Test-Rite International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2008 and 2007 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Test-Rite International Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and subsidiaries (collectively, the "Company") as of June 30, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended (all expressed in thousands of New Taiwan dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to report on these financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 36 "Review of Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As mentioned in Note 2, certain insignificant subsidiaries' assets that amounted to $851,484 thousand and $235,857 thousand constituting 3.73% and 1.07% of the consolidated total assets as of June 30, 2008 and 2007 and operating revenues that amounted to $766,260 thousand and $407,418 thousand constituting 4.49% and 2.17% of the consolidated total operating revenues for the six months then ended were based on unreviewed financial statements of the subsidiaries. Also, as mentioned in Note 11, the Company's investments accounted for by the equity method that amounted to $1 thousand, and the credit balance on the book value of long-term equity investments of $702 thousand constituting 0.01% of the consolidated total assets as of June 30, 2008, and $1,027 thousand constituting 0.01% of the consolidated total assets as of June 30, 2007, and the equity in (losses) earnings of such investees that amounted to $(579) thousand and $1,579 thousand constituting (0.23%) and 0.23% of the consolidated income before income tax for the six months then ended were based on unreviewed financial statements of the investees.

Based on our reviews, except for such adjustments, if any, on the reported amounts of certain insignificant subsidiaries and equity-accounted investees and the related equity in earnings of such subsidiaries and investees had we reviewed the financial statements of such subsidiaries and investees as mentioned above, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the consolidated financial statements, effective January 1, 2008, Test-Rite International Co., Ltd. and subsidiaries adopted Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

August 20, 2008

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended to be in conformity with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent accountants' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent accountants' review report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,046,895	5	$ 1,261,792	6
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	427,069	2	579,839	3
Available-for-sale financial assets, current (Notes 2 and 6)	8,802	-	11,076	-
Held-to-maturity financial assets, current (Notes 2 and 14)	11,118	-	14,072	-
Financial assets carried at cost, current (Notes 2 and 7)	-	-	3,329	-
Bond investments without active market, current (Note 16)	30,000	-	-	-
Notes receivable (Notes 2 and 8)	104,051	-	89,699	-
Notes receivable from affiliates (Notes 2, 8 and 31)	586	-	26	-
Accounts receivable (Notes 2 and 8)	3,230,714	14	2,926,429	13
Accounts receivable from affiliates (Notes 2, 8 and 31)	-	-	92	-
Other receivables (Note 9)	848,921	4	442,858	2
Other financial assets, current	35,545	-	15,172	-
Inventories (Notes 2 and 10)	3,432,415	15	4,247,018	19
Prepayments	821,595	4	1,122,544	5
Other current assets	330,932	1	194,442	1
Total current assets	10,328,643	45	10,908,388	49
LONG-TERM INVESTMENTS				
Long-term equity investments at equity method (Note 11)	1	-	1,027	-
Investments in real estate (Note 12)	14,529	-	14,630	-
Available-for-sale financial assets, noncurrent (Note 13)	68,385	-	168,090	1
Held-to-maturity financial assets, noncurrent (Note 14)	7,397	-	7,397	-
Financial assets carried at cost, noncurrent (Note 15)	132,626	1	168,232	1
Bond investments without active market, noncurrent (Note 16)	-	-	30,000	-
Total long-term investments	222,938	1	389,376	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 18)				
Cost				
Land	669,140	3	1,015,957	5
Buildings and improvements	1,051,477	5	2,276,858	10
Machinery and equipments	1,410,730	6	1,368,565	6
Transportation equipment	90,629	-	94,767	-
Other equipment	7,262,643	32	6,802,415	31
Total cost	10,484,619	46	11,558,562	52
Revaluation increments	104,574	1	104,515	1
Less accumulated depreciation	(4,716,303)	(21)	(4,645,641)	(21)
Prepayments for property, plant and equipment	329,118	1	399,411	2
Property, plant and equipment, net	6,202,008	27	7,416,847	34
INTANGIBLE ASSETS				
Patent	64	-	187	-
Computer software cost	10,430	-	59,096	-
Goodwill (Note 2)	3,527,263	16	1,545,734	7
Total intangible assets	3,537,757	16	1,605,017	7
OTHER ASSETS (Notes 2 and 18)				
Refundable deposits	800,091	4	715,574	3
Deferred income tax assets noncurrent	698,193	3	521,588	3
Other assets - other	1,009,620	4	470,830	2
Total other assets	2,507,904	11	1,707,992	8
TOTAL	$ 22,799,250	100	$ 22,027,620	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 19)	$ 3,765,632	17	$ 5,570,251	25
Short-term obligations (Note 20)	45,000	-	-	-
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	-	-	675	-
Notes payable	141,809	1	207,183	1
Accounts payable	3,112,706	14	3,187,653	15
Income tax payable (Notes 2 and 30)	248,445	1	269,500	1
Other payables (Note 21)	1,609,735	7	1,637,706	8
Advance receipt	306,525	1	294,650	1
Current portion of long-term liabilities (Note 22)	402,400	2	660,012	3
Other current liabilities (Note 23)	316,773	1	189,871	1
Total current liabilities	9,949,025	44	12,017,501	55
LONG-TERM LIABILITIES				
Bonds payable (Note 24)	-	-	-	-
Long-term debt (Note 25)	4,550,564	20	1,718,750	8
Total long-term liabilities	4,550,564	20	1,718,750	8
ESTIMATED ACCRUED LAND VALUE INCREMENT TAX PAYABLE	36,740	-	36,740	-
OTHER LIABILITIES				
Accrued pension cost	181,822	1	163,248	1
Deposits received	29,628	-	24,504	-
Deferred credit (Note 17)	1,995,701	9	-	-
Other liabilities - others	93,985	-	116,242	-
Total other liabilities	2,301,136	10	303,994	1
Total liabilities	16,837,465	74	14,076,985	64
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Capital stock (Note 26)	4,652,434	20	4,488,646	20
Stock dividends to be distributed (Note 26)	84,226	-	115,408	1
Capital surplus				
Additional paid-in capital	520,130	2	519,650	3
Treasury stock	-	-	32,096	-
Long-term investments	30,123	-	45,127	-
Retained earnings (Note 27)				
Legal reserve	669,551	3	611,866	3
Unappropriated earnings	227,868	1	325,221	1
Cumulative translation adjustments (Note 2)	128,993	1	33,786	-
Net loss not recognized as pension costs	(16,964)	-	16	-
Unrealized holding loss on available-for-sale financial assets (Note 13)	(1,843)	-	(2,117)	-
Treasury stock (Notes 2 and 28)	(759,532)	(3)	(551,390)	(3)
Total equity attributable to stockholders of the parent	5,534,986	24	5,618,309	25
MINORITY INTEREST	426,799	2	2,332,326	11
Total stockholders' equity	5,961,785	26	7,950,635	36
TOTAL	$ 22,799,250	100	$ 22,027,620	100

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

(With Deloitte & Touche review report dated August 20, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES	$ 17,075,186	100	$ 18,751,755	100
OPERATING COST	12,666,210	74	13,649,360	73
GROSS PROFIT	4,408,976	26	5,102,395	27
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,192,656	25	4,142,435	22
INCOME FROM OPERATIONS	216,320	1	959,960	5
NON-OPERATING INCOME				
Interest income	26,334	-	12,103	-
Equity in net earnings of investees (Notes 2 and 11)	-	-	1,579	-
Gain on disposal of property, plant and equipment (Note 17)	116,297	1	340	-
Net gain on disposal of investments	49,227	-	21,868	-
Exchange gains, net	33,973	-	40,689	-
Recovery of provision for inventory devaluation	6,959	-	11,148	-
Gain on valuation of financial assets	44,698	-	7,415	-
Gain on valuation of financial liabilities	2,094	-	-	-
Others	110,982	1	133,247	1
Total non-operating income	390,564	2	228,389	1
NON-OPERATING EXPENSES				
Interest expenses	204,263	1	212,752	1
Equity in net losses of investees (Notes 2 and 11)	579	-	-	-
Loss on disposal of property, plant and equipment	1,149	-	648	-
Loss on physical inventory	26,732	-	35,989	-
Impairment loss (Note 15)	31,900	-	12,050	-
Loss on valuation of financial liabilities	-	-	1,064	-
Others	89,197	1	252,549	1
Total non-operating expenses	353,820	2	515,052	2
INCOME BEFORE INCOME TAX	253,064	1	673,297	4
PROVISION FOR INCOME TAX (Notes 2 and 30)	(67,497)	-	(169,943)	(1)
TOTAL CONSOLIDATED NET INCOME	$ 185,567	1	$ 503,354	3

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
ATTRIBUTABLE TO:				
Parent company's stockholders	$ 220,943	1	$ 305,498	2
Minority interest	(35,376)	-	197,856	1
	$ 185,567	1	$ 503,354	3

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 26)				
Basic earnings per share including minority	$ 0.57	$ 0.42	$ 1.49	$ 1.11
Basic earnings per share attributing to parent company		$ 0.50		$ 0.68
DILUTED EARNINGS PER SHARE				
Diluted earnings per share including minority	$ 0.57	$ 0.42	$ 1.48	$ 1.11
Diluted earnings per share attributing to parent company		$ 0.50		$ 0.67

(Concluded)

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

(With Deloitte & Touche review report dated August 20, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

			Capital Surplus			Retained Earnings							
	Capital Stock	Stock Dividend to be Distributed	Additional Paid-in Capital	Treasury Stock	Long-term Investments	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Unrealized Holding Gain (Loss) on Available-for-Sale Financial Assets	Treasury Stock	Minority Interest	Total
BALANCE, JANUARY 1, 2008	$ 4,652,434	$ -	$ 520,130	$ -	$ 30,966	$ 611,866	$ 586,185	$ 76,895	$ (16,964)	$ (13,107)	$ (337,716)	$ 2,068,042	$ 8,178,731
Appropriation and distribution of 2007 net income (Note 26)													
Legal reserve	-	-	-	-	-	57,685	(57,685)	-	-	-	-	-	-
Cash bonuses to directors and supervisors	-	-	-	-	-	-	(10,383)	-	-	-	-	-	(10,383)
Stock bonuses to employees	-	41,530	-	-	-	-	(41,533)	-	-	-	-	-	(3)
Stock dividends	-	42,696	-	-	-	-	(42,696)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(426,963)	-	-	-	-	-	(426,963)
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	-	52,098	-	-	-	26,852	78,950
Unrealized valuation profit or loss of available-for-sale financial assets, noncurrent	-	-	-	-	-	-	-	-	-	10,038	-	-	10,038
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, current	-	-	-	-	-	-	-	-	-	(1,644)	-	(796)	(2,440)
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, noncurrent	-	-	-	-	-	-	-	-	-	2,870	-	1,590	4,460
Effect of changes in percentage of ownership of long-term equity investments	-	-	-	-	(843)	-	-	-	-	-	-	843	-
Increase in treasury stock (Note 28)	-	-	-	-	-	-	-	-	-	-	(421,816)	-	(421,816)
Minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,634,356)	(1,634,356)
Total consolidated income for the six months ended June 30, 2008	-	-	-	-	-	-	220,943	-	-	-	-	(35,376)	185,567
BALANCE, JUNE 30, 2008	$ 4,652,434	$ 84,226	$ 520,130	$ -	$ 30,123	$ 669,551	$ 227,868	$ 128,993	$ (16,964)	$ (1,843)	$ (759,532)	$ 426,799	$ 5,961,785
BALANCE, JANUARY 1, 2007	$ 4,488,130	$ -	$ 519,609	$ 35,041	$ 45,997	$ 569,337	$ 524,756	$ 22,338	$ 16	$ (782)	$ (364,159)	$ 2,265,140	$ 8,105,423
Appropriation and distribution of 2006 net income (Note 26)													
Legal reserve	-	-	-	-	-	42,529	(42,529)	-	-	-	-	-	-
Cash bonuses to directors and supervisors	-	-	-	-	-	-	(7,655)	-	-	-	-	-	(7,655)
Stock bonuses to employees	-	30,550	-	-	-	-	(30,559)	-	-	-	-	-	(9)
Stock dividends	-	84,858	-	-	-	-	(84,858)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(339,432)	-	-	-	-	-	(339,432)
Effect of changes in percentage of ownership of long-term equity investments	-	-	-	-	(870)	-	-	-	-	-	-	870	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	-	11,448	-	-	-	-	11,448
Unrealized valuation profit or loss of available-for-sale financial assets, noncurrent	-	-	-	-	-	-	-	-	-	(1,932)	-	-	(1,932)
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, current	-	-	-	-	-	-	-	-	-	1,110	-	549	1,659
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, noncurrent	-	-	-	-	-	-	-	-	-	(513)	-	(1,137)	(1,650)
Convertible bonds converted into common stock	516	-	41	-	-	-	-	-	-	-	-	-	557
Treasury stock transferred to employees (Note 28)	-	-	-	(2,945)	-	-	-	-	-	-	364,159	-	361,214
Increase in treasury stock (Note 28)	-	-	-	-	-	-	-	-	-	-	(551,390)	-	(551,390)
Minority interest	-	-	-	-	-	-	-	-	-	-	-	(130,952)	(130,952)
Total consolidated income for the six months ended June 30, 2007	-	-	-	-	-	-	305,498	-	-	-	-	197,856	503,354
BALANCE, JUNE 30, 2007	$ 4,488,646	$ 115,408	$ 519,650	$ 32,096	$ 45,127	$ 611,866	$ 325,221	$ 33,786	$ 16	$ (2,117)	$ (551,390)	$ 2,332,326	$ 7,950,635

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

(With Deloitte & Touche review report dated August 20, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	$ 185,567	$ 503,354
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	412,806	415,566
Amortization for the deferred charges	1,165	1,165
Gain on financial assets valuation	(44,698)	(7,415)
(Gain) loss on financial liabilities valuation	(2,094)	1,064
Recovery from inventory devaluation	(6,959)	(11,148)
Equity in net losses (earnings) of investees	579	(1,579)
Impairment loss on financial assets carried at cost, noncurrent	31,900	12,264
Net gain on disposal of long-term equity investments	-	(16,222)
Net gain on disposal of investments	(49,227)	-
Net loss (gain) on disposal of available-for-sale financial assets, noncurrent	3,201	(2,928)
Net (gain) loss on disposal of property, plant and equipment	(115,148)	308
Amortization for the unrealized gain on sale-leaseback	(117,395)	-
Loss on abandoned property, plant and equipment	1	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	162,187	54,055
Financial assets carried at cost, current	2,798	-
Held to maturity financial assets, current	1,023	-
Notes receivable	(39,192)	(39,940)
Notes receivable from affiliates	(586)	-
Accounts receivable	(258,973)	(902,539)
Other receivables	419,305	(199,878)
Other financial assets, current	(30,313)	(11,514)
Inventories	760,806	4,853
Prepayments	(55,079)	(228,551)
Deferred income tax assets, current	10,265	3,686
Other current assets	(168,434)	16,712
Deferred income tax assets, noncurrent	182,502	27,304
Other assets	134,816	22,049
Financial liabilities at fair value through profit or loss, current	(3,787)	-
Notes payable	15,149	89,150
Accounts payable	(37,050)	(56,634)
Income tax payable	(123,500)	(41,732)
Other payables	(32,755)	492,996
Advance receipt	4,900	87,201
Other current liabilities	(137,262)	(153,746)
Interest expense compensation payable	-	629
Accrued pension cost	480	3,049
Other liabilities	(28,900)	31,250
Net cash provided by operating activities	1,078,098	92,829

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets carried at cost, current	$ -	$ (4)
Proceeds from disposal long-term equity investments at equity method	-	43,200
Decrease (increase) in available-for-sale financial assets	92,252	(100,744)
Proceeds from decreased capital stock of financial assets carried at cost	2,267	-
Decrease in financial assets carried cost, noncurrent	1,693	-
Acquisition of property, plant and equipment	(460,185)	(356,097)
Proceeds from disposal of property, plant and equipment	340,927	1,399
(Increase) decrease in refundable deposits	(12,036)	24,545
Increase in deferred charges	(41,999)	(18,459)
Increase in goodwill	(1,922,717)	(122,070)
Net cash used in investing activities	(1,999,798)	(528,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bank borrowings	(1,154,499)	1,529,792
Increase (decrease) in short-term obligations	15,000	(60,000)
Increase (decrease) in long-term debt	1,652,964	(706,250)
Increase (decrease) in deposits received	4,422	(1,252)
Treasury stock transferred to employees	-	361,214
Increase in treasury stock	(421,816)	(551,390)
Decrease in minority interest	(1,634,356)	(130,952)
Net cash (used in) provided by financing activities	(1,538,285)	441,162
EFFECT OF EXCHANGE RATE CHANGES ON CASH	78,647	11,507
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,381,338)	17,268
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,428,233	1,244,524
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,046,895	$ 1,261,792
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest	$ 138,956	$ 217,967
Income tax	$ 34,851	$ 189,367
Cash paid during the period for acquisition of property, plant and equipment		
Property, plant and equipment acquired	$ 431,336	$ 316,476
Add liabilities for acquisition of property, plant and equipment at beginning of period	59,224	45,839
Deduct liabilities for acquisition of property, plant and equipment at end of period	(30,375)	(6,218)
Cash paid during the period for acquisition of property, plant and equipment	$ 460,185	$ 356,097

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	**2007**
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on long-term equity investments	$ 303	$ (67)
Transfer of long-term equity investments to deferred credits	$ (276)	$ -
Bonuses to directors and supervisors	$ 10,383	$ 7,655
Bonuses to employees	$ 3	$ 9
Dividends payable	$ 426,963	$ 339,432
Convertible bonds converted into common stock	$ -	$ 557
Current portion of long-term liabilities	$ 402,400	$ 660,012
Unrealized valuation profit or loss of available-for-sale financial assets, noncurrent	$ 10,038	$ (1,932)
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, current	$ (2,440)	$ 1,659
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, noncurrent	$ 4,460	$ (1,650)

(Concluded)

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

(With Deloitte & Touche review report dated August 20, 2008)

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

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

Test-Rite International Co., Ltd. (“Test-Rite”) was established in August 1978 with an initial capital of $2,000 thousand.

Test-Rite is engaged mainly in the import and export of hand tools, auto parts, machinery, furniture, and various home appliances. Test-Rite’s marketplaces are primarily located in the United States of America, Canada, Great Britain, France, Germany, Australia, etc.

The Taiwan Securities and Futures Commission approved in February 1993 Test-Rite’s application for stock listing in the Taiwan Stock Exchange.

Information of Subsidiaries

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)	Reasons for not Including in the Consolidated Financial Statement in 2008 and 2007
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Fortune Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	Included
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
B&S Link Co., Ltd. (Cayman)	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Pte Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Int’l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Development Co., Ltd.	Directly held 80.00%	Investment holding company	80.00	Included
Test-Rite Int’l (U.S.) Co., Ltd.	Directly held 49.00% and controllable investee	Importation and exportation	49.00	Included
Test-Rite Int’l (Thailand) Ltd.	Directly held 48.99% and controllable investee	Importation and exportation	48.99	Included
Lih Chiou Co., Ltd.	Directly held 100.00%	International trade	100.00	Included
Lih Teh International Co., Ltd.	Directly held 100.00%	Integrating data and providing information	100.00	Included
B&S Link Co., Ltd.	Directly held 100.00%	Providing information software and electronic information	100.00	Included
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	Included

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)	Reasons for not Including in the Consolidated Financial Statement in 2008 and 2007
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	Included
Test-Rite B&Q Co., Ltd.	Directly and indirectly held 100.00%	Sale of house decoration hardware and construction materials	100.00	Included
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 67.42%	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) import and export business related to the aforementioned products.	67.42	Included
Hola Homefurnishings Co., Ltd.	Directly and indirectly held 63.72%	Importation and exportation, department store, supermarket and restaurant	63.72	Included
Chung Cin Interior Design Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Interior design	100.00	Included
Test Cin M&E Engineering Co., Ltd.	Chung Chin Enterprise held 100.00%	Mechanical and electronic engineering	100.00	Included
Tony Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Build and civil engineering	100.00	Included
Viet Han	Chung Cin Enterprise held 51%	Build and civil engineering	51.00	Included
Tony Investment Co., Ltd.	Tony Construction held 100.00%	Investment in various industries	100.00	Included
B&Q Indoor Decoration & Renovation Co., Ltd.	Test-Rite B&Q held 100.00%	Interior design	100.00	Included
Test-Rite Quickbuy Co., Ltd.	Lih Teh International held 100.00%	Sale of articles for daily use	100.00	Included
Covalue Consultant Co., Ltd.	Lih Teh International held 80.00%	Consultant of business operation	80.00	Included
Lucky International (SAMOA) Ltd.	Tong Lung Metal Industry held 100%	Investment	67.42	Included
Instant Luck International Ltd.	Tong Lung Metal Industry held 100%	Investment	67.42	Included
Goodwill Trading Ltd.	Tong Lung Metal Industry held 100%		67.42	Included
Homy Homefurnishings Co., Ltd.	Hola Homefurnishings held 100.00%	Sale of bedclothes	63.72	Included
Freer Inc.	Hola Homefurnishings held 100.00%	Sale of bedclothes	63.72	Included
Homy Homefurnishings (Shanghai) Ltd.	Homy Homefurnishings held 100.00%	Sale of bedclothes	63.72	Sold in April 2008
U2 Industry Design Co., Ltd.	Directly held 64.00%	Design new product	64.00	Sold in April 2008

As of June 30, 2008, Test-Rite and subsidiaries (collectively, the “Company”) have 7,383 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. Under these guidelines, laws and principles, the Company is required to make estimates of allowance for doubtful accounts, allowance for inventory loss, depreciation and impairment, pension cost, contingent loss of lawsuit and allowance for indemnity losses which are based on uncertain circumstances and may have differences with actual circumstances.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau (SFB, formerly the "Securities and Futures Commission" before July 1, 2004) for their oversight purposes.

The Company's significant accounting policies are summarized as follows:

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of Test-Rite and its subsidiaries (see Note 1). All significant intercompany balances and transactions have been eliminated upon consolidation. For the information of subsidiaries and reasons for not including in consolidated financial statements in 2008 and 2007, please see Note 1.

(a) The information of subsidiaries not included in the consolidated financial statements for 2008 and 2007: all subsidiaries were included.
(b) The difference of the fiscal period between parent company and subsidiaries: None.
(c) Special risks of business operation for subsidiaries overseas: None.

Current/Noncurrent Assets and Liabilities

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

Cash and Cash Equivalents

Cash equivalents, consisting of commercial paper, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Instruments at Fair Value through Profit or Loss, Current

Financial instruments at fair value through profit or loss include financial assets and financial liabilities held for trading purpose or upon initial recognition designated by the entity as at fair value through profit or loss. Upon initial recognition, they are recognized at the fair values plus transaction costs. After initial recognition, they are measured at fair values and the changes in the fair values are recognized as the profits or losses.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

Marketable securities are stated at the closing price at the balance sheet date. The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. The fair value of financial instruments that do not have a quoted market price in an active market is estimated by valuation method.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Factoring Accounts Receivable

According to Statement of Financial Accounting Standards No. 33 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” a transfer of financial assets (all or a portion of a financial asset) in which the transferor surrenders control over those financial assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange.

Inventories

The inventories of trade and retail sale are stated at the lower of cost or market (net realizable value). Cost of inventories is determined using the weighted average method.

The inventories of Tong Lung Metal Industry Co., Ltd. are stated at the lower of cost or market. The inventories are accounted at standard cost and at balance sheet date, adjusted to weighted average cost. The basis of market value is replacement cost for raw materials and supplies, and net realizable value for work in process, finished goods and merchandise.

Real estate and Construction in Progress are stated at carrying cost or construction cost by construction project. Interest is capitalized during the construction period.

Constructions in progress and advance construction receipts related to the same construction should be netted. If the netted amount is a debit balance, then it should be recorded in construction in progress, whereas credit balance should be recorded in advance construction receipts.

Long-Term Equity Investments at Equity Method

Investments in companies in which the Company’s ownership interest is 20% or more, or where the Company can exercise significant influence, are accounted for using the equity method of accounting.

When equity method of accounting is used, the difference between acquisition cost and equity in net assets on the acquisition date is amortized over a five-year period. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards, the excess of the cost of the investment over the fair value of identifiable net assets, representing goodwill, is no longer amortized.

Additionally, effective January 1, 2006, the unamortized balance of the cost of the investment in excess of the underlying equity in net assets of the investee generated previously is not amortized as goodwill and the unamortized balance of the underlying equity in net assets of the investee in excess of the cost of the investment generated previously is amortized during the remaining period as deferred credits.

If an investee company issues new shares and the Company does not purchase new shares proportionately, then the ownership percentage and the equity in net assets of the investee will be changed. Such difference will be adjusted in the additional paid-in capital and the long-term equity investments accounts. If the adjustment stated above is to debit the additional paid-in capital account and the balance of additional paid-in capital from long-term equity investments is not enough to be offset, retained earnings will be debited for the remaining amount.

If the Company's share of an investee company's losses equals to or exceeds the carrying amount of an investment accounted for under the equity method and the Company guarantees obligations of an investee company, or is otherwise committed to provide further financial support for an investee company, or an investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company continues to recognize investment losses in proportion to the stock ownership percentage. Such credit balance on the book value of long-term equity investments is treated as a liability on the balance sheet.

The cost basis of the securities, which is accounted for under the equity method, is written down to a new cost basis if the decline is judged to be permanent. The amount of nontemporary writedown is accounted for as a realized loss.

Investment in Real Estate

Depreciation of real estate for lease classified under long-term investments is provided over the lease term of 55 years.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment to stockholders' equity. When the financial assets are derecognized, the related accumulated fair value changes are recognized in the profit or loss. All regular way purchase or sale of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value base of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are accounted for as reductions of the carrying amount of the investment if they are received in the year of acquisition; otherwise, they are recognized as dividend revenue if received after the year of acquisition. Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence showing that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss.

Held-to-Maturity Financial Assets

Held-to-maturity financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

Financial Assets Carried at Cost

Equity instruments, including unlisted stocks, are measured by the original cost since their fair value cannot be reliably measured. The accounting treatment for dividends received is similar to that for available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment and the impairment loss can not be reversed.

Bond Investments without Active Market

Bonds investments with fixed or determinable receivable amount without active market are measured at amortized cost similar with held-to-maturity financial assets but the selling time is unrestricted.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the assets are capitalized. Interest is capitalized during the construction period.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is charged to non-operating income or expenses.

Depreciation is provided using the straight-line method over the estimated service lives prescribed.

Buildings and improvements	35~60 years
Machinery and equipment	2~12 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	3~12 years
Leasehold improvements	3~20 years
Molds and tools	2~3 years
Other equipment	3~17 years

An additional service life and a new residual value will be determined for any depreciable asset which is still in use after the end of its prescribed useful life, and the original residual value is depreciated on the straight-line method.

Impairment loss is recognized immediately for any significant decline in the value of property, plant and equipment. If the loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is immediately recognized as gain.

If property, plant and equipment revalued according to regulations show impairment loss, this loss should be recognized as a reduction of the capital surplus - property, plant and equipment revaluation increment. If the impairment loss is greater than this revaluation increment, the difference is recognized as loss. A reversal of an impairment loss on a revalued asset is recognized as the addition to the revaluation increment. However, to the extent that an impairment loss on the same revalued asset was previously recognized as loss, a reversal of the impairment loss on property, plant and equipment revaluation is recognized as gain.

Assets Leased to Others

Leased assets (except land) are stated at cost less accumulated depreciation. Depreciation is calculated on straight-line method over 5~55 years.

Impairment of Assets

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

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

Intangible Assets

Computer software is amortized on the straight-line method over a three-year period. Patents are amortized on the straight-line method over a five-year period.

Deferred Charges

Deferred charges are amortized on the straight-line method over 2 to 5 years. Issuing costs of bonds are amortized over the term of bonds.

Allowance for Indemnity Losses on Export

The indemnity losses on export sales should be estimated and expensed at the time of sale. Allowance for indemnity losses on export is debited when the indemnity losses are paid and indemnity losses paid in excess of the allowance for indemnity losses on export are charged to expense.

Bonds Payable

The bonds payable issued by the Company before December 31, 2005 contain put right. Each holder has the right, at the holder’s option and on specified dates, to require the Company to repurchase all or any portion of such holder’s notes. The interest payable at redemption, which is the amount of agreed put price over face value of such notes, will be recognized as a liability under the interest method from the issue date to the date the put right expires, and according to the put date classified into current or long-term liabilities.

When the holder exercises the conversion right, the net amount of the unamortized issuing costs, accrued interest, accrued interest compensation and face value of convertible notes will be the cost basis of common stock. The difference of the net carrying amount of the convertible notes over the par value of the common stock should be recognized as capital surplus.

Retirement Plan

Test-Rite, Hola, Freer, B&S Link, Chung Cin Enterprise, Chung Cin Interior Design Construction, Tony Construction, Test Cin M&E, B&Q and Tong Lung Metal have defined benefit plan. Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. In accordance with the Labor Standards Law of the Republic of China, such plan is funded at 4% of employee salaries and wages and deposited with the Central Trust of China, except that B&Q, Freer and Tong Lung Metal are funded at 2%, 2% and 7%. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name.

Test-Rite, Hola, Freer, B&S Link, Chung Cin Enterprise, Chung Cin Interior Design Construction, Tony Construction, Test Cin M&E, B&Q and Tong Lung Metal adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions," which require that pension expense shall be computed at actuarial basis.

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

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

Foreign Currency Transactions

Foreign currency transactions are recorded at exchange rates prevailing on transaction dates. Gains or losses, caused by different foreign exchange rates applied when foreign currency assets and liabilities are settled, are credited or charged to non-operating income or expense. Assets and liabilities denominated in foreign currencies are translated at the exchange rates on balance sheet date and any resulting gains or losses are credited or charged to non-operating income or expense.

Foreign non-currency assets and liabilities (e.g., equity instrument) which are measured at fair value shall be revalued at the balance sheet date exchange rates. The related translation adjustment on available-for-sale financial assets is included in stockholders' equity; and the translation adjustment on financial instrument at fair value through profit or loss is recorded in current year's profit or loss. Financial assets carried at cost are measured at historical rate on the transaction dates.

Cumulative Translation Adjustments

Foreign consolidated subsidiaries' and equity-method investee's assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rates. Stockholders' equity accounts should be translated at the historical rate except for the beginning balance of the retained earnings, which is carried at the translated amount of the last period. Income statement accounts are translated at the weighted-average rate of the current period. The related translation adjustments are included in stockholders' equity, and upon sale or liquidation of the foreign business, these adjustments are charged to income.

Long-term equity investments denominated in foreign currencies are restated at the balance sheet date exchange rates. The related translation adjustments are reported as a separate component of stockholders' equity.

Treasury Stock

Treasury stock is Test-Rite's own stock acquired according to the Stock Exchange Law. When Test-Rite does not dispose or write off these stocks, their cost is listed as a deduction of stockholders' equity.

Test-Rite adopted the provisions of Statement of Financial Accounting Standards No. 30 "Accounting for Treasury Stock." Test-Rite treats intercompany stockholding as treasury stock.

Income Tax

The Company adopted the provisions of Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax," which require asset and liability approach to financial accounting and reporting for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

Under the Amended Income Tax Law of ROC, undistributed earnings of holding company from 1998 onward are subject to 10% additional income tax. Such tax is to be reported as income tax expense in the following year when the decision to retain the earnings is made by the stockholders in their meeting.

Earnings Per Share

Basic earnings per common share are calculated by dividing net earnings applicable to common stock by the weighted average number of common stocks outstanding.

On a diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of convertible bonds from the date of issue.

Sales, Sales Returns and Allowances

Sales are recognized when title of the products and the risks of ownership are transferred to customers, primarily upon shipment. Sales returns and allowances are subtracted from sales as incurred and the related costs of goods sold are eliminated.

Non-Derivative Financial Instruments

The recognition, valuation, and measurement of non-derivative financial assets and liabilities are made in accordance with these accounting policies and generally accepted accounting principles.

3. ACCOUNTING CHANGE

Accounting for Bonuses to Employees, Directors and Supervisors

Effective January 1, 2008, Test-Rite, Hola, B&Q, Tong Lung Metal, Chung Cin Enterprise, Chung Cin Interior Design Construction, Tong Construction, Test Cin M& E and Tony Investment have adopted Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors", which provides that earnings distribution to employees, directors and supervisors should be accounted for as expenses. This change in accounting principle decreased the income before tax by $40,168 thousand, and decreased the net income by $30,126 thousand for the six months ended June 30, 2008.

Accounting for Share-based Payment

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment". The adoption of newly released SFAS caused no effect on the net income and earnings per share after tax.

Accounting for Intangible Assets

Effective January 1, 2007, the Company adopted the newly released SFAS No. 37 "Intangible Assets," and other related accounting standards which were amended to be in agreement with the new standards. The adoption of newly released SFAS caused no effect on the net income and earnings per share after tax.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Cash on hand	$ 16,908	$ 16,220
Petty cash	16,334	12,130
Checking deposits	4,262	3,664
Savings deposits	316,890	486,940
Foreign currency deposits	599,750	675,057
Time certificates of deposit	92,751	67,781
	$ 1,046,895	$ 1,261,792

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Financial assets held for trading		
Equity securities marketable on Taiwan Stock Exchange and in the over-the-counter market	$ 55,912	$ 71,737
Open-end funds	306,195	465,542
Convertible bonds	12,835	12,763
Offshore mutual funds	4,275	6,071
Receivable on forward contracts, net	47,852	12,530

	2008	2007
Euro convertible bonds	-	10,698
Receivable on short selling stock	-	498
	$ 427,069	$ 579,839
Financial liabilities held for trading		
Payable on forward contracts, net	$ -	$ 177
Payable on short selling stock	-	498
	$ -	$ 675

As of June 30, 2007, the short selling in the investment amounted to $498 thousand which was included in both the financial assets at fair value through profit or loss, current and the financial liabilities at fair value through profit or loss, current. The deposits of short selling amounted to $449 thousand were included in financing deposits under other financial assets, current.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Equity securities marketable on Taiwan Stock Exchange and in the over-the-counter market	$ 1,779	$ 1,779
Benefit certificate of domestic funds	4,014	4,014
	5,793	5,793
Unrealized holding gain on available-for-sale financial assets	3,009	5,283
	$ 8,802	$ 11,076

7. FINANCIAL ASSETS CARRIED AT COST, CURRENT

Financial assets carried at cost, current as of June 30, 2008 and 2007 consist of the following:

	2008	2007
The funds without active market	$ -	$ 3,329

The investments mentioned do not have open pricing or reliable fair value; thus they are carried at cost.

8. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Non-affiliate		
Notes receivable	$ 104,051	$ 89,699
Accounts receivable	3,238,415	2,934,221
Less allowance for doubtful accounts	(7,701)	(7,792)
	3,230,714	2,926,429
	$ 3,334,765	$ 3,016,128
Affiliates		
Notes receivable	$ 586	$ 26
Accounts receivable	-	92
	$ 586	$ 118

Master Design Inc. ("MDI") and TR Products Corp. ("TR Products"), the subsidiaries of Test-Rite Int'l (U.S.) Co., Ltd., have entered into a factoring agreement with a commercial factor. Under the terms of the agreement, credit risk is transferred to the factor on accounts sold and assigned to the factor. However, factor may charge back to MDI and TR Products for any accounts not paid in full when due for any reason other than credit risk.

Test-Rite concluded an accounts receivable factoring agreement with a bank. The agreement declared that Test-Rite should not be responsible for the credit risk of accounts receivable not being collected.

As of June 30, 2008 and 2007, the accounts receivable factoring is summarized as follows:

2008

Object	Interest Rate	Amount of Accounts Receivable Factoring (In Thousands)	Advance from Factor (In Thousands)	Net Amount Due from Factor (In Thousands)	Collateral
CIT Group & UPS	JP Morgan basic loan rate minus 0.25% or 3% annual rate	US$ 14,635 (Approximately $444,207)	US$ 13,208 (Approximately $400,904)	US$ 1,427 (Approximately $43,303)	US$ -

2007

Object	Interest Rate	Amount of Accounts Receivable Factoring (In Thousands)	Advance from Factor (In Thousands)	Net Amount Due from Factor (In Thousands)	Collateral
Shanghai Commercial & Saving Bank, Ltd.	Basic loan rate plus 0.4% divided by 94.45%	US$ 7,359 (Approximately $240,911)	US$ 6,535 (Approximately $213,920)	US$ 824 (Approximately $26,991)	Promissory note US$ 13,000
CIT Group & UPS	JP Morgan basic loan rate minus 0.25% or 3% annual rate	US$ 10,848 (Approximately $355,104)	US$ 10,112 (Approximately $331,016)	US$ 736 (Approximately $24,088)	-

Net amount due from factor was reported under other receivables (see Note 9).

The accounts receivable as of June 30, 2008 and 2007 amounted to $51,407 thousand and $201,904 thousand was pledged to secure the short-term loan (see Notes 19 and 32).

Test-Rite Int'l (U.S.) concluded accounts receivable financing agreements with a bank. The agreements declared that Test-Rite Int'l (U.S.) should be responsible for the risk of accounts receivable not being collected. As of June 30, 2008 and 2007, accounts receivable of $51,407 thousand and $112,887 thousand were pledged to secure short-term bank borrowing (see Notes 19 and 32).

Test-Rite Development concluded accounts receivable financing agreements with a bank. The agreements declared that Test-Rite Development should be responsible for the risk of accounts receivable not being collected. As of June 30, 2007, accounts receivable of $89,053 thousand were pledged to secure short-term bank borrowing (see Notes 19 and 32).

9. OTHER RECEIVABLES

Other receivables as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Due from related parties (see Note 31)	$ 4,890	$ 4,353
Retention for sales of accounts receivable (see Note 8)	43,303	51,079
Receivables from disposal of property, plant and equipment, current (Note 17)	679,692	-
Others	121,036	387,426
	$848,921	$442,858

Advances for related parties include amounts related to operating expense payments made by Test-Rite on behalf of its affiliates.

10. INVENTORIES

Inventories as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Merchandise - retail sale	$2,223,384	$2,083,459
Merchandise - trade	491,392	1,412,234
Material	558,884	397,342
Work-in-process	183,811	294,137
Finished goods	13,833	70,915
Merchandise -manufacturing	7,140	10,359
Construction in progress	72,273	96,633
	3,550,717	4,365,079
Less valuation allowance	(118,302)	(118,061)
	$3,432,415	$4,247,018

Merchandise - retail sale is the inventories of Hola, Freer, Homy, B&Q and TR Retailing.

Merchandise - trade is the inventories of Test-Rite, Test-Rite Int'l (U.S.), TR Thailand, TR Australia, TR Development, TR Hong Kong, Test-Rite Pte. Ltd., and TR Trading.

Raw materials, work-in-process, finished goods and merchandise are the inventories of Tong Lung Metal Industry.

Construction in progress is Chung Cin's inventories.

11. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

Long-term equity investments at equity method as of June 30, 2008 and 2007 consist of the following:

	2008			2007	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Int'l (Mexico) Ltd.	$ 672	$ 1	49.00	$ 1,027	49.00

Equity in earnings (losses) of TR Mexico for the six months ended June 30, 2008 and 2007, which were not based on reviewed financial statements, are summarized as follows:

	2008	2007
TR Mexico	$ (579)	$ 1,579

TR Mexico is engaged in importation and exportation.

12. INVESTMENTS IN REAL ESTATE

	2008	2007
Land	$ 10,228	$ 10,228
Buildings and improvement	5,634	5,634
	15,862	15,862
Accumulated depreciation	(1,333)	(1,232)
	$ 14,529	$ 14,630

Real estate investment of Lih Teh has been rented to third parties. The rental income for the six months ended June 30, 2008 and 2007 amounted to $439 thousand and $426 thousand was reported as other revenue.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2008	2007
Equity securities on Taiwan Stock Exchange	$ 41,684	$ 142,479
Trust funds of real estate	30,000	30,000
Unrealized holding loss on available-for-sale financial assets	(3,299)	(4,389)
	$ 68,385	$ 168,090

14. HELD-TO-MATURITY FINANCIAL ASSETS, NONCURRENT

	2008	2007
Core Pacific - Yamaichi I Bonds	$ 11,118	$ 14,072
Core Pacific - Yamaichi II Bonds	4,097	4,097
CMS Interest Principal Guaranteed Notes	3,300	3,300
	18,515	21,469
Less current portion	(11,118)	(14,072)
	$ 7,397	$ 7,397

Core Pacific - Yamaichi I bonds were issued with terms from February 16, 2002 to December 31, 2008 with a face value of US$100 thousand and interest rate of 9%. Interest is paid monthly.

Core Pacific - Yamaichi II bonds were issued with terms from February 16, 2002 to March 15, 2010 with a face value of US$100 thousand and interest rate of 9%. Interest is paid monthly.

CMS Interest Principal Guaranteed Notes were issued with terms from December 6, 2004 to December 6, 2019 with a face value of US$100 thousand. The interest rate is 10% for the first two years and is fluctuated from the third year. Interest is paid quarterly.

15. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	2008			2007	
	Original Accumulated Cost	**Carrying Value**	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
Hwa Jan International Co., Ltd. (Samoa)	$ 9,849	$ 9,228	19.00	$ 9,951	19.00
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	5.00	40,000	5.00
NCTU Springl Technology Capital Co., Ltd.	10,036	10,036	5.22	12,036	4.69
Emit Technology Co., Ltd.	10,842	10,842	4.58	10,842	4.58
Yuan Chuang Co., Ltd.	2,407	2,407	1.60	2,674	1.67
Techgains Pan-Pacific Co., Ltd.	19,191	18,576	0.81	19,292	1.61
Highlight Optoelectronics Inc.	3,713	3,713	0.88	3,713	0.88
Quartz Frequency Technology Co., Ltd.	750	750	0.43	750	0.43
Taiwan Finance Co., Ltd.	2,120	2,120	0.04	2,120	0.04
Nucom International Co., Ltd.	64,400	27,400	1.57	27,400	2.00
Hong Da Electronic Co., Ltd.	2,000	1,185	0.72	1,185	1.00
China Semiconductor Co., Ltd.	767	546	0.99	546	1.00
Yieh United Steel Co., Ltd.	3,920	3,920	0.02	3,920	-
Shanghai Commercial & Saving Bank, Ltd.	1,903	1,903	-	1,903	-
TB Commerce Network Co., Ltd.	31,900	-	10.59	31,900	10.59
	$ 203,798	$ 132,626		$ 168,232	

The stocks and other investments mentioned above do not have open pricing and reliable fair value, thus they are carried at cost.

Test Rite recognized impairment loss of $31, 900 thousand on TB Commerce Network Co., Ltd.

Tong Lung Metal recognized impairment loss of $12,050 thousand on Nucom International, China Semiconductor and Kailay Engineering.

16. BOND INVESTMENTS WITHOUT ACTIVE MARKET, NONCURRENT

	2008		2007
	Original Accumulated Cost	Carrying Value	Carrying Value
Beneficiary certificates of Credit Lyonnais, Paris	$ 30,000	$ 30,000	$ 30,000
Less current portion of bond investments with no active market		(30,000)	-
		$ -	$ 30,000

Beneficiary certificates of Credit Lyonnais, Paris: issue period from September 29, 2003 to September 29, 2008; interest is paid annually, $5,000 thousand per unit.

17. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2008 and 2007 consist of the following:

	2008				2007
	Original Cost	Revaluation Increments	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 669,140	$ 104,574	$ -	$ 773,714	$ 1,120,472
Buildings and improvements	1,051,477	-	228,963	822,514	1,558,669
Machinery and equipment	1,410,730	-	1,104,947	305,783	27,908
Transportation equipment	90,629	-	52,325	38,304	41,661
Furniture, fixtures and office equipment	809,609	-	314,515	495,094	423,119
Leasehold improvements	5,306,904	-	2,203,747	3,103,157	3,256,729
Molds and tools	77,208	-	59,348	17,860	9,785
Other equipment	1,068,922	-	752,458	316,464	579,093
Construction in progress and prepayments for property, plant and equipment	329,118	-	-	329,118	399,411
	$10,813,737	$ 104,574	$ 4,716,303	$ 6,202,008	$ 7,416,847

Test-Rite: As of June 30, 2008 and 2007, the cost of the leased-out land was $267,519 thousand and $482,757 thousand and the carrying value of leased-out buildings and improvements was $267,175 thousand and $827,526 thousand, respectively.

Tong Lung Metal: As of June 30, 2007, the cost of the leased-out land was $50,777 thousand and the carrying value of leased-out building and improvements was $69,359 thousand.

Tong Lung Metal: In April 2008, the sale of the land and buildings located in Taipei to an unrelated party increased net gain on disposal of property, plant and equipment by $114,854 thousand. The selling price of the land and buildings was based on the evaluation from a professional consulting company.

Revaluation increments are recognized on Tong Lung Metal Industry Corp.

On July 19, 2007, Test-Rite paid $1,788,880 thousand to purchase land from non-affiliates for the purpose of integrating the group's resources. The transaction was completed by July 31, 2007. On December 21, 2007, Test-Rite sold a real property and leased it back immediately in consideration of business strategies. The profit from this transaction was $2,762,217 thousand. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Test-Rite recorded $2,347,885 thousand unrealized gain. In addition, the uncollected proceeds of $1,011,252 thousand were recorded as $679,692 thousand under other receivables – current and $331,560 thousand under other assets - other (see Notes 9 and 18).

As of June 30, 2008 and 2007, the carrying value of property, plant and equipment pledged to secure short-term and long-term debt and provided as collaterals to bank was as follows (see Note 32):

	2008	2007
Land	$208,875	$476,194
Buildings and improvements	59,425	61,782
	$268,300	$537,976

18. OTHER ASSETS

Other assets as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Idle assets		
Machinery and equipment	$ 40,124	$ 60,713
Other equipment	8	8
	40,132	60,721
Less accumulated depreciation	(36,856)	(55,151)
Less accumulated impairment	(3,276)	(5,570)
	-	-
Refundable deposits	800,091	715,574
Deferred income tax asset, noncurrent (see Note 30)	698,193	521,588
Advances for liquidation	-	71,977
Deferred charges (see Note 2)	346,403	124,129
Prepaid pension cost	-	15,095
Deferred pension cost	45,253	51,731
Receivables of from disposal of property, plant and equipment, noncurrent (See Note 17)	331,560	-
Others	286,404	207,898
	$2,507,904	$1,707,992

19. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of June 30, 2008 and 2007 consist of the following:

	2008		2007	
	Interest Rate %	**Amount**	**Interest Rate %**	**Amount**
Unsecured loans	2.62~7.227	$ 3,668,838	2.15~5.96	$ 5,100,229
Secured loans	5.96	51,407	2.07~6.36	431,940
Accrued financial outlay	-	45,387	-	38,082
		$ 3,765,632		$ 5,570,251

As of June 30, 2008, the amount of $51,407 thousand was secured by the accounts receivable of TR Int'l (U.S.) Co., Ltd. (see Notes 8 and 32).

As of June 30, 2007, the amount of $112,887 thousand was secured by the accounts receivable of TR Int'l (U.S.) Co., Ltd., $89,053 was secured by the accounts receivable of TR Development Co., Ltd. and $230,000 thousand was secured by the land and buildings and improvements of Tong Lung Metal Industry Co., Ltd. (see Notes 8 and 32).

20. SHORT-TERM OBLIGATIONS

Short-term obligations as of June 30, 2008 and 2007 consist of the following:

	2008		2007	
	Interest Rate %	**Amount**	**Interest Rate %**	**Amount**
Commercial paper, unsecured	2.578	$ 45,000	-	$ -

21. OTHER PAYABLES

Other payables as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Accrued expenses	$ 945,288	$ 936,086
Other notes payable	13,019	40,852
Cash dividend payable	426,963	339,432
Bonuses payable to directors and supervisors	28,362	7,655
Bonuses payable to employees	20,863	9
Payables for purchase of property, plant and equipment	30,375	6,218
Others	144,865	307,454
	$ 1,609,735	$ 1,637,706

22. CURRENT PORTION OF LONG-TERM LIABILITIES

Current portion of long-term liabilities as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Bonds payable (see Note 24)	$ -	$ 48,612
Long-term debt (see Note 25)	402,400	611,400
	$402,400	$660,012

23. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Unrealized gain on sale-leaseback (Note 17)	$234,789	$ -
Receipts under custody	12,578	17,980
Accrued VAT payable	20,330	18,718
Allowance for indemnity losses on exports (see Note 2)	1,109	15,346
Others	47,967	137,827
	$316,773	$189,871

24. BONDS PAYABLE

Bonds payable as of June 30, 2008 and 2007 consist of the following:

	2008	2007
Domestic convertible bonds	$ -	$ 43,100
Interest expense compensation payable	-	5,512
Less current portion	-	(48,612)
	$ -	$ -

As of June 30, 2008, Test-Rite's bondholders have converted bonds into 40,012,336 common shares, which resulted in $121,168 thousand additional paid-in capital.

25. LONG-TERM DEBT

Long-term debt as of June 30, 2008 and 2007 consists of the following:

	2008		2007
	Interest Rate	**Amount**	**Amount**
Chang Hwa Bank			
Unsecured loan from May 19, 2008 to May 19, 2009. Interest is paid monthly, principal due on monthly installment.	3.13	$ 400,000	$ -
Taishin International Bank			
Unsecured loan from December 18, 2007 to December 31, 2009. Interest is paid monthly, principal due on December 13, 2009.	3.155	200,000	200,000
Ta Chong Bank			
Unsecured loan from April 2, 2008 to November 30, 2012. Interest is paid monthly, principal due on November 30, 2012.	3.360	600,000	-
Bank SinoPac Co., Ltd.			
Unsecured loan from January 2, 2008 to January 2, 2011. Interest is paid monthly, principal due on January 2, 2011.	3.09	500,000	-
Pledged loan from October 28, 2004 to August 28, 2007. Interest is paid monthly, principal due on August 28, 2007. Interest rate is one year deposit rate plus 0.575%.	-	-	261,400
Shanghai Commercial & Savings Bank			
Unsecured loan from December 17, 2007 to December 17, 2011, the first installment on December 17, 2009 and principal due in quarterly installments. Interest is paid monthly.	3.165	200,000	-
Unsecured loan from February 1, 2008 to March 1, 2010. Interest is paid monthly, principal due on monthly installment.	3.84	4,200	-
Land Bank's Syndicate Loan			
Unsecured loan from July 26, 2007 to July 25, 2012. Interest is paid monthly, principal due on July 25, 2012. Interest rate is current interest rate plus 0.6%	3.0442~ 3.0484	3,000,000	-
First Sino Bank			
Unsecured loan from June 24, 2007 to June 24, 2013. Interest is paid monthly, principal due on June 24, 2013.	8.613	48,764	-
Calyon Bank			
Unsecured loan from September 29, 2003 to September 29, 2008. Interest is paid yearly, principal due on September 29, 2008. Interest rate is 2.64%. In May 2008, the Company paid principal in advance of the due date.	-	-	500,000
Shanghai Commercial & Savings Bank			
Unsecured loan from December 8, 2005 to December 8, 2008. In July 2007, the Company paid the principal in advance of the due date.	-	-	112,500

	2008		2007
	Interest Rate	Amount	Amount
Taipei Fubon Bank			
Unsecured loan from July 25, 2003 to July 25, 2008. In December 2007, the Company paid principal in advance of the due date.	-	-	125,000
Sunny Bank			
Unsecured loan from February 22, 2006 to February 22, 2009, the first installment on February 22, 2007, and principal due in quarterly installment. Interest is paid monthly. Interest rate is 2.63%. In December 2007, the Company paid principal in advance of the due date.	-	-	131,250
Hong Kong and Shanghai Banking Co., Ltd.			
Unsecured loan from December 27, 2006 to September 27, 2011, the first installment on September 25, 2007 and the Company paid 10% in 2007, 15% in 2008, 20% in 2009, 25% in 2010, and 30% in 2011. Interest is paid monthly. In June 2008, the Company paid principal in advance of the due date.	-	-	1,000,000
		4,952,964	2,330,150
Less current portion		(402,400)	(611,400)
		$ 4,550,564	$ 1,718,750

As of June 30, 2008, Test-Rite promised to maintain the financial covenants according to the loan agreements respectively as the following:

Taishin International Bank

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

c. The calculations of the ratios are based on the Test-Rite financial statements for the years ended December 31.

Land Bank's Syndicate Loan

a. Leverage Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Tangible Net Worth of not more than 2 to 1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.

d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than $5,200,000 thousand.

e. The calculations of the ratios are based on the Test-Rite financial statements for the years ended December 31.

Ta Chong Bank

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilites to Total Assets of not more than 2 to 1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.

d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than $5,200,000 thousand.

e. The calculations of the ratios are based on the Test-Rite financial statements for the years ended December 31.

Bank SinoPac Co., Ltd.

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilites to Total Assets of not more than 2 to 1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.

d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than $5,200,000 thousand.

e. The calculations of the ratios are based on the Test-Rite financial statements for the years ended December 31.

See Note 17 for collaterals on bank borrowings. See Note 31 for guarantees on bank borrowings.

26. CAPITAL STOCK

Test-Rite's capital stock as of June 30, 2008 and 2007 consists of the following:

	2008	2007
Registered capital		
Share (thousand shares)	660,000	660,000
Par value (in dollars)	$ 10	$ 10
Capital	$6,600,000	$6,600,000
Issued capital		
Share (thousand shares)	465,243	448,865
Par value (in dollars)	$ 10	$ 10
Capital	$4,652,434	$4,488,646

As of June 30, 2006, Test-Rite's capital stock was increased to $4,652,434 thousand consisting of 465,243,433 outstanding common shares having a par value of $10 dollars each.

The distributions of earnings for 2008 and 2007 were stated as follows:

	Distributions of Earnings		Dividends Per Share (In Dollars)	
	2007	2006	2007	2006
Legal reserve	$ 57,685	$ 42,529	$ -	$ -
Cash dividends	426,963	339,432	1.00	0.80
Stock dividends	42,696	84,858	0.10	0.20
Bonuses to employees - stock	41,530	30,550		-
Bonuses to employees - cash	3	9		-
Bonuses to director and supervisors - cash	10,383	7,655		-

Although the capital registration process was not yet completed, the outstanding number of shares used to calculate the earnings per share on June 30, 2008 and 2007 has included in the shares increased from the stock dividends to shareholders of $42,696 thousand and bonuses to employees - stock of $41,530 thousand (total $84,226 thousand recorded as "stock dividends to be distributed") for the distribution of earnings of 2007.

For the six months ended June 30, 2008 and 2007, the earnings per share were calculated as follows:

	2008						
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax	Shares (Denominator)	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	$ 253,064	$ 185,567	$ 220,943	440,148,077	$ 0.57	$ 0.42	$ 0.50
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	791,955	-	-	-
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares (including effect of dilutive potential ordinary stock)	$ 253,064	$ 185,567	$ 220,943	440,940,032	$ 0.57	$ 0.42	$ 0.50

There are two assumptions made to calculate the effects of dilutive potential ordinary shares - bonus to employees. First, the bonus to employees was assumed as distributed in the form of stock. Second, the stock market value on June 30, 2008, instead of par value, was used to determine the number of shares increased.

	2007						
	Income Before Tax Include Minority	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**	**Shares (Denominator)**	**Income Before Tax Include Minority**	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**
Basic earnings per share							
Net income to stockholders of common stock	$ 673,297	$ 503,354	$ 305,498	451,574,753	$ 1.49	$ 1.11	$ 0..68
The effects of dilutive potential ordinary shares							
Convertible bonds with real interest rate of 3.50%	754	566	566	4,451,890	(0.01)	-	(0.01)
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 674,051	$ 503,920	$ 306,064	456,026,643	$ 1.48	$ 1.11	$ 0.67

Since there was stock dividend distributed in the second half of the year 2007, it had been included in the outstanding stock as of the beginning of the year 2007.

Regarding the 2007 retained earnings proposition by the board of directors and the approval of the stockholders' meeting, please refer to the Market Observation Post System ("MOPS") of the Taiwan Stock Exchange.

Test-Rite's board of directors and stockholders have proposed and approved the distribution from 2007 earnings of $41,530 thousand as stock bonuses to employees (represents 0.96% of the outstanding common share at the year end of 2007) and of $10,383 thousand as bonuses to directors and supervisors. In 2007, the amount of earnings per share after income tax (before retroactive adjustment for stock dividends in 2007) was $1.32 dollars. However, if the earnings distribution to employees, directors, and supervisors was accounted for as expenses, the pro-forma earnings per share after income tax would be $1.20 dollars.

27. RETAINED EARNINGS

According to the Company Law of the Republic of China and Test-Rite's Articles of Incorporation, 10% of Test-Rite's earnings, after paying tax and offsetting deficit, if any, shall first be appropriated as legal reserve. The remaining balance, if any, shall be distributed in the following order:

(a) bonus to directors and supervisors - 2%, and
(b) bonus to employees - at least 2% or more,
(c) the remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

Dividend policy: In principle, the Company follows balanced dividend policy. Dividends are based on consideration of the capital stock, financial structure, profit condition, business plan and the earnings, capital surplus and cash flow. Distribution of profits may also be made by way of cash dividend; provided that the ratio for cash dividend shall not less than 10% of the total distribution. However, if cash dividend per share less than NT$0.1, stock dividend could be distributed.

28. TREASURY STOCK

The changes of treasury stock for the six months ended June 30, 2008 and 2007 are summarized as follows (in shares):

Reason	2008.1.1	Increase	Decrease	2008.6.30
Buy the stock back to transfer to employees	17,185,000	21,095,000	-	38,280,000

Reason	2007.1.1	Increase	Decrease	2007.6.30
Buy the stock back to transfer to employees	20,000,000	30,000,000	20,000,000	30,000,000

As of June 30, 2008, the treasury stock of Test-Rite was $759,532 thousand, which was bought by Test-Rite itself.

As of June 30, 2007, the treasury stock of Test-Rite was $551,390 thousand, which was bought by Test-Rite itself.

In June 2007, Test-Rite transferred 20,000,000 shares of treasury stock to employees, resulting in additional paid-in capital of $2,945 thousand, which was credited to paid-in capital from treasury stock transactions.

According to the Stock Exchange Law of ROC, the shares of treasury stock should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury stock should not be over the total of retained earnings and realized additional paid-in capital. The highest number of shares of treasury stock that Test-Rite held as of June 30, 2008 was 38,280,000 shares and the total amount was $759,532 thousand pursuant to the law.

According to the Stock Exchange Law of ROC, the treasury stock of holding company should not be pledged and does not have the same right as the common stock.

29. PERSONNEL, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES

Personnel, depreciation, depletion and amortization expenses for the six months ended June 30, 2008 and 2007 are summarized as follows:

Function / Expense Item	2008			2007		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expense						
Salary	$ 143,926	$ 1,392,360	$ 1,536,286	$ 184,006	$ 1,311,493	$ 1,495,499
Labor/health insurance	11,187	88,549	99,736	12,169	83,170	95,339
Pension	12,224	62,480	74,704	13,243	54,466	67,709
Other	13,967	173,724	187,691	20,081	158,197	178,278
Depreciation	54,344	319,486	373,830	73,845	290,714	364,559
Depletion	-	-	-	-	-	-
Amortization	4,040	34,936	38,976	24,580	26,427	51,007

30. INCOME TAX

The ROC government enacted the Alternative Minimum Tax Act ("AMT Act"), which became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company considers the impact of the AMT Act in the determination of its tax liabilities.

The components of income tax expense for the six months ended June 30, 2008 are as follows:

Tax expense from operating gain	$ 69,867
Estimated 10% income tax on 2007 undistributed earnings	7,792
Deferred income tax asset adjustment and change in adjustment of valuation allowance	(3,012)
Adjustment of prior years' tax expenses	(7,150)
Income tax expense	$ 67,497

The tax effects of deductible temporary differences that gave rise to deferred income tax assets as of June 30, 2008 are as follows:

Loss carryforwards	$ 63,181
Loss on bad debt	140,000
Investment loss recognized under equity method	515,980
Others	78,558
	797,719
Less valuation allowance	(66,086)
Net deferred income tax assets	731,633
Less deferred income tax assets, noncurrent	(698,193)
Deferred income tax assets, current	$ 33,440

Current income tax for the six months ended June 30, 2008 and income tax payable as of June 30, 2008 are generated as follows:

Income tax expense at statutory rate	$ 208,606
Decrease in tax resulting from others	(91,859)
Current tax expense	116,747
Provision for deferred income tax assets	
Others	46,826
Income tax payable	163,573
Add estimated 10% income tax on 2007 undistributed earnings	7,792
Less prepayments and withholdings in 2008	(14,174)
Add income tax payable for the prior years	91,254
Income tax payable as of June 30, 2007	$ 248,445

The reported prepaid income tax and withholdings of $17,243 thousand as of June 30, 2008 is 2008 and prior year's income tax prepayments.

Loss carryforwards as of June 30, 2008 for income tax purposes are as follows:

Year Expired	Amount
2008	$ 7,450
2009	750
2010	18,812
2011	17,625
2012	5,167
2013	13,377
	$ 63,181

The information of Test-Rite about Imputation Credit ("IC") on the undistributed earning as of June 30, 2008 was summarized as follows:

IC on undistributed earnings as of June 30, 2008	$ 93,811
Undistributed earnings in years from 1997 and before	$ 6,925
Undistributed earnings in years from 1998 and after	$ 220,943
Expected IC ratio on distributed earnings in 2008	33.33%
Actual IC ratio on distributed earnings in 2007	33.33%

31. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are outlined as follows:

2008	
Name	**Relationship**
Test-Rite Int'l (Mexico) Ltd. ("TR Mexico")	The Company holds 49.00% ownership interest
Up Master Investment Co., Ltd. ("Up Master")	Related party in substance
X-Cel Relationship Management Co., Ltd.	Related party in substance
Tony Ho	Chairman of Test-Rite
Judy Lee	Test-Rite's managing director
Quality Master Co., Ltd.	Related party in substance
Li Xiong Co., Ltd.	Related party in substance

The Company's transactions with its related parties are summarized as follows:

Rental Revenues

	2008		2007	
	Amount	**%**	**Amount**	**%**
Up Master	$ 25	-	$ 25	-
Quality Master	25	-	25	-
Li Xiong	25	-	25	-
X-Cel Relationship Management	25	-	25	-
	$ 100	-	$ 100	-

Rental revenues from related parties are according to market price and rental revenues are received monthly.

Service Revenues

	2008		2007	
	Amount	**%**	**Amount**	**%**
Up Master	$ 114	-	$ 57	-
Quality Master	114	-	57	-
Li Xiong	114	-	57	-
X-Cel Relationship Management	114	-	57	-
	$ 456	-	$ 228	-

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the six months ended June 30, 2008 and 2007 are summarized below:

	2008		2007	
	Amount	**%**	**Amount**	**%**
TR Mexico	$ 13,590	10	$ 16,375	9

Commission expenses to related parties are based on gross profit while commission expenses to non-related parties are based on selling prices.

Due from Related Parties

Due from related parties as of June 30, 2008 and 2007 are summarized below:

	2008		2007	
	Amount	**%**	**Amount**	**%**
Notes receivable				
Li Xiong	$ 147	25	$ -	-
X-Cel Relationship Management	147	25	-	-
Quality Master	146	25	26	-
Up Master	146	25	-	-
	$ 586	100	$ 26	-
Accounts receivable				
X-Cel Relationship Management	$ -	-	$ 40	-
Li Xiong	-	-	26	-
Up Master	-	-	26	-
	$ -	-	$ 92	-
Advances to related parties				
TR Mexico	$ 4,890	100	$ 4,353	100

Due to Related Parties

Due to related parties as of June 30, 2008 and 2007 are summarized below:

	2008		2007	
	Amount	%	Amount	%
Accrued commission expenses				
TR Mexico	$ 2,325	6	$ 2,175	4

Payment of Credit Guarantees

As of June 30, 2008 and 2007, long-term debt of $4,900,000 thousand and $1,068,750 thousand was guaranteed by Tony Ho and Judy Lee.

As of June 30, 2008, short-term bank borrowings of $379,425 thousand were guaranteed by Tony Ho and Judy Lee.

As of June 30, 2007, short-term borrowings of $1,287,926 thousand were guaranteed by Tony Ho, Judy Lee and Joyce Sun.

32. PLEDGED ASSETS

Assets pledged for various purposes as of June 30, 2008 and 2007 are summarized as follows:

	2008	2007
Accounts receivable (see Note 8)	$ 51,407	$ 201,940
Time deposits	2,400	-
Land (see Note 17)	208,875	476,194
Buildings and improvements (see Note 17)	59,425	61,782
	$ 322,107	$ 739,916

33. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite’s outstanding letters of credit as of June 30, 2008 is US$3,218 thousand and, EUR€240 thousand.

Test-Rite’s outstanding letters of credit as of June 30, 2007 is US$3,098 thousand.

Tong Lung Metal’s outstanding letters of credit for purchases of raw material and equipment amounted to approximately $29,152 thousand on June 30, 2008.

Tong Lung Metal has materials ordered but not yet received of approximately $141,438 thousand on June 30, 2008.

Tong Lung Metal committed to proceed with the division and transfer of building No. 59 to a hospital. The hospital has the first priority right to purchase the remaining portion of the land situated in May-Lin factory if Tong Lung Metal decides to sell it within 10 years.

Tong Lung Metal signed a land lease contract with Subic Bay Freeport Zone in 2006 to rent a piece of land, which is currently used by Tong Lung Metal (Philippines). The lease term is 40 years and the rent is required to be paid annually for 5 years. In April 2008, Tong Lung Metal signed another contract, effective July 1, 2008, transferring the land lease contract to Tong Lung Metal (Philippines). According to the contact, the remaining rent will be paid by Tong Lung Metal (Philippines) instead.

Litigation

As of June 30, 2007, Tong Lung Metal (Philippines) has a significant in-process litigation named Chen Shu Yuan Stockholder Case. Chen Shu Yuan and the rest of 3800 stockholders brought a lawsuit against Tong Lung Metal (Philippines) due to their investment loss suffered from subscription to Tong Lung Metal (Philippines)'s capital increase in cash in 1997. These stockholders claimed for indemnity of NT $1.1 billion but was suspended immediately when Tong Lung Metal (Philippines) was approved for reorganization. As soon as Tong Lung Metal (Philippines) completed the reorganization, Taiwan High Court adjudicated and rejected the claim. The stockholders further appealed to the Supreme Court but according to the lawyer who stands for Tong Lung Metal (Philippines), the right to appeal is beyond the determined period in law. Tong Lung Metal (Philippines) therefore did not record any of such contingent payable.

34. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Nominal Amount and Credit Risk

The forward exchange contracts as of June 30, 2008 and 2007 are summarized below:

		2008		2007	
Financial Instruments	**Type**	**Nominal Amount**	**Credit Risk**	**Nominal Amount**	**Credit Risk**
Non-trading purpose					
Forward exchange	Sale	US$ 327,500	-	US$ 46,662	-
	Buy	US$ 269,000	-	US$ 45,175	-
	Sale	EUR€ 3,588	-	-	-
	Buy	EUR€ 2,520	-	-	-
Trading purpose	Sale	-	-	EUR€ 8,012	-

Test-Rite will suffer losses if the counterparties default. However, the Company's credit risk is insignificant on the basis of the reputable banks as counterparties.

Market Risk

For a derivative designated as hedging instrument, the gain or loss derived from the fluctuation of interest rate or exchange rate is to be offset by the loss or gain on the hedged item attributable to the risk being hedged and thus, the market risk is insignificant.

Liquidity Risk and Cash Flow Risk

The Company has the ability to meet its financial obligations under the derivative contracts and thus, liquidity risks virtually do not exist.

Foreign exchange rates embedded in the derivative contracts are fixed at the inception and thus, cash flow risks are insignificant.

Reporting of Derivative Instruments in the Financial Statements

As of June 30, 2008 and 2007, the receivable and payable derived from foreign exchange contracts are summarized below:

	2008	2007
Forward contract receivable	$ 17,804,803	$ 3,392,858
Less forward contract payable	(17,756,951)	(3,380,505)
Receivable on forward contracts, net	$ 47,852	$ 12,353

Foreign exchange gain of the Company from derivative financial instruments for the six months ended June 30, 2008 and 2007 amounted to $187,776 thousand and $77,668 thousand, which was reported as non-operating income - exchange gains.

Fair Value of Financial Instruments

The fair value of non-derivative financial instruments as of June 30, 2008 and 2007 is summarized as follows:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	$ 1,046,895	$ 1,046,895	$ 1,261,792	$ 1,261,792
Financial assets at fair value through profit or loss, current	427,069	427,069	579,839	579,839
Available-for-sale financial assets, current	8,802	8,802	11,076	11,076
Financial assets carried at cost, current	-	-	3,329	3,329
Held-to-maturity financial assets, current	11,118	11,118	14,072	14,072
Bonds investment without active market	30,000	30,000	-	-
Notes receivable	104,051	104,051	89,699	89,699
Notes receivable from affiliates	586	586	26	26
Accounts receivable	3,230,714	3,230,714	2,926,429	2,926,429
Accounts receivable from affiliates	-	-	92	92
Other receivable	848,921	848,921	442,858	442,858
Other current financial assets	35,545	35,545	15,172	15,172
Long-term equity investments at equity method	1	1	1,027	1,027
Investments in real estate	14,529	14,529	14,630	14,630
Available-for-sale financial assets, noncurrent	68,385	68,385	168,090	168,090
Held-to-maturity financial assets, noncurrent	7,397	7,397	7,397	7,397
Financial assets carried at cost, noncurrent	132,626	132,626	168,232	168,232
Bond investments without active market, noncurrent	-	-	30,000	30,000
Refundable deposits	800,091	800,091	715,574	715,574

	2008		2007	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Liabilities				
Short-term bank borrowings	3,765,632	3,765,632	5,570,251	5,570,251
Short-term obligations	45,000	45,000	-	-
Financial liabilities at fair value through profit or loss, current	-	-	675	675
Notes payable	141,809	141,809	207,183	207,183
Accounts payable	3,112,706	3,112,706	3,187,653	3,187,653
Other payable	1,609,735	1,609,735	1,637,706	1,637,706
Other current financial liabilities	316,773	316,773	186,871	186,871
Long-term liabilities	4,550,564	4,550,564	1,718,750	1,718,750
Other financial debt	1,109	1,109	15,346	15,346
Current portion of long-term liabilities	402,400	402,400	660,012	660,012

The fair value of derivative financial instruments as of June 30, 2008 and 2007 is summarized as follows:

	2008		2007	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Buy forward exchange asset	$ 60,530	$ 60,530	$ 17,867	$ 17,867
Sell forward exchange liability	(12,678)	(12,678)	(5,514)	(5,514)

Approaches and assumptions employed in assessing the fair value of financial instruments are summarized as follows:

(a) Financial instruments classified as current assets and liabilities, cash and cash equivalents, notes receivable, accounts receivable, accounts receivable from affiliates, short-term bank borrowings, short-term obligations, notes payable, accounts payable, and other financial instruments, etc., whose maturity dates are short-term recognize carrying value as fair value.

(b) Securities, for which market prices exist, are valued at market prices. Otherwise, available financial or other useful information is employed to compute fair value.

(c) Long-term debt is stated at discount value.

(d) Refundable deposits and advance deposits from customers are stated at discount value.

(e) The fair value of derivative financial instruments is the amount which the Company expects to receive or pay if the Company stops the contracts according to the agreement at the balance sheet date. Generally, the amounts included unrealized gain or loss on outstanding contracts and most of them have reference value from financial organizations.

35. OPERATING LEASE

The sale-leaseback agreement of the land, buildings and improvements which Test-Rite entered into with non-affiliates is summarized as follows:

A list of rent expense that should be paid each year in the future 5 years and the present value of rentals from 2014 to 2017 as of June 30, 2008:

Period	**Amount**
2009	$ 257,500
2010	265,225
2011	273,182
2012	281,377
2013	289,818
2014~2017 (present value $367,068 thousand)	1,248,867
	$ 2,615,969

The lease agreement which Chung Cin Enterprise entered into with non-affiliates is summarized as follows:

A list of rent revenue that should be received each year in the future 5 years and the present value of rentals from 2014 to 2026 as of June 30, 2008:

Period	**Amount**
2009	$ 32,106
2010	30,180
2011	25,473
2012	20,725
2013	16,637
2014~2018 (present value $33,687 thousand)	39,334
2019~2023 (present value $10,459 thousand)	15,323
2023~2026 (present value $4,489 thousand)	4,021
	$ 183,799

The lease agreement which Chung Cin Enterprise entered into with non-affiliates is summarized as follows:

A list of rent expense that should be paid each year in the future 5 years and the present value of rentals from 2014 to 2025 as of June 30, 2008:

Period	**Amount**
2009	$ 28,366
2010	28,795
2011	29,940
2012	29,940
2013	30,864
2014~2018 (present value $151,386 thousand)	167,102
2019~2023 (present value $159,341 thousand)	187,558
2024~2025 (present value $54,930 thousand)	67,669
	$ 570,234

The sale-leaseback agreement of equipment, warehouse, and showroom facilities which TR U.S. entered into with non-affiliates is summarized as follows:

A list of rent expenses that should be paid each year in the future 5 years as of June 30, 2008:

Period	**Amount**
2008	$126,819
2009	119,289
2010	102,997
2011	74,447
2012	45,999
2013	10,089
	$479,640

The trademark license agreement which TR U.S. entered into with non-affiliates is summarized as follows:

A list of royalty expense that should be paid each year in the future 5 years as of June 30, 2008:

Period	**Amount**
2008	$ 455
2009	-
2010	3,035
2011	6,071
2012	6,071
	$ 15,632

The lease agreement for office premises which Hola entered into with non-affiliates is summarized as follows:

A list of rent expenses that should be paid each year in the future 5 years and the present value of rentals from 2014 to 2026 as of June 30, 2008:

Period	**Amount**
2009	$ 102,244
2010	102,803
2011	97,627
2012	92,245
2013	92,773
2014~2018 (present value $368,041 thousand)	402,299
2019~2023 (present value $258,769 thousand)	302,720
2023~2026 (present value $48,722 thousand)	58,509
	$1,251,220

The lease agreement for office premises which TR Retailing entered into is summarized as follows:

A list of rent expense that should be received each year in the future 5 years and the present value of rentals from 2014 to 2022 as of June 30, 2008:

Period	**Amount**
2009	$ 157,775
2010	165,241
2011	170,666
2012	175,550
2013	178,979
2014~2018 (present value $722,855 thousand)	872,498
2019~2022 (present value $198,957 thousand)	460,797
	$ 2,181,506