November 2008.

d. Property transactions:

1) Purchase of properties

Year ended December 31, 2008

Counter-party	Property	Price	
		New Taiwan Dollars	U.S. Dollars (Note 2)
Glory Construction Co., Ltd.	Land	\$ 297,990	\$ 9,085
	Buildings	<u>121,629</u>	<u>3,708</u>
		<u>\$ 419,619</u>	<u>\$ 12,793</u>

2) Sales of construction in progress - steel plates

Year ended December 31, 2009

Counter-party	Carrying Amount		Price		Gain (Loss) on Sales	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
BES Machinery Corporation	<u>\$ 9,145</u>	<u>\$ 286</u>	<u>\$ 9,145</u>	<u>\$ 286</u>	<u>\$ -</u>	<u>\$ -</u>

Year ended December 31, 2008

Counter-party	Carrying Amount		Price		Gain (Loss) on Sales	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
BES Machinery Corporation	<u>\$ 72,977</u>	<u>\$ 2,225</u>	<u>\$ 72,977</u>	<u>\$ 2,225</u>	<u>\$ -</u>	<u>\$ -</u>

3) Sales of deferred charges - construction facilities

Year ended December 31, 2008

Counter-party	Carrying Amount		Price		Gain (Loss) on Sales	
	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)	New Taiwan Dollars	U.S. Dollars (Note 2)
BES Machinery Corporation	<u>\$ 12,089</u>	<u>\$ 369</u>	<u>\$ 12,089</u>	<u>\$ 369</u>	<u>\$ -</u>	<u>\$ -</u>

The prices for property transactions were based on the book values of properties and on market conditions, except for the transactions with Glory Construction Co., Ltd., which were based on appraisal report.

d. Compensation of directors, supervisors and management personnel:

	<b>Year Ended December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
Salaries	\$ 18,114	\$ 567	\$ 16,559	\$ 505
Incentives	5,529	172	2,054	63
Special compensation	2,250	70	2,042	62
Bonus	<u>18</u>	<u>1</u>	<u>41</u>	<u>1</u>
	<u>\$ 25,911</u>	<u>\$ 810</u>	<u>\$ 20,696</u>	<u>\$ 631</u>

## 26. MORTGAGED OR PLEDGED ASSETS

The following assets had been mortgaged or pledged as collaterals for short-term debts, long-term bank loans, short-term bills payable, construction warranty, and as probable means to settle an ongoing construction-related litigation, in which the Corporation is the plaintiff. The related loss has been accrued and included in construction in progress in excess of progressive billings.

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 2)</b>
Current assets				
Investments in bonds with no active market - current	\$ 13,320	\$ 417	\$ 13,320	\$ 406
Buildings and land held for sale	-	-	269,712	8,223
Land for construction	626,247	19,576	-	-
Restricted assets				
Demand deposits	5,710	178	-	-
Investments in commercial paper	25,462	796	110,513	3,369
Time deposits	1,114,173	34,828	1,124,973	34,298
Investments accounted for by the equity method	476,861	14,907	332,130	10,126
Financial assets carried at cost - noncurrent	-	-	263,064	8,020
Investments in bonds with no active market - noncurrent	26,280	822	39,480	1,204
Properties, net	1,966,443	61,471	1,970,098	60,064
Leased assets, net	1,833,227	57,306	1,876,756	57,218
Other assets - certificates of deposits - restricted	<u>39,700</u>	<u>1,241</u>	<u>37,200</u>	<u>1,134</u>
	<u>\$ 6,127,423</u>	<u>\$ 191,542</u>	<u>\$ 6,037,246</u>	<u>\$ 184,062</u>

## 27. SUBSEQUENT EVENTS

- a. For further diversification, the Corporation took steps to buy the land of Agora Garden for Agora Garden Corporation (“Agora”) in July 2009. The Corporation paid a refundable deposits of NT\$300,000 thousand (US\$9,378 thousand) to Agora for the Corporation to participate in the tender announced by Agora in October 2009. However, these two parties failed to reach an agreement, and the negotiation ended in January 2010. The Corporation collected the refundable deposit plus interest in March 2010.
- b. In their meeting on March 7, 2010, the board of directors approved the Corporation’s entering into the Agora Garden joint construction contract with Agora, and the contract was signed on March 8, 2010.

## 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/guarantees provided: Table 2 (attached).
  - 3) Marketable securities held: Table 3 (attached).
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
  - 5) Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
  - 6) Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached).
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached).
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 8 (attached).
  - 9) Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 9 (attached).
  - 10) Derivative transactions of investees over which the Corporation has a controlling interest: None.
- 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 10 (attached).
  - 2) Significant direct or indirect transactions with the investees: None.

## 29. SEGMENT INFORMATION

### a. Industry

The Corporation develops and constructs industrial districts. The revenues, net income (loss) and tangible assets of the industrial construction business are more than 90% of the total revenues, net income (or loss) and tangible assets.

### b. Geographic

Construction revenue from foreign operations, i.e., its branches in Malaysia, did not reach at least 10% of total operating revenues in 2009 and 2008.

### c. Export sales

The Corporation had no foreign revenues in 2009 and 2008.

### d. Major customers

	Years Ended December 31					
	2009			2008		
	Construction Revenue			Construction Revenue		
	New Taiwan Dollars	U.S. Dollars (Note 2)	% to Total	New Taiwan Dollars	U.S. Dollars (Note 2)	% to Total
Taiwan Area National Freeway Bureau, Ministry of Transportation and Communications (MOTC)	\$ 2,279,147	\$ 71,246	18.25	\$ 2,956,835	\$ 90,147	22.49
Department of Rapid Transit Systems, Taipei City Government	1,888,364	59,030	15.12	1,504,672	45,874	11.44
Directorate General of Highways, MOTC	1,885,689	58,946	15.10	1,745,874	53,228	13.28
Armaments Bureau of the Ministry of National Defense	846,824	26,472	6.78	1,459,521	44,498	11.10

## BES ENGINEERING CORPORATION AND INVESTEES

## FINANCINGS PROVIDED

YEAR ENDED DECEMBER 31, 2009

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

No.	Financing Company	Counter-party	Financial Statement Account	Financing Limit for Each Borrowing Company	Maximum Balance for the Year	Ending Balance	Interest Rate	Financing Reasons	Allowance for Bad Debt	Collateral		Transaction Amount	Financing Company's Financing Amount Limits
										Item	Value		
0	BES Engineering Corporation (the "Corporation")	Agora Garden Corporation ("Agora")	Other accounts receivable	\$ 748,212	\$ 300,000	\$ 300,000	2.635%	(Note 1)	\$ -	Promissory note	\$ 300,000	\$ -	The limit (\$7,482,123 thousand) on the total maximum financing is equal to 40% of net equity as shown in the Corporation's latest financial statements; and the maximum limit (\$748,212 thousand) for each counter-party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.
		Agora Garden Corporation ("Agora")	Long-term accounts receivable - related party	748,212	209,785	-	2.975-3.200%	(Note 2)	-	Promissory note	400,000	-	
1	Core Pacific World Corporation ("Core")	K9 International Entertainment Corporation	Accounts receivable - related party	308,121	17,300	-	3.250%	Short-term support for borrower's operations	-	Guarantee note	17,300	-	The limit (\$410,828 thousand) on the total maximum financing is equal to 40% of Core's net equity as shown in Core's latest financial statements; and the maximum limit (\$308,121 thousand) for each counter-party is equal to 30% of Core's net equity as shown in Core's latest financial statements.
2	Cinemark-Core Pacific Ltd. ("Cinemark")	Core Pacific City Corporation ("Core Pacific")	Accounts receivable - related party	44,621	40,000	-	5.000%	(Note 3)	-	Promissory note	40,000	-	The limit (\$89,242 thousand) on the total maximum financing is equal to 40% of Cinemark's net equity as shown in Cinemark's latest financial statements; and the maximum limit (\$44,621 thousand) for each counter-party is equal to 20% of Cinemark's net equity as shown in Cinemark's latest financial statements.
3	Hua Cheng Consulting (Changshu) Co., Ltd.	Yangzhou Core Pacific City Development Co.	Other accounts receivable	77,225	9,372	9,372	6%	Short-term support for borrower's operations	-	-	-	14,057	The limit (\$154,450 thousand) on the total maximum financing is equal to 40% of Core's net equity as shown in Core's latest financial statements; and the maximum limit (\$77,225 thousand) for each counter-party is equal to 20% of Core's net equity as shown in Core's latest financial statements.

(Continued)

No.	Financing Company	Counter-party	Financial Statement Account	Financing Limit for Each Borrowing Company	Maximum Balance for the Year	Ending Balance	Interest Rate	Financing Reasons	Allowance for Bad Debt	Collateral		Transaction Amount	Financing Company's Financing Amount Limits
										Item	Value		
4	Core Pacific Consulting (Changshu) Co., Ltd.	Yangzhou Core Pacific City Development Co.	Other accounts receivable	\$ 77,045	\$ 9,372	\$ 9,372	6%	Short-term support for borrower's operations	\$ -	-	\$ -	14,057	The limit (\$154,091 thousand) on the total maximum financing is equal to 40% of Cinemark's net equity as shown in Cinemark's latest financial statements; and the maximum limit (\$77,045 thousand) for each counter-party is equal to 20% of Cinemark's net equity as shown in Cinemark's latest financial statements.

Note 1: Under Interpretation No. 167 issued by the Accounting Research and Development Foundation in 2004, , the refundable deposit of \$300,000 thousand was reclassified to other receivable - related parties and was treated as financing with interest. The Corporation collected this receivable in March 2010.

Note 2: Under Interpretation No. 167 issued by the Accounting Research and Development Foundation in 2004, the Corporation's board of directors approved the receivables from Agora to be treated as financings provided and followed the Corporation's "Regulations for Loaning of Funds and Making of Endorsements/Guarantees"; related information is shown in this table. The Corporation collected this receivable in September 2009.

Note 3: Under Interpretation No. 167 issued by the Accounting Research and Development Foundation in 2004, Cinemark's board of directors approved the receivable from Core Pacific to be treated as financings provided and followed Cinemark's "Regulations for Loaning of Funds"; related information is shown in this table. The Corporation collected this receivable in March 2009.

(Concluded)

## BES ENGINEERING CORPORATION AND INVESTEEES

## ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2009

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

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable
		Name	Nature of Relationship						
1	Core Pacific World Corporation ("Core")	K9 International Entertainment Corporation	Subsidiary	\$ 410,828	\$ 60,056	\$ -	\$ -	-	The limit (\$513,535 thousand) on the total maximum endorsement is equal to 50% of Core's net equity as shown in Core's latest financial statements; and the maximum limit (\$410,828 thousand) for each counter-party is equal to 40% of Core's net equity as shown in Core's latest financial statements.
2	Coreasia Human Resource Management Corporation ("Coreasia")	Elite Human Resource Management Co., Ltd.	Subsidiary	7,761	4,930	4,930	-	6.35%	The limit (\$38,805 thousand) on the total maximum endorsement is equal to 50% of Coreasia's net equity as shown in the Coreasia's latest financial statements; and the maximum limit (\$7,761 thousand) for each counter-party is equal to 10% of Coreasia's net equity as shown in Coreasia's latest financial statements.

## BES ENGINEERING CORPORATION AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

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

Holding Company Name	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
BES Engineering Corporation	China Petrochemical Development Corporation	Corporate director	Available-for-sale financial assets - current	25,795,580	\$ 319,865	1.44	\$ 319,865	(Note 1)
	Taiwan Tea Corporation	-		1,457,505	29,660	0.27	29,660	(Note 1)
	AU Optronics Corp.	-		400,600	15,543	-	15,543	(Note 1)
	ASUSTeK Computer Inc.	-	Available-for-sale financial assets - current	220,240	13,611	0.01	13,611	(Note 1)
	China Trust Financial Holding Company Ltd.	-	Available-for-sale financial assets - current	250,000	4,988	-	4,988	(Note 1)
	Taiwan IC Packaging Corporation	-	Available-for-sale financial assets - current	230,000	3,243	0.08	3,243	(Note 1)
	Unimicorn Technology Corp.	-	Available-for-sale financial assets - current	50,000	2,320	-	2,320	(Note 1)
	Celxpert Energy Corporation	-	Available-for-sale financial assets - current	20,000	991	0.02	991	(Note 1)
	China Steel Corporation	-	Available-for-sale financial assets - current	200	7	-	7	(Note 1)
	Tingyi (Cayman Islands) Holding Corp.	-	Available-for-sale financial assets - current	100,000	4,650	-	4,650	(Note 1)
	Hua Nan Yung Chong Fund	-	Available-for-sale financial assets - current	409,805	4,114	-	4,114	(Note 1)
	Polaris/P-shares MSCI Taiwan Financials ETF	-	Available-for-sale financial assets - current	300,000	3,882	-	3,882	(Note 1)
	Polaris/P-shares Russell Greater China Large Cap Value Index Securities Investment	-	Available-for-sale financial assets - current	200,000	2,322	-	2,322	(Note 1)
	Hua Nan China Century Fund	-	Available-for-sale financial assets - current	197,044	2,024	-	2,024	(Note 1)
	TIIM Concept Fund	-	Available-for-sale financial assets - current	71,980	1,980	-	1,980	(Note 1)
	ING Investment Grade USD Gredit Fund	-	Available-for-sale financial assets - current	199,601	1,972	-	1,972	(Note 1)
	Chinfon Bank	-	Investments in bonds with no active market - current	-	13,320	-	13,320	(Notes 8 and 9)
	Core Pacific World Corporation	Subsidiary	Equity-method investments	115,741,900	1,024,784	99.78	1,024,784	(Notes 3 and 6)
	BES Machinery Corporation	Subsidiary	Equity-method investments	75,213,198	856,720	96.58	856,720	(Note 3)
	BES Investment Company Ltd.	Subsidiary	Equity-method investments	20,900,000	719,855	100.00	719,855	(Note 3)
	BES Logistics International Co., Ltd.	Subsidiary	Equity-method investments	10,900,000	500,825	100.00	500,825	(Note 3)
	Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.)	Subsidiary	Equity-method investments	800	114,802	100.00	114,802	(Note 3)

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
	Coreasia Human Resource Management Corp.	Subsidiary	Equity-method investments	6,000,000	\$ 77,614	100.00	\$ 77,614	(Note 3)
	Chung Kung Safeguarding & Security Corp.	Subsidiary	Equity-method investments	3,880,000	47,550	64.67	47,550	(Note 3)
	BES Construction Corporation (BES, U.S.A.)	Subsidiary	Equity-method investments	8,509	31,240	91.78	31,240	(Note 3)
	BES Global Investment Co.	Subsidiary	Equity-method investments	1,510,100	25,530	100.00	25,530	(Note 3)
	Core Pacific Consulting Corporation	Subsidiary	Equity-method investments	-	-	-	-	(Note 4)
	Core Pacific City Corporation	Equity-method investee	Equity-method investments	276,000,000	919,131	20.47	919,131	(Notes 5 and 10)
	Huatung Power Corporation	Equity-method investee	Equity-method investments	18,300,000	11,827	30.00	11,827	(Note 3)
	BA & BES Contracting (L.L.C.)	Equity-method investee	Equity-method investments	1,200,000	-	40.00	-	(Note 3)
	Cinemark-Core Pacific Ltd.	Subsidiary	Equity-method investments	1,861,500	34,314	15.38	34,314	(Note 3)
	Taiwan Tea Corporation	-	Financial assets carried at cost - noncurrent	23,275,000	317,000	4.38	317,000	(Note 8)
	Century Development Corporation	-	Financial assets carried at cost - noncurrent	7,206,059	50,000	3.03	50,000	(Note 8)
	Core Pacific Venture Capital Corporation	-	Financial assets carried at cost - noncurrent	3,010,962	23,202	18.31	23,202	(Note 8)
	Overseas Investment & Development Corporation	-	Financial assets carried at cost - noncurrent	2,600,000	12,444	2.89	12,444	(Note 8)
	NanoAmp Solutions Inc.	-	Financial assets carried at cost - noncurrent	267,232	1,917	1.08	1,917	(Notes 7 and 8)
	iGlobe Partner Fund L.P.	-	Financial assets carried at cost - noncurrent	-	7,210	0.69	7,210	(Note 8)
	Chien-Kung Venture Capital Corporation	-	Financial assets carried at cost - noncurrent	-	-	-	-	(Note 8)
	Neurologic Inc.	-	Financial assets carried at cost - noncurrent	250,001	-	2.25	-	(Note 8)
	Chinfon Bank	-	Investments in bonds with no active market - noncurrent	-	26,640	-	26,640	(Notes 8 and 9)
Core Pacific World Corporation	China Petrochemical Development Corporation	-	Available-for-sale financial assets - current	2,450,100	30,381	0.14	30,381	(Note 1)
	Fuh Hwa Global Short-term Income Fund	-	Available-for-sale financial assets - current	1,456,272	15,127	-	15,127	(Note 1)
	Fuh Hwa Strategic High Income Fund of Funds	-	Available-for-sale financial assets - current	999,001	10,210	-	10,210	(Note 1)
	Cathay Mandarin Fund	-	Available-for-sale financial assets - current	300,000	2,970	-	2,970	(Note 1)
	Chinese City International Investment Co., Ltd.	Subsidiary	Equity-method investments	9,500,000	400,476	100.00	400,476	(Note 3)
	Zhong Hua Cheng Development Co., Ltd.	Subsidiary	Equity-method investments	9,500,000	399,547	100.00	399,547	(Note 3)
	K9 International Entertainment Corporation	Subsidiary	Equity-method investments	3,787,560	1,672	30.00	1,672	(Note 3)
	Core Pacific City Corporation	-	Financial assets carried at cost - noncurrent	30,000,000	158,880	100.00	158,880	(Notes 7 and 8)

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
BES Machinery Corporation	We & Win Development Co., Ltd.	-	Available-for-sale financial assets - current	8,780,000	\$ 106,677	8.80	\$ 106,677	(Note 1)
	China Petrochemical Development Corporation	Corporate director and supervisor	Available-for-sale financial assets - current	5,342,200	66,243	0.30	66,243	(Note 1)
	China Steel Corporation	-	Available-for-sale financial assets - current	100,000	3,300	-	3,300	(Note 1)
	Feng Hsin Ipon & Steel Co., Ltd.	-	Available-for-sale financial assets - current	60,000	3,246	0.01	3,246	(Note 1)
	BESM Holding Co., Ltd.	Subsidiary	Equity-method investments	5,075,000	198,363	100.00	198,363	(Note 3)
	Cinemark-Core Pacific Ltd.	Subsidiary	Equity-method investments	7,593,680	135,488	62.76	135,488	(Note 3)
	K9 International Entertainment Corporation	Subsidiary	Equity-method investments	5,050,080	2,230	40.00	2,230	(Note 3)
BES Investment Company Ltd.	Wei-Jing Holdings Ltd.	Equity-method investee	Equity-method investments	14,400,000	714,756	44.67	714,756	(Note 3)
	BES Construction Corporation (BES, U.S.A.)	Equity-method investee	Equity-method investments	761	2,795	8.22	2,795	(Note 3)
BES Logistics International Co., Ltd.	Xiamen Bonded Area Logistics Park Construction Co., Ltd.	Equity-method investee	Equity-method investments	-	494,124	39.20	494,124	(Note 3)
Coreasia Human Resource Management Corporation	Global Brands Manufacture Limited	-	Available-for-sale financial assets - current	60,000	1,542	0.01	1,542	(Note 1)
	Garnd Pacific Petrochemical Corporation	-	Available-for-sale financial assets - current	50,000	830	0.01	830	(Note 1)
	Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	10,000	597	-	597	(Note 1)
	Elite Human Resource Management Co., Ltd.	Subsidiary	Equity-method investments	500,000	6,437	100.00	6,437	(Note 3)
Chung Kung Safeguarding & Securities Corporation	China Petrochemical Development Corporation	-	Available-for-sale financial assets - current	26,500	329	-	329	(Note 1)
	Polaris MF Global Futures Co., Ltd.	-	Available-for-sale financial assets - current	5,000	226	-	226	(Note 1)
	Chi-Mei Innolux Corporation	-	Available-for-sale financial assets - current	5,250	118	-	118	(Note 1)
	Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	260	16	-	16	(Note 1)
	ING Investment Grade USD Credit Fund	-	Available-for-sale financial assets - current	149,701	1,485	-	1,485	(Note 1)
	ING Taiwan Select Bond Fund	-	Available-for-sale financial assets - current	93,049	1,091	-	1,091	(Note 1)
	Fuh Hwa Strategic High Income Fund of Funds	-	Available-for-sale financial assets - current	100,000	1,022	-	1,022	(Note 1)
	ING Taiwan Income Fund	-	Available-for-sale financial assets - current	62,055	1,017	-	1,017	(Note 1)
	JF (Taiwan) Bond Fund	-	Available-for-sale financial assets - current	57,129	902	-	902	(Note 1)
	Polaris/P-Shares MSCI Taiwan Financials ETF	-	Available-for-sale financial assets - current	30,000	388	-	388	(Note 1)

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
	Polaris Taiwan Mid-cap 100 Tracker Fund	-	Available-for-sale financial assets - current	10,000	\$ 290	-	\$ 290	(Note 1)
	Polaris/P-Shares Taiwan Electronics Tech ETF	-	Available-for-sale financial assets - current	10,000	274	-	274	(Note 1)
	BES Machinery Corporation	-	Financial assets carried at cost - noncurrent	1	-	-	-	(Note 8)
	BES Consultant Corporation	Subsidiary	Equity-method investments	-	14,867	100.00	14,867	(Note 3)
	BES Department Maintenance & Management	Subsidiary	Equity-method investments	-	4,088	37.00	4,088	(Note 3)
Cinemark-Core Pacific Ltd.	Fun-Hwa Bond Fund	-	Available-for-sale financial assets - current	362,196	5,004	-	5,004	(Note 1)
	Fun-Hwa Global Short-term Income Fund	-	Available-for-sale financial assets - current	300,000	3,116	-	3,116	(Note 1)
	K9 International Entertainment Corporation	Subsidiary	Equity-method investments	3,787,560	1,682	30.00	1,682	(Note 3)
BES Global Investment Co.	BES Global Consulting (Shanghai) Co., Ltd.	Subsidiary	Equity-method investments	-	22,708	100.00	22,708	(Note 3)
Zhong Hua Cheng Development Co., Ltd.	iShares:MSCI Taiwan Index Fund	-	Available-for-sale financial assets - current	8,000	3,319	-	3,319	(Note 2)
	Power Shares DB Agriculture Fund	-	Available-for-sale financial assets - current	1,500	1,269	-	1,269	(Note 2)
	United States 12 Month oil Fund	-	Available-for-sale financial assets - current	300	388	-	388	(Note 2)
	Core Pacific Consulting (Changshu) Co., Ltd.	Subsidiary	Equity-method investments	-	385,227	100.00	385,227	(Note 3)
Chinese City International Investment Co., Ltd.	iShares:MSCI Taiwan Index Fund	-	Available-for-sale financial assets - current	8,000	3,319	-	3,319	(Note 2)
	Power Shares DB Agriculture Fund	-	Available-for-sale financial assets - current	1,500	1,269	-	1,269	(Note 2)
	United States 12 Month oil Fund	-	Available-for-sale financial assets - current	300	388	-	388	(Note 2)
	Hua Cheng Consulting (Changshu) Co., Ltd.	Subsidiary	Equity-method investments	-	386,124	100.00	386,124	(Note 3)
BESM Holding Co., Ltd.	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Equity-method investee	Equity-method investments	-	199,699	9.80	199,699	(Note 3)
BES Consultant Corporation	BES Department Maintenance & Management	Subsidiary	Equity-method investments	-	6,961	63.00	6,961	(Note 3)

Note 1: Market values of domestic quoted stocks and mutual funds were based on the closing prices and net asset values as of December 31, 2009, respectively.

Note 2: Market values of abroad mutual funds were based on the net asset values as of December 31, 2009.

Note 3: Net asset values were based on audited financial statements.

Note 4: Net asset values were based on unaudited financial statements.

Note 5: Included 48,000 thousand shares pledged to Chinatrust Bank; and 1,500 thousand shares to King's Town Bank, with NT\$164,844 thousand as the total carrying amount of all of these shares.

(Continued)

Note 6: Included 35,240 thousands shares pledged to Standard Chartered Bank, with a carrying amount of NT\$312,017 thousand.

Note 7: Preferred stocks.

Note 8: Investments with no quoted market prices in an active market and of which fair values could not be reliably measured were carried at cost.

Note 9: Included NT\$39,600 thousand pledged to Chinfon Bank.

Note 10: The calculation of investment gain (loss) was based on the investee's audited financial statement. Included in investments accounted for by the equity-method since April 2009 has significant influence.

(Concluded)

## BES ENGINEERING CORPORATION AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND 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, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
BES Engineering Corporation	Core Pacific City Co., Ltd.	Equity-method investments	(Note 1)	-	128,000,000 (Note 2)	\$ 484,492	148,000,000	\$ 498,760	-	\$ -	\$ -	\$ -	276,000,000	\$ 919,131 (Note 3)
	China Petrochemical Development Corporation	Available-for-sale financial assets - current	-	-	40,579,580	252,405	9,798,000	88,086	24,582,000	257,646	286,845	(29,199)	25,795,580	319,865 (Note 4)

Note 1: Issuance of private placement stock for cash.

Note 2: Included in investments accounted for by the equity-method since April 2009 has significant influence.

Note 3: The difference resulting from increases of NT\$64,121 thousand in investment loss.

Note 4: Unrealized gain of NT\$266,219 thousand on financial assets.

**BES ENGINEERING CORPORATION AND INVESTEES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**YEAR ENDED DECEMBER 31, 2009**

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

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
BES Engineering Corporation	Land and building	2009.02.25	\$ 239,989	All paid	National Property Administration, Ministry of Finance	-	-	-	-	\$ -	Bidding	For sale	-
	Land	2009.02.25	810,000	All paid	National Property Administration, Ministry of Finance	-	-	-	-	-	Bidding	For sale	-
	Land	2009.07.02	621,000	All paid	National Property Administration, Ministry of Finance	-	-	-	-	-	Bidding	To Build for sale	-

## BES ENGINEERING CORPORATION AND INVESTEEES

## DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2009

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

Company Name	Type of Property	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Payment Term	Gain (Loss) on Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
BES Engineering Corporation	Land	2009.04.15	2009.02.25	\$ 810,820	\$ 890,000	All collected	\$ 79,170 (Note 1)	Non-related counter-party	-	Gain on disposal	Appraisal report Union International Real Estate Appraiser Firm	-
	Land and building	2009.07.30	2009.02.25	241,598	272,000	All collected	30,400 (Note 2)	Non-related counter-party	-	Gain on disposal	Appraisal report Yuan Hong Real Estate Appraiser Firm	-

Note 1: It deducted NT\$10 thousand necessary cost from the gain (loss) on disposal.

Note 2: It deducted NT\$2 thousand necessary cost from the gain (loss) on disposal.

**BES ENGINEERING CORPORATION AND INVESTEES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Term	Unit Price	Payment Terms	Ending Balance	% to Total	
BES Engineering Corporation	BES Machinery Corporation	Subsidiary	Purchase	\$ 161,716	1.46	-	\$ -	-	Accounts payable \$(61,008)	(1.99)	
BES Machinery Corporation	BES Engineering Corporation	Parent company	Sale	(161,716)	(55.86)	-	-	-	Accounts receivable, net \$61,008	42.72	

**BES ENGINEERING CORPORATION AND INVESTEES**

**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, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
BES Engineering Corporation (the "Corporation")	Agora Garden Corporation ("Agora")	Related party in substance	\$ 302,747 (Note)	-	\$ -	-	\$ 302,747	\$ -

Note: Included in other current assets.

## BES ENGINEERING CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2009  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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) Recognized (Note 1)	Note
				Dec. 31, 2009	Dec. 31, 2008	Shares	Percentage of Ownership	Carrying Amount			
BES Engineering Corporation	Core Pacific World Corporation	Taipei, Taiwan	Makes investments	\$ 1,528,214	\$ 1,528,214	115,741,900	99.78	\$ 1,024,784	\$ (76,421)	\$ (71,839)	The difference of NT\$4,414 thousand resulted from the discount amortized.
	Core Pacific City Co., Ltd.	Taipei, Taiwan	Department store	1,758,760	1,260,000	276,000,000	20.47	919,131	(366,568)	(64,121)	Investee is a subsidiary The difference of NT\$10,934 thousand resulted from the lost before the investment
	BES Machinery Corporation	Kaohsiung, Taiwan	Leases engineering machinery and equipment, and wholesale construction materials and provides consulting service for designing and planning projects, except for certain architectural matters	842,988	842,988	75,213,198	96.58	856,720	27,912	26,958	Investee is a subsidiary Investee is a subsidiary
	BES Investment Company Ltd.	Hong Kong	Overseas construction and equipment sale	681,625	681,625	20,900,000	100.00	719,855	113,441	113,441	Investee is a subsidiary
	BES Logistics International Co., Ltd.	Republic of Mauritius	Makes investments	348,278	348,278	10,900,000	100.00	500,825	58,625	58,625	Investee is a subsidiary
	Corporacion De Inversion Y Desarrollo BES, S.A. (Costa Rica) (BES, S.A.)	Costa Rica	Operates processing districts	181	181	800	100.00	114,802	11,276	11,276	Investee is a subsidiary
	Coreasia Human Resource Management Corporation	Taipei, Taiwan	Consultancy on business administration and investments	60,000	60,000	6,000,000	100.00	77,614	5,487	5,487	Investee is a subsidiary
	Chung Kung Safeguarding & Security Corporation	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	47,550	9,844	6,521	The difference of NT\$126 thousand resulted from the discount amortized and unrealized profits from upstream transaction for NT\$29 thousand.
	Cinemark-Core Pacific Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	34,314	12,158	2,198	The difference of NT\$328 thousand resulted from the discount amortized.
	BES Construction Corporation (BES, U.S.A.)	Georgia, U.S.A.	Develops lands for investments	259,562	259,562	8,509	91.78	31,240	(176)	(162)	Investee is a subsidiary
	BES Global Investment Co.	B.V.I.	Overseas construction and equipment sale	51,313	48,019	1,510,100	100.00	25,530	(3,335)	(3,335)	Investee is a subsidiary
	Huatung Power Corporation	Taipei, Taiwan	Operates power plants	183,000	183,000	18,300,000	30.00	11,827	(21,329)	(6,398)	
	BA&BES Contracting (L.L.C.)	Dubai, UAE	Engineering and construction	10,696	10,696	1,200,000	40.00	-	(14,946)	(5,979)	
Core Pacific Consulting Corporation	Taipei, Taiwan	Consultancy on business administration and investments	14,729	14,729	-	-	-	767	422		
Core Pacific World Corporation	Chinese City International Investment Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	400,476	5,231	5,231	Investee is a subsidiary
	Zhong Hua Cheng Development Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	399,547	5,384	5,384	Investee is a subsidiary
	K9 International Entertainment Corporation	Taipei, Taiwan	Entertaining	37,876	30,000	3,787,560	30.00	1,672	(120,677)	(36,203)	Investee is a subsidiary
BES Machinery Corporation	BESM Holding Co., Ltd.	B.V.I.	Holds investments	162,163	162,163	5,075,000	100.00	198,363	12,144	12,144	Investee is a subsidiary
	Cinemark-Core Pacific Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	91,930	91,930	7,593,680	62.76	135,488	12,158	8,768	The difference of NT\$1,138 thousand resulted from the discount amortized
	K9 International Entertainment Corporation	Taipei, Taiwan	Entertaining	50,501	40,000	5,050,080	40.00	2,230	(120,677)	(48,271)	Investee is a subsidiary Investee is a subsidiary (Note 2)

(Continued)

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) Recognized (Note 1)	Note
				Dec. 31, 2009	Dec. 31, 2008	Shares	Percentage of Ownership	Carrying Value			
BES Investment Company Ltd.	Wei-Jing Holdings Ltd. BES Construction Corporation (BES U.S.A.)	B.V.I. Georgia, U.S.A.	Holds investments Develops lands for investments	\$ 463,104 25,724	\$ 463,104 25,724	14,400,000 761	44.67 8.22	\$ 714,756 2,795	\$ 254,985 (176)	\$ 113,902 (14)	Investee is a subsidiary
BES Logistics International Co., Ltd.	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Xiamen, China	Engages in the logistics, storage and trading business	341,921	341,921	-	39.20	494,124	149,916	58,767	
Coreasia Human Resource Management Corporation	Elite Human Resource Management Co., Ltd.	Taipei, Taiwan	Human resource consulting	5,000	5,000	500,000	100.00	6,437	984	984	Investee is a subsidiary
Chung Kung Safeguarding & Security Corporation	BES Consultant Corporation	Taipei, Taiwan	Business management consulting and running parking lots	10,000	10,000	-	100.00	14,867	1,543	1,543	Investee is a subsidiary
	Core Pacific Department Maintenance and Management	Taipei, Taiwan	Manages department maintenance and renders related services	3,803	3,803	-	37.00	4,088	98	36	Investee is a subsidiary
Cinemark-Core Pacific Ltd.	K9 International Entertainment Corporation	Taipei, Taiwan	Entertaining	37,876	30,000	3,787,560	30.00	1,682	(120,677)	(36,203)	Investee is a subsidiary
BES Global Investment Co.	BES Global Consulting (Shanghai) Co., Ltd.	Shanghai, China	Provides engineering consulting services.	47,597	47,597	-	100.00	22,708	(3,224)	(3,224)	Investee is a subsidiary
Zhong Hua Cheng Development Co., Ltd.	Core Pacific Consulting (Changshu) Co., Ltd.	Changshu, China	Provides engineering consulting services	305,982	305,982	-	100.00	386,124	7,141	7,141	Investee is a subsidiary
Chinese City International Investment Co., Ltd.	Hua Cheng Consulting (Changshu) Co., Ltd.	Changshu, China	Provides engineering consulting services	305,982	305,982	-	100.00	385,227	12,633	12,633	Investee is a subsidiary
BESM Holding Co., Ltd.	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Xiamen, China	Engages in the logistics, storage and trading business	167,565	167,565	-	9.80	199,699	149,916	14,692	
BES Consultant Corporation	Core Pacific Department Maintenance and Management	Taipei, Taiwan	Manages department maintenance and renders related services	6,300	6,300	-	63.00	6,961	98	62	Investee is a subsidiary

Note 1: The investees' financial statements as of and for the year ended December 31, 2009 had all been audited, except of Core Pacific Consulting Corporation, which need not to audited.

Note 2: The investments of BES Engineering Corporation, and BES Machinery Corporation in Cinemark-Core Pacific Ltd. equaled 78.14%.

(Concluded)

## BES ENGINEERING CORPORATION AND INVESTEEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company Name	Investee Company Name	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, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2008	% Ownership of Indirect Investment	Investment Gain (Loss) Recognized (Note)	Carrying Amount as of Dec. 31, 2008	Accumulated Inward Remittance of Earnings as of Dec. 31, 2009
						Outflow	Inflow					
BES Engineering Corporation	BES Global Consulting (Shanghai) Co., Ltd.	Provides engineering consulting services	\$ 47,597 (US\$ 1,400,000)	Indirect	\$ 47,597 (US\$ 1,400,000)	\$ -	\$ -	\$ 47,597 (US\$ 1,400,000)	100.00	\$ (3,224) (US\$ 98,000)	\$ 22,708 US\$ 710,000	\$ -
BES Engineering Corporation	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, storage and trading business	864,229 (RMB200,000,000)	Indirect	341,921 (US\$ 10,703,000)	-	-	341,921 (US\$ 10,703,000)	39.20	58,767 US\$ 1,779,000	498,290 US\$15,576,000	-
Core Pacific World Corporation	Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000,000)	Indirect	305,982 (US\$ 9,000,000)	-	-	305,982 (US\$ 9,000,000)	100.00	7,301 US\$ 221,000	385,227 US\$12,042,000	-
Core Pacific World Corporation	Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000,000)	Indirect	305,982 (US\$ 9,000,000)	-	-	305,982 (US\$ 9,000,000)	100.00	7,147 US\$ 216,000	386,124 US\$12,070,000	-
BES Machinery Corporation	Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, storage and trading business	864,229 (RMB 200,000,000)	Indirect	167,565 (RMB 40,900,000)	-	-	167,565 (RMB 40,900,000)	9.80	14,224 US\$ 445,000	200,647 US\$ 6,272,000	-

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2009	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
BES Engineering Corporation	US\$ 12,103,000	US\$ 12,345,000	\$ 11,223,184
Core Pacific World Corporation	US\$ 18,000,000	US\$ 19,000,000	616,242
BES Machinery Corporation	RMB 40,900,000	RMB 40,900,000 (US\$ 5,067,000)	532,234

Note: The calculation of investment gain (loss) was based on the investee's audited financial statements.