SINO-AMERICAN SILICON PRODUCTS INC.
AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2009 and 2010
(With Independent Auditors' Report Thereon)

KPMG

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Independent Auditors' Review Report

The Board of Directors
Sino-American Silicon Products Inc.:

We have reviewed the accompanying consolidated balance sheets of Sino-American Silicon Products Inc. and subsidiaries (the "Company") as of June 30, 2009 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. We did not review the financial statements of a subsidiary, GlobiTech Incorporated, for the six-month periods ended on June 30, 2009 and 2010 which are included in the consolidated financial statements. This subsidiary had total assets of NT$1,560,324 thousand and NT$1,950,074 thousand as of June 30, 2009 and 2010, respectively, and total revenue of NT$315,805 thousand and NT$958,853 thousand for the six-month periods ended June 30, 2009 and 2010, respectively. Those financial statements were reviewed by other auditors, whose reports have been furnished to us, and our reviews, insofar as it relates to the amounts included for GlobiTech Incorporated, is based solely on the reports of the other auditors.

We conducted our review in accordance with Republic of China Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquires of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review and the reports of the other auditors, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the financial statements, effective January 1, 2009, the Company and its subsidiaries adopted the amended Republic of China Statement of Financial Accounting Standards ("SFAS") No. 10 "Inventories", resulting in a decrease in net income and basic earnings per common share-retroactively adjusted, of NT$60,892 thousand and NT$0.21, respectively, for the six-month period ended June 30, 2009.

The accompanying consolidated financial statements as of and for the six-month period ended June 30, 2010, have been translated into United States dollars solely for the convenience of the readers. We have reviewed the translation, and based on our review, we are not aware of any material modifications that should be made to such translation for it to be in conformity with the basis set forth in note 2(21) to the consolidated financial statements.

KPMG

Hsinchu, Taiwan (the Republic of China)
August 4, 2010

Note to Readers

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

Reviewed only, not audited in accordance with generally accepted auditing standards

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2009 and 2010
(Expressed in thousands of dollars)

	2009	2010	
Assets	**NT$**	**NT$**	**US$**
Current assets:			
Cash (note 4)	1,057,790	1,588,712	49,232
Notes and accounts receivable, net (note 6)	1,386,991	2,468,049	76,481
Accounts receivable from related parties (note 18)	113,369	165,104	5,116
Other financial assets – current	140,924	115,985	3,594
Inventories (note 7)	1,202,624	2,047,031	63,435
Prepayments and other current assets (note 20)	806,326	1,076,084	33,346
Total current assets	4,708,024	7,460,965	231,204
Long-term investments:			
Equity-method investments (note 8)	64,435	-	-
Available-for-sale financial assets – non-current (note 5)	298,909	368,109	11,407
Financial assets carried at cost – non-current (note 5)	1,614,994	1,731,701	53,663
Other financial assets – non-current (note 19)	4,152	4,215	131
Total long-term investments	1,982,490	2,104,025	65,201
Property, plant and equipment (notes 19):			
Land	26,254	25,822	800
Buildings and improvements	2,766,831	4,043,163	125,292
Machinery and equipment	4,903,179	6,605,872	204,706
Other equipment	574,639	1,345,865	41,706
	8,270,903	12,020,722	372,504
Less: accumulated depreciation	(3,032,838)	(4,105,927)	(127,237)
Prepayment for equipment and construction in progress	2,185,788	1,260,869	39,073
Net property, plan and equipment	7,423,853	9,175,664	284,340
Intangible assets (note 9):			
Goodwill	701,416	689,875	21,378
Land use rights (note 19)	10,328	10,001	310
Total intangible assets	711,744	699,876	21,688
Other assets:			
Other assets (note 13)	13,558	11,549	358
Long-term prepayments for materials (note 20)	5,046,596	4,191,740	129,896
Total other assets	5,060,154	4,203,289	130,254
Total Assets	19,886,265	23,643,819	732,687

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

June 30, 2009 and 2010
(Expressed in thousands dollars)

	2009	2010	
Liabilities and Stockholders' Equity	**NT$**	**NT$**	**US$**
Current liabilities:			
Short-term borrowings (notes 10 and 19)	1,561,931	1,139,888	35,323
Notes and accounts payable	1,357,219	1,912,002	59,250
Payables to related parties (note 18)	296	23,022	713
Dividends payable (note 14)	554,390	299,627	9,285
Current portion of received in advance for sales (note 20)	532,164	543,319	16,837
Current portion of long-term loans payable (notes 11 and 19)	235,294	888,000	27,518
Current installments of long-term notes payable (notes 12 and 19)	8,878	-	-
Deferred income tax liabilities – current (note 16)	3,529	2,571	80
Accrued expenses and other current liabilities	720,783	1,084,889	33,619
Total current liabilities	4,974,484	5,893,318	182,625
Long-term loans payable (notes 11 and 19)	3,077,059	2,852,000	88,379
Other liabilities:			
Other liabilities – other (notes 13, 16 and 19)	158,832	262,243	8,127
Revenue received in advance for sales – non-current (note 20)	4,449,071	4,002,768	124,040
Total other liabilities	4,607,903	4,265,011	132,167
Total liabilities	12,659,446	13,010,329	403,171
Stockholders' equity (note 14):			
Common stock	2,219,231	2,996,263	92,850
Advance receipts for common stock	2,273	-	-
Stock dividends to be distributed	460,062	213,993	6,631
Capital surplus	2,627,923	4,616,134	143,047
Retained earnings:			
Legal reserve	540,429	587,985	18,221
Unappropriated earnings	869,009	1,683,004	52,154
	1,409,438	2,270,989	70,375
Other :			
Foreign currency translation adjustment	254,813	213,055	6,602
Unrecognized pension cost	-	(16,049)	(497)
Unrealized gain on available-for-sale financial assets	253,079	339,105	10,508
	507,892	536,111	16,613
Total stockholders' equity	7,226,819	10,633,490	329,516
Commitments and contingencies (notes 10,11 and 20)			
Total Liabilities and Stockholders' Equity	19,886,265	23,643,819	732,687

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands dollars, except for earnings per share)

	2009	2010	
	NT$	NT$	US$
Net sales (note 18)	5,152,614	9,516,657	294,907
Processing revenue	10,157	7,185	223
Net revenue	5,162,771	9,523,842	295,130
Cost of goods sold (notes 7 and 18)	4,700,088	7,814,246	242,152
Gross profit	462,683	1,709,596	52,978
Operating expenses:			
Selling	48,940	61,224	1,897
Administrative	71,913	187,816	5,820
Research and development	220,216	290,504	9,003
	341,069	539,544	16,720
Operating income	121,614	1,170,052	36,258
Non-operating income and gains:			
Interest income	4,681	546	17
Government grants (note 20)	10,675	1,672	52
Gain on disposal of investments	9,528	9,534	295
Foreign exchange gain, net	24,966	41,264	1,279
Other income	13,155	43,140	1,336
	63,005	96,156	2,979
Non-operating expenses and losses:			
Interest expense	48,364	36,562	1,133
Investment loss recognized by equity method (note 8)	1,002	-	-
Impairment loss of financial assets (note 5)	-	32,949	1,021
	49,366	69,511	2,154
Income before income taxes	135,253	1,196,697	37,083
Income tax expense (note 16)	(14)	166,074	5,146
Net income	135,267	1,030,623	31,937
	NT$	NT$	US$
Earnings per share (in dollars) (note 15)			
Basic earnings per share	0.51	3.21	0.10
Basic earnings per share – retroactively adjusted	0.48		
Diluted earnings per share	0.50	3.18	0.10
Diluted earnings per share – retroactively adjusted	0.47		

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands dollars)

	Common stock	Advance receipts for common stock	Stock dividends to be distributed	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Foreign currency translation adjustment	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Total
Balance at January 1, 2009	$ 2,211,777	845	-	2,518,916	368,171	1,903,902	257,218	-	113,256	7,374,085
Appropriation of earnings:										
Legal reserve	-	-	-	-	172,258	(172,258)	-	-	-	-
Stock dividends	-	-	443,512	-	-	(443,512)	-	-	-	-
Cash dividends	-	-	-	-	-	(554,390)	-	-	-	(554,390)
Issuance of stock from exercised employee Stock options	7,454	1,428	-	5,557	-	-	-	-	-	14,439
Stock dividends to employees as bonus	-	-	16,550	103,450	-	-	-	-	-	120,000
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	139,823	139,823
Foreign currency translation adjustments	-	-	-	-	-	-	(2,405)	-	-	(2,405)
Net income for the six-month period ended June 30, 2009	-	-	-	-	-	135,267	-	-	-	135,267
Balance at June 30, 2009	$ 2,219,231	2,273	460,062	2,627,923	540,429	869,009	254,813	-	253,079	7,226,819
Balance at January 1, 2010	$ 2,994,413	508	-	4,592,617	540,429	1,209,302	179,760	(16,049)	381,076	9,882,056
Appropriation of earnings:										
Legal reserve	-	-	-	-	47,556	(47,556)	-	-	-	-
Stock dividends	-	-	209,738	-	-	(209,738)	-	-	-	-
Cash dividends	-	-	-	-	-	(299,627)	-	-	-	(299,627)
Issuance of stock from exercised employee Stock options	1,850	(508)	-	772	-	-	-	-	-	2,114
Stock dividends to employees as bonus	-	-	4,255	22,745	-	-	-	-	-	27,000
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	(41,971)	(41,971)
Foreign currency translation adjustments	-	-	-	-	-	-	33,295	-	-	33,295
Net income for the six-month period ended June 30, 2010	-	-	-	-	-	1,030,623	-	-	-	1,030,623
Balance at June 30, 2010	$ 2,996,263	-	213,993	4,616,134	587,985	1,683,004	213,055	(16,049)	339,105	10,633,490

Note: SAS's profit sharing to employees and bonus to directors in the amount of NT$204,390 thousand and NT$104,328 thousand, had been charged against earnings of 2008 and 2009, respectively.

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands dollars)

	2009	2010	
	NT$	NT$	US$
Cash flows from operating activities:			
Net income	135,267	1,030,623	31,937
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	479,304	634,249	19,654
Amortization	3,657	2,432	75
Provision for inventory obsolescence and devaluation loss	13,984	22,195	688
Provision for (reversal of) allowance for doubtful accounts	14,097	(30,070)	(932)
Gain on disposal of the financial assets	(9,528)	(9,534)	(295)
Gain on disposal of fixed assets	-	(691)	(21)
Investment loss recognized by equity method	1,002	-	-
Impairment loss of financial assets	-	32,949	1,021
Change in operating assets and liabilities:			
Notes and accounts receivable	125,766	(239,727)	(7,429)
Notes and accounts receivable – related parties	(33,354)	(44,935)	(1,392)
Inventories	495,504	(746,888)	(23,145)
Prepayments for materials	(405,249)	74,381	2,305
Other financial assets – current	(21,937)	93,824	2,907
Deferred income tax assets	(11,422)	70,499	2,185
Other current assets	(40,912)	(8,239)	(255)
Notes and accounts payable	451,884	525,061	16,271
Accounts payable – related parties	(20,814)	1,368	42
Revenue received in advance for sales	(177,621)	(249,120)	(7,720)
Accrued pension liabilities	907	1,178	37
Accrued expenses and other current liabilities	(59,235)	389,157	12,059
Net cash provided by operating activities	941,300	1,548,712	47,992
Cash flows from investing activities:			
Proceeds from disposal of available-for-sale financial assets – non-current	11,916	10,214	317
Acquisition of financial assets carried at cost	(692,250)	(67,400)	(2,089)
Acquisition of property and equipment	(1,263,008)	(1,614,535)	(50,032)
Proceeds from disposal of property and equipment	-	15,017	465
Increase in other assets	(21,228)	(662)	(20)
Net cash used in investing activities	(1,964,570)	(1,657,366)	(51,359)

(Continued)

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of New Taiwan dollars)

	2009	2010	
	NT$	NT$	US$
Cash flows from financing activities:			
Net increase in short-term borrowings	207,853	106,842	3,311
Increase in long-term loans payable	812,353	610,000	18,903
Proceeds from issuance of stock for employee stock options exercised	14,439	2,114	65
Net cash provided by financing activities	1,034,645	718,956	22,279
Effect of exchange rate changes on cash	(1,792)	5,091	158
Net increase in cash	9,583	615,393	19,070
Cash at beginning of period	1,048,207	973,319	30,162
Cash at end of period	1,057,790	1,588,712	49,232
Supplemental disclosures of cash flow information:			
Cash payments of interest	47,094	35,547	1,102
Cash payments of income taxes	26,908	24,129	748
Non-cash investing and financing activities:			
Current portion of long-term loans payable	235,294	888,000	27,518
Current installments of notes payable	8,878	-	-
Declared cash dividend to be distributed.	554,390	299,627	9,285
Acquisition of property, plant and equipment:			
Increase in property, plant and equipment	1,115,605	1,676,074	51,939
Decrease (increase) in payables on equipment	147,403	(61,539)	(1,907)
	1,263,008	1,614,535	50,032

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2009 and 2010

(Expressed in New Taiwan dollars and US dollars,
except for per share information and unless otherwise noted)

1. Organization and Principal Activities

Sino-American Silicon Products Inc. ("SAS") was incorporated in January 1981 under the ROC Company Act, and established the Chunan Branch in June 2005. SAS's main activities include the research, development, production, sale of semiconductor ingots/wafers, solar ingots/wafers, and sapphire wafers, and services of integration and installment of photovoltaic systems.

SAS's common shares were publicly listed on the Over-the-Counter Market ("OTC") in March 2001. As of June 30, 2009 and 2010, SAS and its consolidated subsidiaries ("the Company") had 1,307 and 2,030 employees, respectively.

2. Summary of Significant Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the Republic of China (ROC). These consolidated financial statements are not intended to present the financial position and the related results of operations and cash flows of the Company based on accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China.

Significant accounting policies are as follows:

(1) Overview of consolidated entities

Name of Investor	Name of Investee	Main activities	Percentage of ownership at June 30, 2009	2010
SAS	Sino Silicon Technology Inc. (SSTI)	Investment holding and sales of products through a subsidiary in China	100	100
SSTI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trade of ingots and wafers	100	100
SAS	GlobiTech Incorporated (GT)	Production of epitaxial wafers, silicon wafers, and operation of a wafer foundry	100	100

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SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of SAS, and the accounts of investees in which SAS's ownership percentage is less than 50% but over which SAS has a controlling interest. All significant intercompany balances and transactions are eliminated upon consolidation.

(3) Use of Estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent liabilities. Actual results could differ from these estimates.

(4) Foreign-currency Transactions and Translation

The reporting currency and functional currency of SAS and its Taiwan subsidiaries is the New Taiwan Dollars. The Company records transactions in their respective functional currency, which generally is the local currency of the primary economic environment in which these entities operate. Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. If the financial assets or liabilities are evaluated at fair value through profit or loss, non-monetary assets and liabilities are translated using the spot rate on the balance sheet date, and the resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. If the financial assets or liabilities are evaluated at fair value through stockholders' equity, the resulting unrealized exchange gain (loss) from such translations is recorded as a separate component of stockholders' equity.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars, using the following exchange rates: Assets and liabilities — spot rates at year-end; shareholders' equity — historical rates; income and expenses — average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

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SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(5) Classification of Current and Noncurrent Assets and Liabilities

Current assets are cash and cash equivalent, assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are classified as noncurrent assets and liabilities, respectively.

(6) Asset Impairment

The Company reviews the Company's assets (an individual asset or cash-generating unit associated with the asset, other than goodwill) for impairment at each balance date. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment is reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized

The Company reviews the Company's intangible assets with indefinite useful lives and not available- for- use intangible assets for impairment at each balance date. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss.

(7) Financial Instruments

The Company uses transaction-date accounting for financial instrument transactions. At initial recognition, financial instruments are evaluated at fair value. Except for financial assets and liabilities measured at fair value through profit or loss, acquisition cost or issuance cost is added to the originally recognized amount. Subsequent to initial recognition, financial instruments are measured as follows:

(a) Financial assets and liabilities measured at fair value through profit or loss: Financial instruments are classified into this category if the purpose of acquisition is principally for selling or repurchasing in the near term. Except for effective hedging derivative financial instruments, all financial derivatives are included in this category. Changes in fair values are charged to current operations

(Continued)

(b) Available-for-sale financial assets: These are measured at fair value, and any changes, excluding impairment loss and unrealized foreign currency exchange gain or loss, are reported as a separate component of stockholders' equity until realized. Realized gain or loss on financial instruments is charged to current operations. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss decreases, the previously recognized impairment loss for equity securities is reversed to the extent of the decrease and recorded as an adjustment to equity, while for debt securities, the reversal is allowed through profit or loss provided that the decrease is clearly attributable to an event which occurs after the impairment loss is recognized.

(c) Financial assets carried at cost: Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

(8) Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined based on the account aging analysis, current trends in the credit quality of customers, and results of management's evaluation of collectability of outstanding balance of receivable.

(9) Inventories

The cost of inventories consists of costs of purchase, costs of process, and other costs incurred in bringing the inventories to their present location and condition. The fixed production overheads are allocated to the finished goods and work in progress based on the normal capacity of the production facilities. If the actual yield is approximately or greater than the normal capacity, the fixed production overheads are allocated based on the actual yield of the production facilities. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are measured individually at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted-average-cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(10) Equity-Method Investments

The equity method is adopted when the aggregate shareholding of the Company and its affiliated companies in the investee exceeds 20% of common shares, or is less than 20% of the investee's common stock ownership, but the Company and its affiliated companies have a significant influence on the investee. The difference between investment cost and underlying equity in net assets is analyzed according to following allocation procedures of the acquisition cost:

i. If the difference comes from non-current assets that can be depreciated, depleted or amortized, such difference is amortized over the estimated remaining economic lives. If the difference between investment cost and underlying equity in net assets comes from discrepancies between the book values of assets and their fair values, then all unamortized differences are offset when conditions making such over- or under-valuation are no longer present.
ii. If the investment cost exceeds the fair value of identifiable net assets, the excess is recognized as goodwill.
iii. If the fair value of identifiable net assets exceeds the investment cost, the excess is used to reduce the carrying amounts of non-current assets in proportion to their fair values. If there is still a difference when the carrying amounts become zero, the difference is recognized as extraordinary gain.

If an investee company issues new shares and the Company do not subscribe in proportion to its original ownership percentage, the equity in the investee's net assets might be changed. The resulting change in the equity interest is adjusted against capital surplus and long-term investments.

Unrealized inter-company profits or losses resulting from transactions between the Company and affiliated companies and their investees accounted for under the equity method are deferred. The profits or losses resulting from depreciable or amortizable–assets are recognized over the estimated useful lives of such assets. The profits or losses from other assets are recognized when realized.

(11) Property, Plant and Equipment and Idle Assets

Property, plant and equipment are stated at cost. Significant renewals and improvements are treated as capital expenditures. Repairs and maintenance are charged to expenses as incurred.

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Depreciation of property, plant and equipment is provided for by using the straight-line method over the estimated useful lives of the respective assets. At the end of each fiscal year, the Company reviews the remaining useful life, depreciation method and salvage value of property, plant and equipment. Any changes in the remaining useful life, depreciation method and salvage value are regarded as changes in accounting estimates. The useful lives of the main property, plant and equipment are as follows:

(a) Buildings: 2 to 40 years.
(b) Machinery and equipment: 2 to 15 years.
(c) Other equipment: 2 to 20 years.

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or losses.

Property, plant and equipment not used in operations are reclassified to idle assets, which are measured at the lower of carrying amount or net realizable value. Pursuant to the amended Statement of Financial Accounting Standards (SFAS) No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", the cost, accumulated depreciation, and accumulated impairment of property, plant and equipment not used in operations are reclassified to idle assets. Depreciation of idle assets is provided for by using the straight-line method over the remaining estimated useful life.

(12) Intangible Assets

Effective from January 1, 2007, the Company adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, expenditure on research, other than goodwill and intangible assets acquired in a business combination, is charged to expense as incurred. An intangible asset arising from technology development is recognized when the Company can demonstrate all of the following:

(a) The technical feasibility of completing the intangible assets so that it can be made available for use or sale.
(b) Its intention to complete the intangible assets and use or sell it.
(c) Its ability to use or sell the intangible assets.
(d) The probability that the intangible assets will generate future economic benefits.
(e) The availability of adequate technical, financial and other resources to complete the development.
(f) Its ability to measure reliably the expenditure attributable to the intangible assets during its development.

The residual value, useful life and amortization method for an in tangible asset with a finite useful life are reviewed at least at each fiscal year-end. Any changes thereof are accounted for as changes in accounting estimate.

(Continued)

Goodwill represents the excess of the cost of the acquisition over the interest in the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. Goodwill is no longer amortized but is measured at cost less accumulated impairment losses.

(13) Deferred Charges

Deferred charges, including syndicated loan application expense and electrical facility installation charges which are capitalized as deferred expenses, are amortized on a straight-line basis over their estimated useful lives, ranging from two to five years.

(14) Retirement Plan

SAS established an employee non-contributory defined benefit retirement plan ("the Plan") covering all regular employees employed before June 30, 2005. In accordance with the Plan, the Company's employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the years of service and the average salary for the six-month period before the employee's retirement. Each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is 45 months of salary. Beginning July 2005, pursuant to the ROC Labor Pension Act (hereinafter referred to as the "New Act"), employees who elected to participate in the New Act or joined the Company after July 1, 2005, are covered by a defined contribution plan under the New Act. For these employees, SAS is required to make a monthly contribution at a rate of no less than 6% of the employee's monthly wages to the employee's individual pension fund account at the ROC Bureau of Labor Insurance. Anything not covered by the original retirement plan is handled pursuant to the New Act.

For the defined benefit plan of the ROC Labor Standards Law (the "old system"), SAS carries out an actuarial calculation of its pension obligation at year-end. Based on the actuarial calculation, SAS recognizes a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan participants, including current service cost, interest cost, the actual return on plan assets, unrecognized pension obligation at transition, prior service cost, and pension gains or losses amortized on a straight-line basis over the estimated residual service periods of employees participating in the "Plan". In accordance with the requirement of the ROC Labor Standards Law, SAS contributes monthly at the rate of 2% of salaries and wages to a pension fund.

Under the New Act, SAS contributes 6% of each employee's monthly wages to the Bureau of Labor Insurance. Pension cost is recognized in the period when the contribution is made.

SST and GT have set up their respective retirement plans based on local government regulations. Pension costs are recognized in the period when the actual contributions are made. SSTI did not recognize pension costs as it has no employees.

(Continued)

(15) Share-based Payment

SAS adopted SFAS No. 39 "Share-based Payment" for share-based payment arrangements with a grant date on or after January 1, 2008. The Accounting Research and Development Foundation ("ARDF") Interpretations No. (92) 070, 071, and 072 were applied for employee share options that were granted before January 1, 2008.

(a) An equity-settled share-based payment transaction is measured based on the fair value of the award at the grant date, and recognized as expenses over the vesting period with a corresponding increase in equity. The vesting period is estimated based on the vesting conditions under the share-based payment arrangement. Vesting conditions include service conditions and performance conditions (including market conditions). In estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into consideration.

(b) The fair value of a share-based award is estimated using the Black-Scholes option-pricing model, taking into account the exercise price, the current market price of the underlying shares, management's best estimate of the expected term, the expected volatility, the expected dividends, and the risk-free interest rate.

(c) The Company need not apply SFAS No. 39 retrospectively to a share-based payment award that was granted before January 1, 2008; however, pro forma net income and earnings per share must be presented for the transaction.

The capital increase by cash arising from the exercise of employee stock subscription rights commencing from January 1, 2008, is accounted for in accordance with ARDF Interpretation No. 96-267. According to this Interpretation, compensation cost is calculated based on the option-pricing model on the grant date and is amortized over the vesting period. The grant date is either the ex-rights date or the date of approval by the board of directors if the approval from the board of directors is required.

(16) Revenue Recognition

Sales revenue is recognized when title to the products and the risks and rewards of ownership are transferred to the clients, which occurs principally at the time of shipment. Conversion revenue is recognized when the conversion work has been completed and processed products are delivered.

(17) Government Grants

Income from government grants for research and development is recognized as non-operating income when qualifying expenditures are made and income is realizable.

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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(18) Employee Bonuses and Remuneration to Directors and Supervisors

Effective January 1, 2008, in accordance with Interpretation No. (96) 052 issued by the ARDF, SAS estimates the amount of employee bonuses and remuneration to directors and supervisors and charges it to current operations, classified under the cost of goods sold or operating expense, whichever is appropriate. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements is accounted for as a change in accounting estimate, and charged to profit or loss in the subsequent year.

(19) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences and tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred income tax assets will not be realized, a valuation allowance is recognized accordingly. If a company can control the timing of the reversal of temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

According to Statement of SFAS No. 22 “Income Taxes,” when a change in the income tax rate is enacted, any deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the recalculated amount and original amount, of deferred tax liability or asset is reported as an adjustment to income tax expense (benefit) for income from continuing operations.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related assets or liabilities. If the deferred income tax asset or liability is not directly related to a specific asset or liability, the classification is based on the expected realization period.

The Company’s purchase of machinery and technology for the automation of production and expenditures for research and development and for training entitle the Company to tax credits that are recognized by using the flow-through method.

According to the ROC Income Tax Act, SAS’s earnings are subject to an additional 10 percent corporate income surtax if not distributed. This surtax is charged to income tax expense in the following year when the shareholders decide not to distribute the earnings.

(Continued)

The income tax return of each consolidated entity is filed separately and is not consolidated with SAS's filing. The Company's income tax expense in the consolidated financial statements includes the accounts of SAS and its subsidiaries.

(20) Earnings Per Common Share

Basic EPS are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. The Company's employee stock options and employee stock bonuses to be issued after January 1, 2009, are potential common stock. If all the potential common stock are not dilutive only the basic EPS is disclosed. Otherwise, both the basic EPS and dilutive EPS are disclosed. In computing the diluted EPS, net income (loss) and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming the dilutive share equivalent had been issued. The weighted-average number of outstanding shares is retroactively adjusted for the effect of stock dividends transferred from retained earnings and capital surplus to common stock, and employee stock bonuses issued prior to January 1, 2009. Effective January 1, 2009, EPS are no longer retroactively adjusted for employee stock bonuses.

(21) Convenience Translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the June 30, 2010, New Taiwan dollar financial statement amount into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of Federal Reserve Statistical Release on June 30, 2010 of NT$32.27 to US$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representation that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Reasons for and Effect of Changes in Accounting Principles

Effective January 1, 2009, the Company adopted SFAS No. 10 "Inventories," as amended, resulting in a decrease in net income and basic earnings per common share – retroactively adjusted of NT$60,892 thousand and NT$0.21, respectively, for the six–month period ended June 30, 2009.

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

4. Cash

The components of cash as of June 30, 2009 and 2010, were as follows:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Cash on hand	640	582	18
Time deposits	-	101,210	3,136
Cash in banks	1,057,150	1,486,920	46,078
	1,057,790	1,588,712	49,232

5. Financial Instruments

Available-for-sale financial assets—non-current and financial assets carried at cost—non-current as of June 30, 2009 and 2010, were as follows:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Available-for-sale financial assets—non-current:			
Publicly listed companies:			
Acron Technology Corp.	298,909	368,109	11,407
Financial assets carried at cost—non-current:			
Non-publicly listed stocks:			
Songlong Electronics Co., Ltd.	-	-	-
GlobiTech Holding Company (GHC)	-	-	-
Wafer Tech China (WTC)	-	-	-
Giga Epitaxy Technology Corp.	7,499	7,499	232
Sunrise Global Solar Energy Corp.(SGSE)	100,000	145,000	4,494
21-Century Silicon, Inc.	15,795	-	-
Clean Venture 21 Corporation	171,540	154,386	4,784
SILFAB SPA	1,320,160	1,320,160	40,910
ZE Poly Pte Ltd.	-	82,256	2,549
Accusolar Power Co., Ltd.	-	22,400	694
	1,614,994	1,731,701	53,663

(Continued)

The above investments in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured were classified as financial assets carried at cost.

The Company's investment in GHC and WTC was NT$262,615 thousand (US$8,000 thousand) and NT$14,509 thousand (US$450 thousand), respectively. The Company's percentage of ownership of GHC and WTC was 15.62% and 9.6%, respectively. Pursuant to a stockholders' resolution in 2008, GHC and WTC decreased its capital, and then went into liquidation and dissolution. GHC and WTC were disbanded in December, 2009.

As the 21-Century Silicon, Inc. and Clean Venture 21 Corporation were experiencing recurring loss from operation, the Company recognized impairment loss thereon of NT$32,949 thousand for the six-month period ended June 30, 2010.

In order to integrate the supply chain and diversify the investment portfolio, the Company invested in Accusolar Power Co., Ltd. in 2010.

Please refer to note 8 for the investment in ZE Poly Pte Ltd.

6. Notes and Accounts Receivable, Net

Notes and accounts receivable as of June 30 2009 and 2010, were as follows:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Notes receivable	82,009	85,077	2,636
Accounts receivable	1,321,975	2,391,777	74,118
Less: allowance for doubtful accounts	(16,993)	(8,805)	(273)
	1,386,991	2,468,049	76,481

(Continued)

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7. Inventories

The components of inventories as of June 30 2009 and 2010, were as follows:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Merchandise	707	2,262	70
Less: provision for devaluation	(118)	(538)	(17)
	589	1,724	53
Finished goods	224,467	293,258	9,087
Less: provision for devaluation	(31,074)	(34,443)	(1,067)
	193,393	258,815	8,020
Work in process and semi-finished goods	161,570	346,280	10,731
Less: provision for devaluation	(3,309)	(6,195)	(192)
	158,261	340,085	10,539
Raw materials	753,528	1,273,157	39,453
Less: provision for devaluation	(22,263)	(39,324)	(1,218)
	731,265	1,233,833	38,235
Supplies	125,979	228,086	7,068
Less: provision for devaluation	(6,863)	(15,512)	(480)
	119,116	212,574	6,588
	1,202,624	**2,047,031**	**63,435**

For the six-month periods ended June 30, 2009 and 2010, the Company recognized cost of goods sold of NT$20,878 thousand and NT$22,195 thousand, respectively, resulting from the write-down of inventory costs to net realizable value and unallocated fixed manufacturing overhead.

8. Equity-Method Investments

Equity-method investments as of June 30, 2009, and related investment loss recognized thereon for the six-month period ended June 30, 2009, were as follows:

Investee	June 30, 2009
	NT$
ZE Poly Pte Ltd.	64,435
Investment loss recognized by equity method, net	1,002

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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As part of its business strategy and assurance of continuous raw material supply, the Company invested NT$60,920 thousand (US$2,000 thousand) in ZE Poly Ltd. ("ZE") in 2008. In December 2009, the Company's equity interest in ZE decreased from 20.00% to 18.57% as a result of disproportionate participation in ZE's capital increase, therefore the Company lost the ability to exercise significant influence over the ZE and then changed its method of accounting for its equity investment thereon from equity method accounting to cost method. As of the date of change, the carrying amount of investment under equity method became the new carrying amount of the investment under the cost method as of the date of the change.

9. Intangible Assets

Intangible assets as of June 30, 2009 and 2010, consisted of the following:

	For the six-month period ended June 30, 2009			
	Beginning balance	Amortization	Foreign currency translation	Ending balance
	NT$	NT$	NT$	NT$
Goodwill	702,421	-	(1,005)	701,416
Land use rights	10,455	120	(7)	10,328
	712,876	120	(1,012)	711,744

	For the six-month period ended June 30, 2010				
	Beginning balance	Amortization	Foreign currency translation	Ending balance	
	NT$	NT$	NT$	NT$	US$
Goodwill	684,575	-	5,300	689,875	21,378
Land use rights	9,972	114	143	10,001	310
	694,547	114	5,443	699,876	21,688

(Continued)

10. Short-term Borrowings

Short-term borrowings as of June 30, 2009 and 2010, were as follows:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Loan for working capital	765,785	952,324	29,511
Loan for purchasing materials	796,146	187,564	5,812
	1,561,931	1,139,888	35,323
Unused facilities	2,302,168	3,208,267	99,419
Range of interest rate	1.03% to 3.75%	0.94% to 1.50%	

In May 2008, GT entered into a "Revolving Line" of credit agreement with the bank. The Revolving Line contained debt covenants, including financial covenants relating to liquidity, net worth and minimum earnings thresholds. At June 30, 2009, GT was not in compliance with some of the aforementioned covenants but had received from the bank a waiver for complying with such covenants. GT signed a new contract with no covenants with bank at June 30, 2010.

As of June 30, 2009 and 2010, certain property, plant and equipment and land use rights were pledged as collateral; please refer to note 19 for related discussion on this matter.

11. Long-term Loans Payable

As of June 30, 2009 and 2010, long-term loans payable were as follows:

Financial institution	Key term and repayment period	June 30, 2009 NT$	June 30, 2010 NT$	June 30, 2010 US$
Chang Hwa Bank (lead bank of syndicated loan)	Payable in 17 quarterly installments starting from 12 months after the date of borrowing	2,382,353	1,500,000	46,483
Mega International Commercial Bank (lead bank of syndicated loan)	Payable in 15 quarterly installments starting from 18 months after the date of borrowing	630,000	1,940,000	60,118
E. Sun Bank	From June 15, 2009 to June 15, 2012, payable in quarterly installments, starting from September 15, 2010.	300,000	300,000	9,296
Less: current portion		(235,294)	(888,000)	(27,518)
		3,077,059	2,852,000	88,379
Range of interest rates		1.65% to 1.86%	1.65%	
Unused facilities		1,870,000	560,000	17,354

On March 12, 2008 the Company obtained syndicated loan credit facilities of NT$2,500,000 thousand from Chang Hwa Bank and 7 other banks. Under these credit facilities, the Company complies annually and semi-annually with all financial covenants based on consolidated financial statements, such as those relating to current ratio, debt ratio, interest coverage ratio, and the amount of net worth.

On December 18, 2008, the Company obtained additional syndicated loan credit facilities of NT$2,500,000 thousand from Mega International Commercial Bank and 5 other banks. Under these credit facilities, the Company is required to comply with all financial covenants based on annual and semi-annual consolidated financial statements, such as those relating to current ratio, debt ratio, interest coverage ratio, and the amount of net worth.

If the Company did not maintain certain financial ratios as specified in the loan agreement with Chang Hwa Bank and Mega International Commercial Bank, the Company should apply for a wavier, stating therein the reasons and measures to be taken, based on the loan agreement. The banks have rights to request for repayments, if the banks verified the breach of the loan agreement.

According to the loan agreements, a commitment fee is charged annually and payable based on 0.1% to 0.2% of the committed-to-withdraw but unused balance, provided that the actual withdrawal amount is less than the expected withdrawal amount at the committed date. No commitment fee was paid for the six-month period ended June 30, 2010.

The Company was in compliance with the aforementioned financial covenants as of June 30, 2010.

As of June 30, 2009 and 2010, certain property, plant and equipment were pledged as collateral; please refer to note 19 for related discussion on this matter.

12. Long-term Notes Payable

As of June 30, 2009, long-term notes payable were as follows:

	2009
	NT$
Long-term notes payable	8,878
Less: Current portion	(8,878)
	-
Range of interest rates	0% to 5.5%

The long-term portion of the debt is anticipated to mature in June, 2010 based on customer sales estimates.

As of June 30, 2009, certain property, plant and equipment were pledged as collateral; please refer to note 19 for related discussion on this matter.

13. Retirement Plans

For the six-month periods ended June 30, 2009 and 2010, the information on pension costs was as follows:

	For the six-month periods ended June 30,		
	2009	2010	
	NT$	NT$	US$
Ending balance of pension fund	40,428	39,333	1,219
Periodic pension costs:			
Defined benefit pension plan	2,173	2,496	77
Defined contribution pension plan	5,676	14,417	447
	7,849	16,913	524

(Continued)

	For the six-month periods ended June 30,		
	2009	2010	
	NT$	NT$	US$
Ending balance of prepaid pension cost (accrued pension liability)	22,384	40,880	1,267
Ending balance of deferred pension cost	1,267	1,617	50

Cash contributions by SST and GT under local laws were charged to current operations as pension cost amounting to NT$2,480 thousand and NT$3,174 thousand for the six-month periods ended June 30, 2009 and 2010, respectively.

14. Stockholders' Equity

(1) Common stock

Pursuant to a stockholders' resolution on June 3, 2009, SAS increased its authorized common stock to NT$5,000,000 thousand, and its common stock by 46,006 thousand shares through the capitalization of unappropriated earnings and employee bonuses of NT$443,512 thousand and NT$120,000 thousand, respectively. The number of common shares issued as employee bonuses was 1,655 thousand shares, which was determined by dividing the amount of employee bonuses by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholder's meeting. The common shares were issued at NT$72.51 per share. This capital increase was registered with the governmental authorities. The record date for this capital increase was July 19, 2009.

Pursuant to a directors' resolution on June 11, 2009, SAS increased its common stock by issuing the shares between 25,000 thousand and 31,250 thousand shares for cash. The capital increase of NT$2,254,292 thousand, divided into 31,250 thousand shares issued at NT$73.10 per share, was approved by the governmental authorities on June 30, 2009, and the registration process completed on July 30, 2009. The cost for issuing such common stock amounted to NT$30,082 thousand. The record date for this capital increase was July 24, 2009.

Pursuant to a stockholders' resolution on June 15, 2010, SAS increased its common stock by 21,399 thousand shares through the capitalization of unappropriated earnings and employee bonuses of NT$209,738 thousand and NT$27,000 thousand, respectively. The number of common shares issued as employee bonuses was 426 thousand shares, which was determined by dividing the amount of employee bonuses by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholder's meeting. The issuance price for the share is NT$63.46 per share. As the record date for this capital increase is July 18, 2010, it was accounted for as stock dividends awaiting distribution.

(Continued)

As of June 30, 2009 and 2010, the authorized common stock were NT$5,000,000, of which NT$200,000 thousand was reserved for employee stock options, subscription warrants and outstanding corporate bonds convertible into shares. The issued common stock amounted to NT$2,219,231 thousand, and NT$2,996,263 thousand, respectively, with par value of NT$10 per share.

(2) Employee stock option plans

In June 2004, the Securities and Futures Bureau ("SFB") approved SAS's plan to issue 10,000,000 units of employee stock options. Each unit entitles the holder to subscribe for one common share of SAS, and the exercise period for the options is 6 years starting from the grant date. As of June, 30, 2010, the outstanding employee stock option plans were as follows:

Item	Authoriza-tion date	Grant date	Vesting period	Issued units in thousands	Exercise price per share (NT$)	Fair value per share on grant date (NT$)	Adjusted exercise price per share (NT$)
First employee stock option in 2004	June 1, 2004	August 11, 2004	Service periods between two and four years	5,000	16.20	16.20	10.20
Second employee stock option in 2004	June 1, 2004	January 31, 2005	Service periods between two and four years	5,000	23.00	23.00	15.20

For the fist half of 2009 and 2010, 828 thousand shares and 147 thousand shares, respectively, of SAS's employee stock options were exercised. Of those shares, 138 thousand shares, were still in the subscription process, cash receipts thereof were recorded under advance receipts for common stock amounting to NT$2,273 thousand as of June 30, 2009.

SAS applied the intrinsic value method at grant date in accounting for stock options granted to employees in 2004 under the stock option plan. Under the intrinsic value method, no compensation cost was recognized since the exercise price of SAS's employee stock options was equal to the market price of the underlying stock on the date of grant.

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If the compensation cost of employee stock options was estimated by using the fair-value method in accordance with SFAS No. 39 and the Black-Scholes model was used to estimate the fair value of employee stock options granted, the weighted-average assumptions were as follows:

Expected dividend yield	4 %
Expected volatility	15.00% to16.25%
Risk-free interest rate	1.69%
Expected continuing period	6 years

The SAS's outstanding stock options as of and for the six–month periods ended June 30, 2009 and 2010, were as follows:

	For the six-month periods ended June 30,			
	2009		2010	
Employee stock options	**Options (thousands)**	**Weighted-average exercise price**	**Options (thousands)**	**Weighted-average exercise price**
		NT$		**NT$**
Balance, beginning of period	1,213	17.32	147	14.38
Options granted	-	-	-	-
Options exercised	828	17.45	147	14.38
Options cancelled	-	-	-	-
Balance, end of period	385	17.02	-	-
Options exercisable at end of period	385	17.02	-	-

	For the six-month periods ended June 30,	
	2009	2010
	NT$	NT$
Weighted-average fair value of options granted during the period for the first batch of employee stock option in 2004 (NT$)	1.20	1.20
Weighted-average fair value of options granted during the period for the second batch of employee stock options in 2004 (NT$)	1.60	1.60

The weighted-average market price per share of common stock was NT$69.44 and NT$78.69 in the first half of 2009 and 2010, respectively. As of June 30, 2009, the weighted-average remaining contractual life of outstanding options was 1.49 years.

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If the compensation cost of employee stock options was accounted for by using the fair-value method, the pro forma net income and earnings per share in the financial statements for the six-month period ended June 30, 2009 would be as follows:

		For the six-month Period ended June 30, 2009
		NT$
Net income	Net income	135,267
	Pro forma net income	135,233
Basic earnings per share	Earnings per share (NT$)	0.48
	Pro forma earnings per share (NT$)	0.48
Diluted earnings per share	Earnings per share (NT$)	0.47
	Pro forma earnings per share (NT$)	0.47

(3) Capital surplus

Capital surplus consisted of the following as of June 30, 2009 and 2010:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Additional paid-in capital	2,627,355	4,615,566	143,029
Treasury stock	546	546	17
Others	22	22	1
	2,627,923	4,616,134	143,047

According to the Republic of China Company Act, capital surplus, including premium from issuing stock and donations received, shall be initially applied to offset accumulated deficits before it can be used to increase common stock. Pursuant to the Republic of China Securities and Exchange Act, the total sum of capital surplus capitalizeable annually shall not exceed 10 percent of the issued common stock. Capital surplus arising from premium from issuing stock shall only be used to increase common stock one year after it has been approved by and registered with the relevant governmental authorities.

(4) Legal reserve

Pursuant to the ROC Company Act, 10% of the annual earnings shall be allocated as legal reserve until the accumulated legal reserve equals the issued common stock. Legal reserve can only be used to offset accumulated deficits and increase common stock.

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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(5) Distribution of earnings and dividend policy

According to SAS's articles of incorporation as revised on June 19, 2008, 10 percent of the annual earnings, after offsetting accumulated deficits and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The distribution of the remaining earnings together with the prior year's unapproriated earnings could be proposed by the board of directors and approved in the shareholders' meeting as follows:

(a) At least 1% as employee bonuses.

(b) 2% as remuneration to directors and supervisors

(c) The remaining earnings as shareholders' dividends.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, distribution of cash dividends should not be less than 50% of total dividends.

According to ROC SFB regulations, a publicly listed company should retain a special reserve equal to any contra account of deduction to stockholders' equity such as foreign currency translation adjustments, etc. before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings.

Employee bonuses and remuneration to directors and supervisors in 2009 and 2010 were based on SAS's net income for the six-month periods ended June 30, 2009 and 2010, after setting aside 10% as legal reserve, multiplied by a certain percentage estimated by management in consideration of the average figure for previous years. Accordingly, the Company recognized and accrued employee bonuses of NT$16,771 thousand and NT$142,560 thousand for the six-month periods ended June 30, 2009 and 2010, respectively. The Company also recognized remuneration to directors and supervisors of NT$2,236 thousand and NT$19,008 thousand for the six-month periods ended on June 30, 2009 and 2010, respectively. For employee stock bonuses, the number of common shares was determined by the closing price of SAS's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting. If the stockholders' meeting subsequently approves an actual distribution different from what was accrued, the difference will be accounted for as a change in accounting estimate and charged to the net income of the following year.

The dividend per share, the employees' bonuses and directors' and supervisors' remuneration which were distributed from unappropriated earnings for 2008 and 2009 on June 3, 2009, and June 15, 2010, respectively, were as follows:

(Continued)

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	2008	2009	
	NT$	NT$	US$
Dividend per common stock			
Cash	2.50	1.00	0.03
Stock(in par value)	2.00	0.70	0.02
	4.50	1.70	0.05
Employee bonuses—stock	120,000	27,000	837
Employee bonuses—cash	60,344	65,054	2,016
Directors' and supervisors' remuneration	24,046	12,274	380
	204,390	104,328	3,233

There was no difference between the above earnings distribution and the resolution of SAS's board of directors.

The amount of employees' bonuses and directors' and supervisors' remuneration of the Company for 2010 is subject to the proposal of the board of directors and the approval of the stockholders. The related information about earnings distribution can be found in the Market Observation Post System of the Taiwan Stock Exchange.

15. Earnings per Share ("EPS")

The basic earnings per share and diluted earnings per share attributable to the stockholders of SAS for the six-month periods ended June 30, 2009 and 2010 were calculated as follows:

	For the six-month periods ended June 30,					
	2009		2010			
	Before taxes	After taxes	Before taxes		After taxes	
	NT$	NT$	NT$	US$	NT$	US$
Basic earnings per share:						
Net income	152,522	135,267	1,115,540	34,569	1,030,623	31,937
Shares of common stock at beginning of period (thousand shares)	221,233	221,233	299,479		299,479	
Add: Issuance of new shares from shareholders' stock dividends, and employee stock bonus	44,607	44,607	21,012		21,012	
Issuance of stock from exercise of stock options	576	576	122		122	
Weighted-average number of common shares outstanding	266,416	266,416	320,613		320,613	
Basic earnings per common share (NT$)	0.57	0.51	3.48	0.11	3.21	0.10
Basic earnings per common share (NT$)–retroactively adjusted	0.53	0.48				

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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	For the six-month periods ended June 30,					
	2009		2010			
	Before taxes	After taxes	Before taxes		After taxes	
	NT$	NT$	NT$	US$	NT$	US$
Diluted earnings per share:						
Net income	152,522	135,267	1,115,540	34,569	1,030,623	31,937
Effects of dilutive potential common stock:						
Weighted-average number of common shares outstanding	266,416	266,416	320,613		320,613	
Add: Potential dilution effects of common shares – exercise of stock options assumed at the time of issuance	499	499	20		20	
The potential shares of employee bonuses settled by issuing shares	1,979	1,979	3,559		3,559	
Diluted weighted-average number of common shares outstanding	268,894	268,894	324,192		324,192	
Diluted earnings per share (NT$)	0.57	0.50	3.44	0.11	3.18	0.10
Diluted earnings per share (NT$) – retroactively adjusted	0.53	0.47				

Effective January 1, 2008, in accordance with ARDF Interpretation No. (97) 169, in calculating the diluted earnings per share, the full amount of employee bonuses accrued pursuant to ARDF Interpretation No. (96) 052 are assured to be settled through the issuance of stock. The number of common shares assumed to be issued, which represents potential common stock, is determined based on the fair value of the Company's common stock on the balance sheet date, taking into account the effects of any recent dividend announcement and rights offering. When such potential common stock has dilutive effect, all potentially dilutive common stock is added to the weighted-average number of common shares outstanding during the year in computing diluted EPS.

16. Income Taxes

Pursuant to the Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries, SAS is entitled to elect appropriate tax incentives for exemption from corporate income taxes for five consecutive years based on subsequent capital increases for the purpose of manufacturing wafers and ingots of semiconductor materials. As of June 30, 2010, the details of SAS's tax exemption due to the capital increase were as follows:

Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
Increase of capital by capitalizing the retained earnings and employee	Exemption from corporate income taxes for five consecutive years	December 2004	Jan. 1, 2008~ Dec. 31, 2012

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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Year of investment	Tax exemption chosen	Approval by the Ministry of Finance	Tax exemption period
bonuses in 2003			
Increase of capital by capitalizing the retained earnings and employee bonuses in 2004	Exemption from corporate income taxes for five consecutive years	November 2005	Jan. 1. 2009~ Dec. 31, 2013
Capital increase for cash in 2005	Exemption from corporate income taxes for five consecutive years	August 2007	Jan. 1, 2007~ Dec. 31, 2011
Increase of capital by capitalizing the retained earnings and employee bonuses in 2005	Exemption from corporate income taxes for five consecutive years	February 2007	Jan. 1, 2010~ Dec. 31, 2014
Capital increase for cash in 2006, and increase of capital by capitalizing the retained earnings and employee bonuses in 2006	Exemption from corporate income taxes for five consecutive years	August 2008	Jan. 1, 2011~ Dec. 31, 2015
Increase of capital by capitalizing the retained earnings and employee bonuses in 2007	Exemption from corporate income taxes for five consecutive years	February 2009	Oct. 31, 2008~ Nov. 30, 2013
Capital increase for cash in 2008, and increase of capital by capitalizing the retained earnings and employee bonuses in 2008	Exemption from tax credits for stockholders	The investment has not yet been completed	-
Capital increase for cash in 2009, and increase of capital by capitalizing the retained earnings and employee bonuses in 2009	Exemption from corporate income taxes for five consecutive years or tax credits for stockholders	The investment has not yet been completed	-

The income tax return of each consolidated entity is filed separately and is not consolidated with the Company.

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SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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The components of income tax expense for the six–month periods ended June 30, 2009 and 2010 were as follows:

	For the six-month periods ended June 30,		
	2009	2010	
	NT$	NT$	US$
Current	11,408	95,575	2,962
Deferred	(11,422)	70,499	2,184
	(14)	166,074	5,146

Effective January 1, 2006, an alternative minimum tax ("AMT") in accordance with the Income Basic Tax Act ("IBTA") is calculated. Pursuant to the Income Tax Act, as revised on May 27, 2009, the statutory income tax rate applicable to SAS will be reduced from 25% to 20% starting from 2010. In June 2010, the Republic of China government promulgated another amendment of the Income Tax Law to reduce further the income tax rate from 20% to 17%, effective retrospectively on January 1, 2010. Therefore, the statutory income tax rate applicable to SAS is 25% and 17% in 2009 and 2010, respectively. The tax rates for the foreign subsidiary companies are based on the tax law of each tax jurisdiction. The income tax calculated on pretax accounting income at the statutory tax rate was reconciled with income tax expense as reported in the consolidated statements of income for the six-month periods ended June 30, 2009 and 2010, as follows:

	For the six-month periods ended June 30,		
	2009	2010	
	NT$	NT$	US$
Income tax computed at the statutory tax rate	12,458	278,511	8,631
Additional 10% surtax on undistributed earnings	55,242	-	-
Income tax exemption	(9,234)	(58,078)	(1,800)
Tax effect of permanent differences and others	(2,939)	(1,621)	(50)
Investment tax credits	(35,033)	-	-
Change in valuation allowance, adjustment for over-estimated income tax and other	15,224	(28,156)	(873)
Effect of tax rate adjustment	(35,732)	(24,582)	(762)
Income tax expense	(14)	166,074	5,146

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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The components of deferred income tax assets (liabilities) as of June 30, 2009 and 2010, were as follows:

	June 30,		
	2009	2010	
	NT$	NT$	US$
Deferred tax assets (liabilities) – current:			
Unrealized exchange gain	(13,030)	(17,572)	(545)
Provision for inventory devaluation	9,501	14,328	444
Unutilized investment tax credits	61,771	23,972	743
Available loss carryforward	-	31,690	982
Others	-	(20,987)	(650)
	58,242	31,431	974
Loss: valuation allowance	(61,771)	(34,002)	(1,054)
	(3,529)	(2,571)	(80)
Deferred tax assets (liabilities) – non-current:			
Unrealized investment gain recognized by equity method	(4,041)	(71,909)	(2,228)
Unrealized impairment loss on investment carried at cost	13,581	17,144	531
Foreign currency translation adjustment	(67,990)	(48,662)	(1,508)
Provision for foreign investment	(86,335)	(76,217)	(2,361)
Unutilized investment tax credits	-	77,193	2,392
Available loss carryforward	75,761	-	-
Others	7,203	10,665	330
	(61,821)	(91,786)	(2,844)
Loss: valuation allowance	(42,721)	(101,653)	(3,150)
	(104,542)	(193,439)	(5,994)
Total deferred tax assets	167,817	174,992	5,422
Total deferred tax liabilities	171,396	235,347	7,292
Total valuation allowance	104,492	135,655	4,204

In accordance with the tax law of respective jurisdiction, losses of foreign subsidiaries as assessed by the tax authorities can be carried forward to offset the future years' taxable profits. As of June 30, 2009 and 2010, the tax effects of the unused loss carry forwards, which can be used until 2028, aggregated to NT$75,761 thousand and NT$31,690 thousand, respectively, which they could use until 2028.

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SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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Pursuant to article 12 of the ROC Statute for Upgrading Industries, a company making foreign investments under the statute may set aside an amount up to 20% of the total outward investment as reserve to cover any investment loss when it occurs.

Pursuant to the Statute for Upgrading Industries, tax credits from purchase of machinery and research and development expenditure may be applied to offset income tax payable over a period of five years. The amount of tax credits available to be applied in any year is limited to 50% of the income tax payable for that year, except for the final year in which such tax credit expires.

As of June 30, 2010, the Company's unused investment tax credits and related expiration years were as follows:

Year of assessment	Expiration year	Unused investment tax credit NT$	US$
2009 (estimated)	2013	101,165	3,135

As of June 30, 2010, SAS's income tax returns had been examined by the tax authorities through year 2007.

Information related to the undistributed earnings and the imputation credit account ("ICA") of SAS as of June 30, 2009 and 2010, was as follows:

	June 30, 2009	June 30, 2010	
	NT$	NT$	US$
Unappropriated earnings:			
Earnings generated before January 1, 2008	10,095	10,095	313
Earnings generated commencing from January 1, 2008	858,914	1,672,909	51,841
	869,009	1,683,004	52,154
ICA balance	58,917	49,097	1,521
Expected creditable ratio for earnings distribution to resident stockholders	8.13% (actual)	7.64% (estimated)	

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SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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17. Financial Instruments

(1) Fair value of financial instruments

As of June 30, 2009 and 2010, except for certain financial assets and liabilities identified below, the carrying amounts of financial instruments approximate their fair value.

	June 30,					
	2009		2010			
	Book value	Fair value	Book value		Fair value	
	NT$	NT$	NT$	US$	NT$	US$
Financial assets:						
Financial assets carried at cost	1,614,994	as below (c)	1,731,701	53,663	as below (c)	-
Financial liabilities:						
Long-term notes payable	8,878	8,878	-	-	-	-
Off-balance-sheet financial instruments:						
Letters of credit	-	66,419	-	-	247,295	7,663
Guarantee	-	740,602	-	-	727,145	22,533

The methods and assumptions used to estimate the fair value of each class of financial instruments were as follows:

(a) The Company's non-derivative financial assets or liabilities with short-term maturities include notes and accounts receivable (including related parties), other financial assets, short-term borrowings, dividends payable, accrued expenses and other current liabilities, and notes and accounts payable (including related parties), whose fair value was estimated based on book value at the balance sheet date. The carrying amounts approximate their fair value due to the short-term maturities of these items.

(b) The fair value of available-for-sale financial assets was determined based on the active market quoted price if it is available.

(c) Financial assets, whose fair values are not practically determinable because they are not traded in an active public market, are carried at cost. Refer to note 5 for details.

(d) The fair value of long-term notes payable was estimated based on the present value of future discounted cash flows during the installment payment periods.

(e) The fair value of long-term loans payable bearing floating-rate approximates the carrying value.

(f) The fair values of off-balance-sheet financial instruments were estimated based on the contract price.

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As of June 30, 2009 and 2010, the fair values of the Company's financial assets and liabilities determined by publicly quoted market prices, if available or determined using a valuation technique were as follows:

	June 30,					
	2009		2010			
	Publicly quoted market price	Fair value based on valuation technique	Publicly quoted market price		Fair value based on valuation technique	
	NT$	NT$	NT$	US$	NT$	US$
Financial assets:						
Cash	1,057,790	-	1,588,712	49,232	-	-
Available-for-sale financial assets – non-current	298,909	-	368,109	11,407	-	-
Notes and accounts receivable (including related parties)	-	1,500,360	-	-	2,633,153	81,597
Other financial assets – current	-	140,924	-	-	115,985	3,594
Other financial assets – non-current	-	4,152	-	-	4,215	131
Financial liabilities:						
Short-term borrowings	-	1,561,931	-	-	1,139,888	35,323
Notes and accounts payable (including related parties)	-	1,357,515	-	-	1,935,024	59,963
Dividends payable	-	554,390	-	-	299,627	9,285
Accrued expenses and other current liabilities	-	720,783	-	-	1,084,889	33,619
Long-term notes payable (including current portion)	-	8,878	-	-	-	-
Long-term loans payable (including current portion)	-	3,312,353	-	-	3,740,000	115,897

(2) Financial risk information

(a) Market price risk

The foreign currency assets and liabilities and the publicly traded stocks held by the Company are classified as available-for-sale financial assets and measured at fair value. Therefore, the Company is exposed to the risks of equity market price change and exchange rate volatility.

(b) Credit risk

The Company's potential credit risk is derived primarily from cash and accounts receivable. The Company maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk on cash.

(Continued)

The main customers of the Company belong to the silicon wafer and related industries. It is a Company's normal practice to provide customers with a credit limit according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of June 30, 2009 and 2010, accounts representing 51% and 52%, respectively of the Company's accounts receivable were from a group of ten customers.

Although there is a potential for concentration of credit risk, the Company routinely assess the collectability of the accounts receivable and provide a corresponding allowance for doubtful accounts.

(c) Liquidity risk

The Company sourced its working capital from the capital market to reduce the risk of being unable to fulfill contract obligations. As there is no active market for financial assets carried at cost, the Company is exposed to liquidity risk thereon.

(d) Cash flow risk resulting from change in interest rates

The Company's short-term and long-term borrowings bear floating-interest-rate. As a result, the Company is exposed to fluctuation in interest rates that affect cash flows for interest payments on these borrowings. At June 30, 2009 and 2010, if interest rates increase by 0.25%, the future annual interest expense would increase by NT$12,186 and NT$12,200 thousand, respectively.

18. Related-party Transactions

(1) Names and relationships of related parties with significant transactions with the Company were as follows:

Name of related party	Relationship with the Company
Actron Technology Corporation (ATC)	SAS is a member of the board of ATC
Lite-On Semiconductor Corp. (LITEON)	SAS's chairman is a member of the board of LITEON
Shanghai Seefull Electronic Co., Ltd. (SSE)	Investee of LITEON accounted for under the equity method
Song Long Electronics Co., Ltd. (SLE)	The vice chairman of SAS is a member of the board of directors of SLE

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(2) Significant transactions with related parties

(a) Sales and accounts receivable

Net sales to related parties for the six-month periods ended June 30, 2009 and 2010, were as follows:

	For the six-month periods ended June 30,				
	2009		2010		
	Amount	Percentage of net sales	Amount		Percentage of net sales
	NT$		NT$	US$	
ATC	111,446	2	188,353	5,837	2
SSE	1,160	-	9,426	292	-
LITEON	12,585	-	3,571	111	-
SLE	162	-	471	14	-
	125,353	2	201,821	6,254	2

The selling prices of sales to related parties were determined by products' specifications, which were not comparable with those of other customers. The credit terms for the related parties were month-end 90 days and between 60 days to 150 days as of June 30, 2009 and 2010, respectively. The credit terms for unrelated parties were both 0 day to 120 days as of June 30, 2009 and 2010.

As of June 30, 2009 and 2010, accounts receivable resulting from sales to related parties were as follows:

	June 30,				
	2009		2010		
	Amount	Percentage of total receivable	Amount		Percentage of total receivable
	NT$		NT$	US$	
ATC	98,922	7	153,347	4,752	6
SSE	1,327	-	9,570	297	-
LITEON	13,050	1	1,818	56	-
SLE	70	-	369	11	-
	113,369	8	165,104	5,116	6

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SINO-AMERICAN SILICON PRODUCTS INC. AND SUBSIDIARIES
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(b) Purchase, conversion fees and accounts payable

Purchase and conversion fees paid to related parties for the six-month periods ended June 30, 2009 and 2010, were as follows:

	For the six-month periods ended June 30,			
	2009		2010		
	Amount	Percentage of net purchases	Amount		Percentage of net purchases
	NT$		NT$	US$	
SLE	29,888	-	68,974	2,137	-

The purchase prices of procurement from related parties and outsourcing process were determined by product specifications, which were not comparable with those of other customers. The payment terms for related parties were, both 45 days as of June 30, 2009 and 2010; in contrast, for unrelated parties the payment terms were both 0 to 120 days as of June 30, 2009 and 2010.

As of June 30, 2009 and 2010, payables resulting from the above transactions were as follows:

	June 30,				
	2009		2010		
	Amount	Percentage of total payable	Amount		Percentage of total payable
	NT$		NT$	US$	
SLE	296	-	23,022	713	1

(Continued)

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19. Pledged Assets

Assets pledged as collateral as of June 30, 2009 and 2010, were as follows:

Pledged assets	Pledged to secure	June 30, 2009 NT$	June 30, 2010 NT$	June 30, 2010 US$
Buildings and improvements	Short-term borrowings and long-term loans payable	133,717	2,105,808	65,256
Machinery and equipment and other equipment	Long-term loans , long-term notes and other liabilities	1,574,286	1,928,634	59,766
Land use rights	Short-term borrowings	10,328	10,001	310
Time deposits (recorded in other financial assets — non-current)	Guarantee for solar energy system being used for demonstration	48	73	2
		1,718,379	4,044,516	125,334

20. Commitments and Contingencies

Aside from those matters discussed in notes 10 and 11, the commitments and contingencies were as follows:

(1) SAS and Industrial Development Bureau, Ministry of Economic Affairs entered into a subsidy contract named "High Quality Muli-Crystalline Silicon Substrates Development For High Efficiency Solar Cell", an Industrial Technology Development Programs (ITDP), with a grant of NT$20,000 thousand and term covering a period from January 1, 2008 to June 30, 2009. As stipulated in the contract, the ownership of know-how, technology and patent all belong to SAS; however, after the completion of aforementioned project, SAS has to comply with Article 35 of the "Act Governing Relations Between People of the Taiwan Area and the Mainland Area " and its related regulations, including " Permission to Engage in Investment or Technology Cooperation in the Area of Mainland" and " permission to Trade between the Area of Taiwan and Mainland China" when utilizing the research results in Mainland China.

(2) SAS and Science Park Administration entered into a research grant contract named "Growth of Non-polar Mono-Crystalline GaN on LiAlO2 Substrate Key technology development", with a grant-of NT$3,500 thousand and term covering a period from March 1, 1999 to February 28, 2010. As stipulated in the contract, the ownership of know-how, technology and patent all belong to SAS; however, ownership of the results of the research work commissioned by the academic units, is negotiated by both parties.

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(3) As of June 30, 2009 and 2010, the Company had outstanding letters of credit of NT$66,419 thousand and NT$247,295 thousand, respectively.

(4) Effective 2005, SAS has entered into several non-cancelable long-term material supply agreements with suppliers of silicon. The suppliers agree to ship silicon according to the agreements' quantity and purchase price from January 1, 2006, to December 31, 2019. The prepayments for materials were non-refundable, non-cancelable and paid by SAS on schedule as stipulated in the contract. The materials supply are guaranteed by the suppliers. In addition, due to the economic downturn, the market prices of raw materials of silicon fluctuated rapidly. Therefore, SAS negotiated with some raw material suppliers for the revision of the agreements with regard to the individual purchase prices based on market conditions. As of June 30, 2010, the materials for future delivery from suppliers under the current effective agreement were as follows:

	June 30, 2010
USD	$ 743,886
EUR	$ 162,326

In addition, SAS also entered into several non-cancelable long-term sales agreements with Poly silicon purchasers. According to these agreements, from January 1, 2006 to December 31, 2019, the purchasers agree to make prepayments and SAS is obligated to deliver the product on schedule as stipulated in the contracts. Also, if SAS defaulted the delivery schedule, SAS has to offer sales discounts or compensations ranging from one and half times to four times of undelivered products' applicable prepayments. However, SAS is required to refund the prepayments if SAS delays the delivery for three months. Additionally, due to the economic downturn which caused the decline in demand, solar battery purchasers attempted to negotiate with SAS to reduce the wafer prices. SAS had agreed to make agreements on pricing based on the market condition at that time. As of June 30, 2010, the amounts of future products delivery under current effective sales agreements were as follows:

	June 30, 2010
USD	$ 981,399
EUR	$ 264,871

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(5) GT has entered into several sales prepayment agreements with customers. According to these agreements, from October 2010 to December 2012, the customers agree to make prepayments and purchase minimum quarterly volume; GT is obligated to supply minimum quarterly capacity. If the customers comply with those agreements, GT commits to repay the prepayments in quarterly installments. Also the agreements set restriction on the selling price, GT will not revise the pricing based on the market condition at that time. As of June 30, 2010, the prepayments were pledged as collateral; please refer to note 19 for related discussion on this matter.

(6) SAS was penalized for NT$47,917 thousand by the Ministry of Finance, Directorate General of Customs, Taipei office ("DGOCT"), due to a dispute over the importing of products pursuant to the Customs Anti-smuggling Act. Therefore, SAS accrued the related loss in 2007 based on the accounting principle of conservatism. In addition, as requested by DGOCT, SAS needed to ask the bank to provide a performance guarantee letter to DGOCT in order to guarantee the payment of the same amount of penalty. On November 16, 2009, the governmental authority had withdrawn the penalty, therefore SAS reversed the aforementioned accrual and recognized it as non-operating income in 2009.

(7) As of June 30, 2009, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to NT$250,012 thousand, respectively.

(8) As of June 30, 2010, the Company had issued promissory notes of NT$4,632,166 thousand as collateral of bank loans..

(9) In order to help the subsidiaries to get financing from banks, SAS provided guarantees to the banks in favor of those subsidiaries. The details of these guarantees as of June 30, 2009 and 2010, were as follows:

	June 30,	
(USD)	2009	2010
SSTI	$ 18,600	16,600
GT	4,000	6,000
	22,600	22,600

(10) In May 2005, MEMC Southwest Inc. filed a lawsuit against GT in US District Court in Texas, United States. MEMC Southwest Inc. claimed that GT hired a former employee of MEMC Southwest Inc. who illegally utilized the confidential business information of MEMC Southwest Inc. As of the issue date of the consolidated financial report, GT cannot determine the outcome of the adjudication and penalty that might be paid or the estimated amount of the possible penalty.

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(11) SAS entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Hsinchu site of the Hsinchu Science Park. The land lease agreement covers a period from October 1, 2000 to September 30, 2020. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately NT$2,616 thousand.

SAS entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Chu-Nan site of the Hsinchu Science Park. The land lease agreement covers a period from March 17, 2005 to December 31, 2027. According to the lease agreement, rent is subject to adjustment based on the current land value, which is announced by the government. The annual rent is approximately NT$3,926 thousand.

SAS entered into a car lease agreement with HOTAL Leasing Corporation for a car intended for business use. The lease covers a period from February 2008 to January 2011. The annual rent is approximately NT$702 thousand.

As of June 30, 2010, minimum lease commitments in future years under the current operating lease agreements were as follows:

Year	Amount	
	NT$	US$
July. 2010 to June. 2015	33,773	1,047
July. 2015 to Dec. 2027	56,697	1,757
	90,470	2,804

21. Casualty Loss: None.

22. Subsequent Events: None.

23. Other Information

(1) The personnel expenses, depreciation, and amortization categorized by function for the six-month periods ended June 30, 2009 and 2010, were as follows:

	For the six-month periods ended June 30,								
	2009			2010					
Account	Cost of goods sold	Operating expenses	Total	Cost of goods sold		Operating expenses		Total	
	NT$	NT$	NT$	NT$	US$	NT$	US$	NT$	US$
Personnel expenses:									
Salaries	224,016	88,132	312,148	499,930	15,492	221,989	6,879	721,919	22,371
Labor and health insurance	23,625	5,267	28,892	32,804	1,017	5,205	161	38,009	1,178
Pension	6,744	3,585	10,329	16,627	515	3,460	107	20,087	622
Others	18,157	3,960	22,117	34,053	1,055	4,530	140	38,583	1,195
Depreciation	429,085	50,219	479,304	577,047	17,882	57,202	1,773	634,249	19,655
Amortization	1,993	1,664	3,657	361	11	2,071	64	2,432	75

(Continued)

The salary expense for the first half of 2009 and 2010 includes employee bonuses and remuneration of directors and supervisors of NT$19,007 thousand NT$161,568 thousand, respectively.

(2) The Company has provided a reserve for loss on outward investment, in accordance with the "Statute for Upgrading Industries". This reserve was computed at 20% of the total amount of outward investment, which is the limit stipulated by the "Statute for Upgrading Industries". The statute also stipulates that if there are no actual losses within five years after the initial provision of this reserve, the loss reserve should be reversed and recognized as revenue in the fifth year. However, as such reserve does not conform to accounting principles generally accepted in the Republic of China, the loss reserve is reversed during the preparation of the financial statements but the Company does not adjust the books. Accordingly, retained earnings on the Company's books were decreased by NT$448,334 thousand and NT$431,674 thousand as of June 30, 2009 and 2010, respectively.

(3) In order to meet the demand for operating capital, on June 15, 2010, the stockholders' resolution resolved to increase common stock by issuing GDRs covering approximately 80,000 thousand common shares. Additionally, on July 27, 2010, the Board of Directors of SAS resolved to increase common stock by issuing GDRs covering approximately 61,000 thousand common shares.

(4) Certain amounts in the financial statements for the six-month period ended June 30, 2009, have been reclassified to conform to the presentation for the six-month period ended June 30, 2010, for comparison purposes. These reclassifications do not have a significant impact on the financial statements for the six-month period ended June 30, 2009.

24. Segment Financial Information

In accordance with ROC SFAS No. 23, "Interim Financial Reporting", an enterprise is not required to comply with the disclosure requirements prescribed under ROC SFAS No. 20, "Segment Reporting", when preparing interim financial statements.