Test-Rite International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2010 and 2009 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 (the "Company") as of June 30, 2010 and 2009, 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 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to report on these consolidated 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 1, certain insignificant subsidiaries' assets that amounted to $472,519 thousand and $638,366 thousand constituting 2.06% and 2.85% of the consolidated total assets as of June 30, 2010 and 2009, liabilities that amounted to $246,096 thousand and $510,855 thousand constituting 1.50% and 3.10% of the consolidated total liabilities as of June 30, 2010 and 2009 and net income that amounted to $36,283 thousand and $2,269 thousand constituting 11.28% and 1.37% of the total consolidated net income for the six months then ended were based on unreviewed financial statements of the subsidiaries.

Based on our reviews, except for such adjustments, if any, on the reported amounts of certain insignificant subsidiaries had we reviewed the financial statements of such subsidiaries 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.

August 16, 2010

Notice to Readers

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, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,124,465	5	$ 1,093,148	5
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	208,372	1	356,829	2
Available-for-sale financial assets, current (Notes 2 and 6)	9,463	-	7,963	-
Notes receivable (Notes 2 and 7)	65,869	-	54,713	-
Accounts receivable (Notes 2 and 7)	2,708,640	12	2,499,386	11
Other receivables (Note 8)	352,045	1	450,847	2
Other financial assets, current	292	-	25,811	-
Inventories (Notes 2 and 9)	4,261,716	19	3,446,163	16
Prepayments	743,940	3	755,299	3
Other current assets	144,373	1	240,073	1
Total current assets	9,619,175	42	8,930,232	40
LONG-TERM INVESTMENTS				
Long-term equity investments at equity method (Note 10)	1,210	-	1	-
Investments in real estate (Note 11)	14,327	-	14,428	-
Available-for-sale financial assets, noncurrent (Note 12)	114,892	-	22,200	-
Held-to-maturity financial assets, noncurrent (Note 13)	-	-	7,397	-
Financial assets carried at cost, noncurrent (Note 14)	120,673	1	133,918	1
Bond investments without active market, noncurrent (Note 15)	50,000	-	50,000	-
Total long-term investments	301,102	1	227,944	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 16)				
Cost				
Land	654,435	3	654,435	3
Buildings and improvements	1,458,598	6	2,009,450	9
Machinery and equipments	947,552	4	1,288,096	6
Transportation equipment	109,791	1	101,272	-
Other equipment	8,122,154	35	7,468,919	33
Total cost	11,292,530	49	11,522,172	51
Revaluation increments	104,515	1	104,515	-
Less accumulated depreciation	(5,464,388)	(24)	(5,700,524)	(25)
Construction in progress and prepayments for property, plant and equipment	315,325	1	402,877	2
Property, plant and equipment, net	6,247,982	27	6,329,040	28
INTANGIBLE ASSETS (Note 2)				
Patent	82	-	-	-
Computer software cost	52,941	-	22,531	-
Goodwill	3,641,036	16	3,538,799	16
Deferred pension cost	57,775	1	38,862	-
Total intangible assets	3,751,834	17	3,600,192	16
OTHER ASSETS (Notes 2 and 17)				
Refundable deposits paid	908,234	4	864,531	4
Deferred income tax assets, noncurrent (Notes 2 and 28)	877,557	4	887,696	4
Restricted assets, noncurrent (Notes 4 and 17)	-	-	35,380	-
Other assets - others	1,274,344	5	1,530,247	7
Total other assets	3,060,135	13	3,317,854	15
TOTAL	$ 22,980,228	100	$ 22,405,262	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 18)	$ 3,337,106	15	$ 4,136,754	18
Short-term bills payable (Note 19)	20,000	-	25,000	-
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	1,806	-	54,985	-
Notes payable	23,377	-	9,646	-
Accounts payable	3,302,091	14	2,961,370	13
Income tax payable (Notes 2 and 28)	69,680	-	131,441	1
Other payables (Note 20)	1,760,787	8	1,079,102	5
Advance receipt	300,830	1	237,185	1
Current portion of long-term debt (Note 22)	113,088	1	397,817	2
Other current liabilities (Note 21)	322,879	1	353,770	2
Total current liabilities	9,251,644	40	9,387,070	42
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss, noncurrent (Notes 5 and 23)	11,760	-	17,430	-
Long-term debt (Note 22)	4,903,587	21	4,623,501	21
Liability component of preferred stocks, noncurrent (Note 23)	322,814	2	312,029	1
Total long-term liabilities	5,238,161	23	4,952,960	22
ESTIMATED ACCRUED LAND VALUE INCREMENT TAX PAYABLE	36,740	-	36,740	-
OTHER LIABILITIES				
Accrued pension cost	258,848	1	224,905	1
Refundable deposits received	100,260	1	67,526	1
Deferred credit (Note 16)	1,526,124	7	1,760,913	8
Other liabilities - others	39,170	-	54,951	-
Total other liabilities	1,924,402	9	2,108,295	10
Total liabilities	16,450,947	72	16,485,065	74
EQUITY ATTRIBUTED TO STOCKHOLDERS OF THE PARENT				
Capital stock (Note 24)				
Common stock	5,312,228	23	4,736,660	21
Stock dividends to be distributed	-	-	75,568	1
Capital surplus				
Additional paid-in capital	721,731	3	520,130	2
Others (Note 24)	-	-	5,724	-
Retained earnings (Note 25)				
Legal reserve	706,610	3	692,933	3
Unappropriated earnings	252,226	1	143,180	1
Other adjustments of stockholders' equity				
Cumulative translation adjustments (Note 2)	115,443	1	128,014	-
Net loss not recognized as pension costs	(55,313)	-	(35,928)	-
Unrealized holding loss on available-for-sale financial assets	(8,350)	-	(3,983)	-
Treasury stock (Note 26)	(897,297)	(4)	(897,297)	(4)
	6,147,278	27	5,365,001	24
MINORITY INTEREST	382,003	1	555,196	2
Total stockholders' equity	6,529,281	28	5,920,197	26
TOTAL	$ 22,980,228	100	$ 22,405,262	100

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

(With Deloitte & Touche review report dated August 16, 2010)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES	$ 15,857,583	100	$ 14,547,369	100
OPERATING COST	11,024,704	70	10,470,260	72
GROSS PROFIT	4,832,879	30	4,077,109	28
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,352,654	27	3,803,644	26
INCOME FROM OPERATIONS	480,225	3	273,465	2
NON-OPERATING INCOME				
Interest income	7,095	-	17,216	-
Investment income recognized under equity method (Notes 2 and 10)	424	-	-	-
Gain on disposal of property, plant and equipment	847	-	504	-
Foreign exchange gain, net	57,321	-	125,711	1
Gain on valuation of financial assets	70,488	1	8,687	-
Gain on valuation of financial liabilities	-	-	22,186	-
Others	167,337	1	56,733	1
Total non-operating income	303,512	2	231,037	2
NON-OPERATING EXPENSES				
Interest expenses	93,743	1	135,615	1
Investment loss recognized under equity method (Notes 2 and 10)	-	-	1,202	-
Loss on disposal of property, plant and equipment	61,807	-	1,861	-
Loss on disposal of investments, net	10,828	-	15,758	-
Amortization of liability component of preferred stocks, noncurrent	4,183	-	3,854	-
Dividends paid on liability component of preferred stocks, noncurrent	6,492	-	6,942	-
Loss on valuation of financial liabilities	630	-	-	-
Others	125,292	1	97,267	1
Total non-operating expenses	302,975	2	262,499	2
INCOME BEFORE INCOME TAX	480,762	3	242,003	2
PROVISION FOR INCOME TAX (Notes 2 and 28)	(159,236)	(1)	(76,618)	(1)
TOTAL CONSOLIDATED NET INCOME	$ 321,526	2	$ 165,385	1

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2010		2009	
	Amount	**%**	**Amount**	**%**
ATTRIBUTED TO				
Parent company's stockholders	$ 250,783	2	$ 139,006	1
Minority interest	70,743	-	26,379	-
	$ 321,526	2	$ 165,385	1

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 24)				
Basic earnings per share including minority interest	$ 0.99	$ 0.66	$ 0.56	$ 0.38
Basic earnings per share attributed to parent company's stockholders		$ 0.52		$ 0.32
DILUTED EARNINGS PER SHARE (Notes 2 and 24)				
Diluted earnings per share including minority interest	$ 0.99	$ 0.66	$ 0.56	$ 0.38
Diluted earnings per share attributed to parent company's stockholders		$ 0.52		$ 0.32

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

(With Deloitte & Touche review report dated August 16, 2010) (Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock		Capital Surplus		Retained Earnings		Other Adjustments of Stockholders' Equity					
	Common Stock	Stock Dividends to be Distributed	Additional Paid-in Capital	Others	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Unrealized Holding Loss on Available-for-sale Financial Assets	Treasury Stock	Minority Interest	Total
BALANCE, JANUARY 1, 2010	$ 5,312,228	$ -	$ 721,731	$ -	$ 692,933	$ 140,945	$ 120,332	$ (55,422)	$ (267)	$ (897,297)	$ 411,745	$ 6,446,928
Appropriation and distribution of 2009 net income (Note 24)												
Legal reserve	-	-	-	-	13,677	(13,677)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(125,825)	-	-	-	-	-	(125,825)
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	(4,889)	-	-	-	(1,614)	(6,503)
Decrease in net loss not recognized as pension cost on long-term equity investments	-	-	-	-	-	-	-	109	-	-	-	109
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(7,928)	-	(573)	(8,501)
Unrealized valuation loss on available-for-sale financial assets on long-term equity investments	-	-	-	-	-	-	-	-	(155)	-	-	(155)
Minority interest	-	-	-	-	-	-	-	-	-	-	(98,298)	(98,298)
Total consolidated income for the six months ended June 30, 2010	-	-	-	-	-	250,783	-	-	-	-	70,743	321,526
BALANCE, JUNE 30, 2010	$ 5,312,228	$ -	$ 721,731	$ -	$ 706,610	$ 252,226	$ 115,443	$ (55,313)	$ (8,350)	$ (897,297)	$ 382,003	$ 6,529,281
BALANCE, JANUARY 1, 2009	$ 4,736,660	$ -	$ 520,130	$ -	$ 669,551	$ 240,749	$ 121,037	$ (35,928)	$ (9,385)	$ (897,297)	$ 565,971	$ 5,911,488
Appropriation and distribution of 2008 net income (Note 24)												
Legal reserve	-	-	-	-	23,382	(23,382)	-	-	-	-	-	-
Stock dividends	-	63,958	-	-	-	(63,958)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(149,235)	-	-	-	-	-	(149,235)
Transfer of bonuses to employees to capital stock (Note 24)	-	11,610	-	5,724	-	-	-	-	-	-	-	17,334
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	6,977	-	-	-	(2,729)	4,248
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	5,402	-	345	5,747
Minority interest	-	-	-	-	-	-	-	-	-	-	(34,770)	(34,770)
Total consolidated income for the six months ended June 30, 2009	-	-	-	-	-	139,006	-	-	-	-	26,379	165,385
BALANCE, JUNE 30, 2009	$ 4,736,660	$ 75,568	$ 520,130	$ 5,724	$ 692,933	$ 143,180	$ 128,014	$ (35,928)	$ (3,983)	$ (897,297)	$ 555,196	$ 5,920,197

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

(With Deloitte & Touche review report dated August 16, 2010)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	$ 321,526	$ 165,385
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	484,672	441,594
Amortization for deferred charges of long-term debt	150	300
Amortization of liability component of preferred stocks, noncurrent	4,183	3,854
Gain on valuation of financial assets	(70,488)	(8,687)
Loss (gain) on valuation of financial liabilities	630	(22,186)
Investment (gain) loss recognized under equity method	(424)	1,202
Net loss on disposal of available-for-sale financial assets, noncurrent	-	4,878
Net loss on disposal of financial assets carried at cost, noncurrent	890	-
Net (gain) loss on disposal of property, plant and equipment	(695)	1,357
Loss on abandoned property, plant and equipment	61,655	142
Amortization for the unrealized gain on sale-leaseback	(117,395)	(117,395)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	591,089	(20,159)
Available-for-sale financial assets, current	-	(1,946)
Notes receivable	2,977	(12,955)
Accounts receivable	(774,851)	19,666
Other receivables	(45,565)	318,850
Other financial assets, current	8,186	75,611
Inventories	(176,553)	443,034
Prepayments	(74,648)	(83,162)
Deferred income tax assets, current	33,227	(5,728)
Other current assets	41,675	26,685
Deferred income tax assets, noncurrent	37,773	(23,542)
Other assets	75,116	(58,244)
Financial liabilities at fair value through profit or loss, current	(20,502)	(3,501)
Notes payable	15,013	(64,807)
Accounts payable	42,230	383,029
Income tax payable	(98,645)	(60,151)
Other payables	366,725	(374,130)
Advance receipt	33,132	(14,946)
Other current liabilities	(81,563)	(63,728)
Financial liabilities at fair value through profit or loss, noncurrent	630	(1,015)
Accrued pension cost	6,274	(657)
Other liabilities	11,599	(9,344)
Net cash provided by operating activities	678,023	939,304

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financing deposits	$ (2,401)	$ -
Increase in long-term equity investments at equity method	(637)	-
(Increase) decrease in available-for-sale financial assets, noncurrent	(97,320)	12,595
Proceeds from decreased capital stock of financial assets carried at cost, noncurrent	216	-
Decrease (increase) in financial assets carried at cost, noncurrent	9,845	(167)
Acquisition of bond investments without active market, noncurrent	-	(50,000)
Acquisition of property, plant and equipment	(566,433)	(352,861)
Proceeds from disposal of property, plant and equipment	9,166	348,486
Increase in refundable deposits paid	(125,145)	(29,420)
Decrease (increase) in restricted assets	35,380	(35,380)
Increase in deferred charges	(57,722)	(59,158)
Decrease in goodwill	4,463	-
Net cash used in investing activities	(790,588)	(165,905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank borrowings	332,760	(414,459)
Decrease in short-term bills payable	(60,000)	(70,000)
Decrease in long-term debt	(349,343)	(467,624)
Increase in refundable deposits received	98,135	38,698
Decrease in minority interest	(98,298)	(34,770)
Net cash used in financing activities	(76,746)	(948,155)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(6,505)	4,248
NET DECREASE IN CASH AND CASH EQUIVALENTS	(195,816)	(170,508)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,320,281	1,263,656
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,124,465	$ 1,093,148
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest	$ 90,810	$ 133,179
Income tax	$ 112,769	$ 95,736
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on long-term equity investments	$ 2	$ -
Net loss not recognized as pension costs on long-term equity investments	$ 109	$ -

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2010	2009
Credit balance of long-term equity investments	$ -	$ 1,202
Current portion of long-term liabilities	$ 113,088	$ 397,817
Unrealized (loss) gain on available-for-sale financial assets	$ (7,928)	$ 5,402
Unrealized loss on available-for-sale financial assets on long-term equity investments	$ (155)	$ -
Cash dividends payable	$ 125,825	$ 149,235
CASH PAID DURING THE PERIOD FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment acquired	$ 551,224	$ 339,648
Add liabilities for acquisition of property, plant and equipment at beginning of period	76,581	65,897
Deduct liabilities for acquisition of property, plant and equipment at end of period	(61,372)	(52,684)
Cash paid during the period for acquisition of property, plant and equipment	$ 566,433	$ 352,861
CASH RECEIVED DURING THE YEAR FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Proceeds from disposal of property, plant and equipment	$ 9,166	$ 12,544
Add receivable from disposal of property, plant and equipment at the beginning of year	-	676,325
Deduct receivable from disposal of property, plant and equipment, current, at the end of year	-	(340,383)
Cash received during the year from disposal of property, plant and equipment	$ 9,166	$ 348,486

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

(With Deloitte & Touche review report dated August 16, 2010) (Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

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 2010 and 2009
			2010.06.30	2009.06.30	
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Fortune Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	100.00	
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
B&S Link Co., Ltd. (Cayman)	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Pte Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Int'l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Vietnam Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Canada Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	-	Established in August 2009
Test-Rite Development Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	95.93	
Test-Rite Int'l (U.S.) Co., Ltd.	Directly held 49.00% and controllable investee	Importation and exportation	49.00	49.00	
Test-Rite Int'l (Thailand) Ltd.	Directly held 48.99% and controllable investee	Importation and exportation	48.99	48.99	
Lih Chiou Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Lih Teh International Co., Ltd.	Directly held 100.00%	Logistics services	100.00	100.00	
B&S Link Co., Ltd.	Directly held 100.00%	Providing information software and electronic information	100.00	100.00	
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	
Test-Rite Retail Co., Ltd. (original Test-Rite B&Q Co., Ltd.)	Directly and indirectly held 100.00%	Sale of house decoration hardware and construction materials	100.00	100.00	

(Continued)

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated Financial Statement in 2010 and 2009
			2010.06.30	2009.06.30	
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 66.03%	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	66.03	66.11	
Test-Rite Quickbuy Co., Ltd.	Lih Teh International held 100%	Sale of articles for daily use	100.00	100.00	In process of liquidation since October 2009
Covalue Consultant Co., Ltd.	Lih Teh International held 80.00%	Consultant of business operation	80.00	80.00	
Tony Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Build and civil engineering	100.00	100.00	
Test Cin M&E Engineering Co., Ltd.	Chung Chin Enterprise held 100.00%	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Interior Design Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Interior design	100.00	100.00	
Tony Investment Co., Ltd.	Tony Construction held 100.00%	Investment in various industries	100.00	100.00	
Viet Han Co., Ltd.	Chung Chin Enterprise held 51.00%	Importation and exportation	51.00	51.00	
Test-Rite Home Service Co., Ltd. (original B&Q Indoor Decoration & Renovation Co., Ltd.)	Test-Rite Retail held 100.00%	Interior design	100.00	100.00	
Lucky International (SAMOA) Ltd.	Tong Lung Metal Industry held 100%	Investment	66.03	66.11	
Goodwill Trading Ltd.	Tong Lung Metal Industry held 100%	Investment	-	66.11	Liquidated in October 2009

(Concluded)

Certain insignificant subsidiaries' assets that amounted to $472,519 thousand and $638,366 thousand constituting 2.06% and 2.85% of the consolidated total assets as of June 30, 2010 and 2009, liabilities that amounted to $246,096 thousand and $510,855 thousand constituting 1.50% and 3.10% of the consolidated total liabilities as of June 30, 2010 and 2009, and net income that amounted to $36,283 thousand and $2,269 thousand constituting 11.28% and 1.37% of the total consolidated net income for the six months then ended were based on unreviewed financial statements of the subsidiaries.

As of June 30, 2010 and 2009, Test-Rite and subsidiaries (collectively, the "Company") have 7,151 and 6,781 employees, respectively.

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 sales returns, allowance for inventory loss, depreciation and impairment, pension cost, contingent loss of lawsuit, allowance for indemnity losses and bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. 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 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 2010 and 2009, please see Note 1.

a. The information of subsidiaries not included in the consolidated financial statements for 2010 and 2009: 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 oversea mutual fund and REITs are the published fair value per unit at the balance sheet date. The fair value of bonds is determined by prices quoted by the Taiwan GreTai Securities Market.

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

Before January 1, 2009, inventories were stated at the lower of cost or market value (net realizable value). Any write-down was made on a category by category basis. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded using the moving average method; the allowance for inventory devaluation is established by examining the inventory aging and turnover ratio on the balance sheet date.

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.

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.

Marketable securities are stated at the closing price at the balance sheet date. Open-end mutual fund and REITs are stated at the published fair value per unit at the balance sheet date.

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

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

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

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	3-60 years
Machinery and equipment	2-20 years
Transportation equipment	1-5 years
Furniture, fixtures and office equipment	3-10 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.

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.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Intangible Assets

Computer software is amortized on the straight-line method over 3 to 5 years. Patents are amortized by 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. Deferred charges on bonds issue cost are amortized evenly through the issuing period.

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.

Convertible Preferred Stocks

Convertible preferred stocks issued after January 1, 2006 should be accounted for in accordance with Statement of Financial Accounting Standards No. 36, "Financial Instruments: Disclosure and Measurement." Embedded derivatives, such as conversion option and put option with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract are separated from the host contract. Conversion option, giving stockholders contractual right to receive a fixed number of the Company's common stock for a fixed stated principal amount of the preferred stocks, is initially recognized at fair value as "capital surplus - conversion option." Put option is initially recognized as "financial liabilities at fair value through profit or loss." When fair value is subsequently measured, the changes in fair value are recognized in current income. The carrying value of host contract is measured at amortized cost using the effective interest rate method and recognized as "liability component of preferred stock;" the related interest expense is recognized as current income.

When the preferred stockholders exercise the conversion option, the Company shall adjust the carrying value of "financial liabilities at fair value through profit or loss" to fair value and "liability component of preferred stock" to amortized cost by the effective interest rate method. The aforesaid carrying value of the preferred stocks and put option is credited to capital stock accounts as well as "capital surplus - conversion option."

If the preferred stockholders can exercise put option within one near year after the balance sheet date, liability component of preferred stocks and the embedded derivative shall be classified as current liabilities. However, when the put option expires, unexercised liability component of preferred stocks and the embedded derivatives shall be reclassified to noncurrent liabilities.

If the put option expires without exercise, the carrying amount of the put option is reclassified to capital surplus if the market value of convertible share is higher than the strike price; otherwise, the put option shall be credited or charged to current income.

Retirement Plan

Pension cost under a defined benefit plan is determined by actuarial valuations. If the amount contributed to the plan assets by the employer is less than the net pension cost, then the difference shall be recognized as an accrued pension liability; and if the amount contributed is larger, then the difference shall be recognized as a prepaid pension cost. If the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation, then the deferred pension cost account shall be charged; if the amount of additional liability exceeds the sum, the excess shall be charged to the net loss not yet recognized as net pension cost account.

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

Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Shared-based Payment - Employee Remuneration

According to the Company Law, the Company is required to reserve a portion of shares for employee option plan when issuing common stocks for cash. Under Statement of Financial Accounting Standards No. 39 (SFAS No. 39) and Interpretation 2007-267 both issued by the ARDF, the Company shall recognize the value of the reserved shares as an expense. Employee stock options granted are accounted for under SFAS No. 39, which provides that the value of equity instruments granted shall be measured at fair value. Test-Rite measures the fair value of employee stock option granted by Black-Scholes Model. The inputs to the model are the best available estimate of exercise price, expected life, grant-date share price, expected volatility, expected dividend yield and risk-free interest rate.

When issuing common stocks for cash, only employees of Test-Rite are entitled to receive equity-settled share-based payment. According to SFAS No. 39, the Company shall measure the fair value of goods or services received at the fair value of the options granted and recognize the corresponding increase in stockholders’ equity accordingly. If the equity instruments granted are not limited to vesting conditions, they are considered as vesting immediately. If equity instruments vest after employees have completed a specified period of service, the Company shall recognize the services received during vesting period and the corresponding increase in stockholders’ equity. In this case, the Company shall recognize the services received and the corresponding increase in stockholders’ equity immediately.

Test-Rite’s plan on issuance of common stocks for cash was in accordance with Article 267 of the Company Law. The law requires the Company to reserve 10% to 15% of shares for employee stock option plan. Under the ARDF issued Interpretation 2007-267, the Company shall recognize salary expenses and capital surplus - employee stock options in accordance with grant-date fair value of equity instruments. After issuing stocks for employee stock options, the Company shall reclassify recognized capital surplus - employee stock options to capital surplus - additional paid-in capital.

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 consolidated income tax of the Company is the summary of the income tax of the consolidated entities. 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 share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is the amount of earnings (or loss) attributable to each share of common stock under the assumption that all dilutive potential common shares have been converted, exercised or that all contingently issuable shares have been issued.

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.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2009 have been reclassified to conform to the presentation of the financial statements as of and for the six months ended June 30, 2010.

3. ACCOUNTING CHANGE

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; and (2) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption did not have effect on the Company's consolidated net income for the six months ended June 30, 2009.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Cash on hand	$ 17,989	$ 15,564
Petty cash	23,818	22,327
Checking deposits	28,992	14,591
Savings deposits	554,873	509,721
Foreign currency deposits	418,839	477,276
Time certificates of deposit	79,954	53,669
	$ 1,124,465	$ 1,093,148

As of June 30, 2010 and 2009, the time certificates of deposit of $2,407 thousand and $2,400 thousand, respectively, which were pledged as collaterals for purchases of raw materials were reclassified to refundable deposits paid.

According to the terms and conditions of issuing series B convertible preferred stocks, Tong Lung shall set up a restricted time certificates of deposit account with cash which shall be, but not yet, transferred to special reserve. Therefore, as of June 30, 2009, the time certificates of deposit amounted to $35,380 thousand were reclassified to restricted assets, noncurrent. Please refer to Note 17.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Financial assets held for trading		
Equity securities marketable on Taiwan Stock Exchange and in the Over-the-Counter market	$ 42,324	$ 8,966
Open-end funds	106,849	328,557
Corporate bonds	2,982	5,752
Offshore mutual funds	2,866	5,690
Real estate funds	3,111	-
Receivable on forward contracts, net	50,240	113
Receivable on short selling stocks	-	7,751
	$ 208,372	$ 356,829
Financial liabilities held for trading - current		
Payable on forward contracts, net	$ 1,806	$ 47,078
Payable on short selling stocks	-	7,751
Forward option contracts	-	156
	$ 1,806	$ 54,985
Financial liabilities at fair value through profit or loss - noncurrent		
Put option on convertible preferred stocks (Note 23)	$ 11,760	$ 17,430

As of June 30, 2009, short selling in the investment amounted to $7,751 thousand was included in both financial assets at fair value through profit or loss, current and financial liabilities at fair value through profit or loss, current. The deposits for short selling amounted to $2,401 thousand were included in financing deposits under other financial assets, current.

The Company entered into derivative contracts during the six months ended June 30, 2010 and 2009 to manage exposures to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Equity securities listed in open market	$ 1,414	$ 956
Benefit certificate of domestic funds	8,049	7,007
	$ 9,463	$ 7,963

7. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Non-related parties		
Notes receivable	$ 65,869	$ 54,713
Less allowance for doubtful accounts	-	-
	65,869	54,713
Accounts receivable	2,719,961	2,505,472
Less allowance for doubtful accounts	(11,321)	(6,086)
	2,708,640	2,499,386
	$ 2,774,509	$ 2,554,099

Test-Rite concluded accounts receivable factoring agreement with Taishin International Bank, the agreement declared that the bank has no right of further recourse against Test Rite. According to the agreement, the bank should pay 90% of the proceeds to Test Rite at the time of sale. Test Rite only has to be responsible for loss that resulted from business disputes.

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, the factor may charge back Test-Rite Int'l (U.S.) Co., Ltd. for any accounts not paid in full when due for any reason other than credit risk.

As of June 30, 2010 and 2009, the accounts receivable factoring is summarized as follows:

(Unit: US$ in Dollars; NT$ in Thousands)

Counter-parties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year (Note 1)	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
2010									
Taishin International Bank	$ 37,724 (Note 2)	$ 36,475 (Note 3)	$ 52,585 (Note 4)	$ 21,614 (Note 5)	$ 19,453 (Note 6)	1.87	$ 2,161 (Note 7)	US$ 9,200,000	US$ 920,000
UPS	286,246 (Note 8)	1,105,627 (Note 9)	1,145,256 (Note 10)	246,617 (Note 11)	211,154 (Note 12)	90 days LIBOR+3%	35,463 (Note 13)	-	-

Counter-parties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year (Note 1)	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
2009									
Taishin International Bank	$ -	$ 976 (Note 3)	$ -	$ 976 (Note 5)	$ 878 (Note 6)	1.9	$ 98 (Note 7)	US$11,200,000	US$ 1,120,000
CIT Group & UPS	386,322 (Note 8)	802,124 (Note 9)	970,101 (Note 10)	218,345 (Note 11)	149,768 (Note 12)	JP Morgan basic loan rate minus 0.25% or 3% annual rate	68,577 (Note 13)	-	-

Note 1: Balance at end of year of factored receivables had been derecognized as accounts receivable.
Note 2: US$1,168,725.
Note 3: US$1,130,021; US$29,710.
Note 4: US$1,629,120.
Note 5: US$669,626; US$29,710.
Note 6: US$602,664; US$26,739.
Note 7: US$66,962; US$2,971.
Note 8: US$8,868,131; US$11,771,673.
Note 9: US$34,253,266; US$24,441,574.
Note 10: US$35,480,994; US$29,560,041.

Note 11: US$7,640,403; US$6,653,206.
Note 12: US$6,541,745; US$4,563,591.
Note 13: US$1,098,658; US$2,089,615.

The above credit lines may be used on a revolving basis.

Retention for factoring was reported under other receivables (see Note 8).

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, 2009, accounts receivable of $44,554 thousand was pledged to secure short-term bank borrowing (see Notes 18 and 30).

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, 2009, accounts receivable of $19,778 thousand was pledged to secure short-term bank borrowing (see Notes 18 and 30).

8. OTHER RECEIVABLES

Other receivables as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Value added tax refunds receivable	$ 10,472	$ 9,934
Receivables from related parties (Note 29)	6,431	4,964
Retention for factoring (Note 7)	37,624	68,675
Commission receivable	14,714	16,280
Receivables from disposal of property, plant and equipment, current	-	340,383
Others	282,804	10,611
	$ 352,045	$ 450,847

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

Others mainly include miscellaneous expense paid by Test-Rite on behalf of its suppliers.

9. INVENTORIES

Inventories as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Merchandise - retail sale	$ 2,772,720	$ 2,192,401
Merchandise - trade	714,430	664,537
Raw materials	457,830	347,499
Work-in-process	129,392	116,029
Finished goods	48,266	37,878
Merchandise - manufacturing	42,250	11,617
Construction in progress	96,828	76,202
	$ 4,261,716	$ 3,446,163

As of June 30, 2010 and 2009, the allowance for inventory devaluation was $107,356 thousand and $125,115 thousand, respectively. The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2010 and 2009 was $10,575,773 thousand and $9,904,280 thousand, respectively. The cost of inventories of $10,575,773 thousand included $44,480 thousand of write downs of inventories and $24,889 thousand of loss on physical inventory count for the six months ended June 30, 2010; the cost of inventories of $9,904,280 thousand included $2,035 thousand of write downs of inventories for the six months ended June 30, 2009.

Merchandise - retail sale is the inventories of TR Retailing and Test-Rite Retail.

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

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

Construction in progress is the inventories of Tony Construction Co., Ltd., Chung Cin Interior Design Construction Co., Ltd., and Viet Han Co., Ltd.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

Long-term equity investments at equity method as of June 30, 2010 and 2009 consist of the following:

	2010			2009	
	Original Accumulated Cost	**Carrying Value**	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
At equity method					
Test-Rite Int'l (Mexico) Ltd.	$ 4,493	$ 1,210	49.00	$ 1	49.00

Equities in earnings (loss) of TR Mexico for the six months ended June 30, 2010 and 2009 are summarized as follows:

	2010	**2009**
TR Mexico	$ 424	$ (1,202)

TR Mexico is engaged in importation and exportation.

11. INVESTMENTS IN REAL ESTATE

	2010	**2009**
Land	$ 10,228	$ 10,228
Buildings and improvement	5,634	5,634
	15,862	15,862
Accumulated depreciation	(1,535)	(1,434)
	$ 14,327	$ 14,428

Real estate investments of Lih Teh for the six months ended June 30, 2010 and 2009 amounting to $14,327 thousand and $14,428 thousand, respectively, have been rented to a third party. The rental income for the six months ended June 30, 2010 and 2009 amounted to $466 thousand and $452 thousand was reported as other revenue.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2010	2009
Deposit funds of real estate	$ 30,000	$ 30,000
Equity securities listed in Taiwan Stock Exchange	92,638	-
Equity securities listed in Hong Kong Stock Exchange	4,682	-
Unrealized holding loss on available-for-sale financial assets	(12,428)	(7,800)
	$ 114,892	$ 22,200

13. HELD-TO-MATURITY FINANCIAL ASSETS, NONCURRENT

	2010	2009
CMS Interest Principal Guaranteed Notes	$ -	$ 3,300
Core Pacific - Yamaichi II	-	4,097
	$ -	$ 7,397

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. The Company redeemed the Notes in full in advance in December 2009.

14. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	2010			2009	
	Original Accumulated Cost	Carrying Value	Ownership Percentage %	Carrying Value	Ownership Percentage %
Hwa Jan International Co., Ltd. (Samoa)	$ 9,849	$ 9,813	19.00	$ 9,977	19.00
TEPRO	430	370	10.00	433	10.00
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	5.00	40,000	5.00
NCTU Springl Technology Capital Co., Ltd.	9,032	9,032	4.69	10,832	4.69
Yuan Chuang Co., Ltd.	1,950	1,950	1.57	2,166	1.00
Techgains Pan-Pacific Co., Ltd.	19,191	19,154	0.81	19,316	0.81
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
Emit Technology Co., Ltd.	2	2	-	10,842	4.58
Nucom International Co., Ltd.	64,400	27,400	1.57	27,400	1.57

(Continued)

	2010			2009	
	Original Accumulated Cost	Carrying Value	Ownership Percentage %	Carrying Value	Ownership Percentage %
Hong Da Electronic Co., Ltd.	$ 2,000	$ -	0.72	$ -	0.72
China Semiconductor Co., Ltd.	767	546	0.42	546	0.42
Yieh United Steel Co., Ltd.	3,920	3,920	0.02	3,920	0.02
Shanghai Commercial & Saving Bank, Ltd.	1,903	1,903	-	1,903	-
	$ 160,027	$ 120,673		$ 133,918	

(Concluded)

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

15. BOND INVESTMENTS WITHOUT ACTIVE MARKET, NONCURRENT

	2010		2009
	Original Accumulated Cost	Carrying Value	Carrying Value
Subordinated bond of Ta Chong Bank	$ 50,000	$ 50,000	$ 50,000

Subordinated bond of Ta Chong Bank: the face value per unit is $10,000 thousand and the total value is $50,000 thousand; the issuance date is November 27, 2006; interest rate is 5.5% for the first ten years and is increased to 6.5% from the eleventh year if the bonds have not been redeemed. Interest paid annually.

16. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2010 and 2009 consist of the following:

	2010				2009
	Original Cost	Revaluation Increments	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 654,435	$ 104,515	$ -	$ 758,950	$ 758,950
Buildings and improvements	1,458,598	-	281,678	1,176,920	947,178
Machinery and equipment	947,552	-	894,452	53,100	20,394
Transportation equipment	109,791	-	68,626	41,165	46,940
Furniture, fixtures and office equipment	314,812	-	186,195	128,617	220,090
Leasehold improvements	5,990,587	-	2,838,684	3,151,903	3,387,396
Molds and tools	128,005	-	67,713	60,292	18,082
Other equipment	1,688,750	-	1,127,040	561,710	527,133
Construction in progress and prepayments for property, plant and equipment	315,325	-	-	315,325	402,877
	$ 11,607,855	$ 104,515	$ 5,464,388	$ 6,247,982	$ 6,329,040

Revaluation increments are recognized on Tong Lung Metal Industry Co., Ltd.

On December 21, 2007, Test-Rite sold a real property and leased it back immediately in consideration of business strategies. 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. As of December 31, 2007, Test-Rite recorded $2,347,885 thousand unrealized gain, which is amortized during 10-year lease term. For the six months ended June 30, 2010 and 2009, the amortization of unrealized gain was $117,395 thousand, which was treated as a reduction of rental cost and rental expense. As of June 30, 2010 and 2009, the unrealized gain was $1,760,913 thousand and $1,955,702 thousand, respectively. Based on the liquidity of the unrealized gain, $234,789 thousand was recorded under other current liability on both dates and $1,526,124 thousand and $1,760,913 thousand, respectively, were recorded under other liabilities - deferred credit.

As of June 30, 2010 and 2009, the carrying value of property, plant and equipment pledged to secure long-term and short-term debt and provided as collaterals to bank was as follows (see Note 30):

	2010	2009
Land	$ 208,875	$ 208,875
Buildings and improvements	259,468	336,765
	$ 468,343	$ 545,640

17. OTHER ASSETS

Other assets as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Refundable deposits paid	$ 908,234	$ 864,531
Restricted assets (Note 4)	-	35,380
Deferred tax asset - noncurrent (Note 28)	877,557	887,696
Deferred charges (Note 2)	343,415	350,610
Others	930,929	1,179,637
	$ 3,060,135	$ 3,317,854

18. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of June 30, 2010 and 2009 consist of the following:

	2010		2009	
	Interest Rate %	Amount	Interest Rate %	Amount
Unsecured loans	0.92-4.86	$ 2,923,240	0.87-5.36	$ 3,783,371
Secured loans	0.95-5.10	413,866	1.16-5.59	347,583
Loans payable	-	-	3.67-4.87	5,800
		$ 3,337,106		$ 4,136,754

As of June 30, 2010, secured loan of $294,066 thousand was secured by the land and buildings and improvements of Tong Lung Metal Industry Co., Ltd. Secured loan of $119,800 thousand was secured by buildings and improvements of Jiashan Te-Cheng Wood Industrial Co., Ltd. (see Note 30).

As of June 30, 2009, secured loan of $44,554 thousand was secured by the accounts receivable of TR Int'l (U.S.) Co., Ltd. Secured loan of $12,523 thousand was secured by the accounts receivable of TR Development Co., Ltd. and $180,000 thousand was secured by the land and buildings and improvements of Tong Lung Metal Industry Co., Ltd. Secured loan of $110,506 thousand was secured by the buildings and improvements of Jiashan Te-Cheng Wood Industrial Co., Ltd. (see Notes 7 and 30).

19. SHORT-TERM BILLS PAYABLE

Short-term bills payable as of June 30, 2010 and 2009 consist of the following:

	2010		2009	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper, unsecured	1.038	$ 20,000	1.54	$ 25,000

20. OTHER PAYABLES

Other payables as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Accrued expenses	$ 1,069,862	$ 511,257
Cash dividends payable	125,825	149,235
Payable for purchase of property, plant and equipment	61,372	52,684
Bonuses payable to employees	41,981	23,068
Bonuses payable to directors and supervisors	21,352	21,112
Other notes payable	27,280	68,996
Others	413,115	252,750
	$ 1,760,787	$ 1,079,102

21. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Unrealized gain on sale-leaseback (Note 16)	$ 234,789	$ 234,789
Receipts under custody	18,958	18,619
Accrued VAT payable	16,391	22,637
Allowance for indemnity losses on exports (Note 2)	15,950	4,546
Others	36,791	73,179
	$ 322,879	$ 353,770

22. LONG-TERM DEBT

Long-term debt as of June 30, 2010 and 2009 consists of the following:

	2010		2009
	Interest Rate	Amount	Amount
Taishin International Bank			
Unsecured loan from June 24, 2010 to June 24, 2012, July 20, 2009 to July 20, 2011 and June 25, 2008 to December 31, 2009. Interest is paid monthly, principal due on June 24, 2012.	1.28-1.36	$ 300,000	$ 200,000
Ta Chong Bank			
Unsecured loan from May 16, 2008 to November 30, 2012. Interest is paid monthly, principal due on November 30, 2012.	1.47	600,000	600,000
Bank SinoPac Co., Ltd.			
Unsecured loan from March 31, 2010 to March 31, 2013 and January 2, 2008 to January 2, 2011. Interest is paid monthly, principal due on March 31, 2013.	1.161	500,000	500,000
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.	1.535	150,000	200,000
Unsecured loan from February 1, 2008 to March 1, 2010. Interest is paid monthly, principal due on March 1, 2010.	2.25-3.9	-	1,800
Land Bank's Syndicate Loan			
Unsecured loan from June 3, 2009 to July 25, 2012, June 9, 2009 to July 25, 2012, June 21, 2010 to July 25, 2012 and June 28, 2010 to July 25, 2012. Interest is paid monthly, principal due on July 25, 2012. Interest rate is current interest rate plus 0.6%. The authorized credit line of $300 million or US$85 million may be used on revolving basis for a period until July 25, 2012.	1.1674-1.1705	2,500,000	3,000,000
First Sino Bank			
Secured loan from June 24, 2008 to June 23, 2013. Interest is paid monthly. Principal is paid in 50 monthly installments starting from second year after the day of the first borrowing.	8.61	116,675	52,851
Taiwan Business Bank Syndicated Loan			
Unsecured loan from October 26, 2009 to October 26, 2014. The authorized credit line is $2,160,000 thousand, principal due on October 26, 2014.	1.80	850,000	-

(Continued)

	2010		2009
	Interest Rate	**Amount**	**Amount**
Chang Hwa Bank			
Unsecured loan from May 19, 2008 to June 18, 2011. Interest is paid monthly and principal is paid in 12 quarterly installments. In June 2010, the Company paid the principal in full in advance.	1.54	$ -	$ 266,667
Yuanta Bank			
Secured loan from December 11, 2008 to December 10, 2011. Interest is paid monthly. In March 2010 and June 2010, the Company paid principal in full in advance.	3.75	-	200,000
		5,016,675	5,021,318
Less current portion		(113,088)	(397,817)
		$ 4,903,587	$ 4,623,501

(Concluded)

As of June 30, 2010, 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 to 1. (Liability ratio is total liabilities minus unrealized gain on sales leaseback of office premises divided by tangible assets.)

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 year ended December 31.

Ta Chong Bank

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities 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 year ended December 31.

Bank SinoPac Co., Ltd.

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1. (Total liabilities should exclude other current liabilities and other liabilities - deferred credit that resulted from sales leaseback.)

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 year 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. (Total liabilities are total liabilities on the balance sheet plus credit guarantees and minus the unrealized gain on sales leaseback of office premises.)

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 year ended December 31.

According to the loan agreement, Test-Rite Retail has to maintain certain financial as follows:

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities 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 3 to 1.

According to the loan agreement, Lih Chiou has to maintain certain financial condition as follows:

a. Lih Chiou needs to examine if it maintains $60,000 thousand in its time certificates of deposits every three months. If Lih Chiou does not meet the condition, the interest of the loan will be increased to a fixed interest rate of 4.25% until the next time when the time certificates of deposits are examined.

b. Test-Rite Retail has to transfer cash dividends distributed every year to the bank account of Yuanta Bank.

c. Lih Chiou had redeemed the long-term debt with Yuanta Bank in March 2010 and June 2010. Consequently, the pledges of time deposits and shares of Test-Rite Retail for Lih Chiou had been released. Please refer to Note 30.

See Note 30 for collaterals on bank borrowings.

See Note 29 for guarantees on bank borrowings.

23. LIABILITY COMPONENT OF PREFERRED STOCKS - NONCURRENT

	2010	2009
Private placement of liability component of series B preferred stocks	$ 322,814	$ 312,029

Private Placement of Liability Component of Preferred Stocks

On October 6, 2008, Tong Lung decided to issue series B convertible preferred stocks to buy back series A preferred stocks (October 24, 2003 - October 23, 2008.) There were 8,750,000 shares of series B preferred stocks (with par value of $10 dollars per share) issued to local entities at forty dollars per share and on October 8, 2008, total proceeds from this issuance amounting to $350,000 thousands had been collected. Terms and conditions, which were stated in Tong Lung’s stockholders’ meeting on June 19, 2008, are summarized as follows:

a. Issue period: the convertible preferred stocks will be due five years from the issuance date (from October 8, 2008 to October 7, 2013.)

b. Dividends: the dividends for the convertible preferred stocks are 4% per annum. The dividends will be paid out in cash after earnings proposition is approved. When the preferred stocks are not held for one full year, at year end, dividends will be adjusted accordingly.

c. Conversion ratio: one share of preferred stocks can be converted to one share of common stocks of the Issuer.

d. Converting preferred stocks to common stocks of the Issuer

    1) Converting preferred stocks, in whole but not in part: from the issuance date to 120 days prior to the maturity date, preferred stockholders shall require the Issuer in preferred stockholders’ meeting, held upon preferred stockholders’ request, to repurchase all preferred stocks.

    2) Converting preferred stocks, in whole or in part: the preferred stocks are convertible, in whole or in part, at any time during the conversion period from the issuance date to 120 days prior to the maturity days. At the end of each conversion period, if potential converted preferred stocks are less than 15% in principal amount of preferred stocks originally outstanding, the conversion will not take effect. The preferred stockholders will then be notified by the security agent to retrieve their stocks and related documents.

e. Paying the dividends in arrears

    1) After a year that the Issuer carries a net loss or does not have sufficient earnings for distribution, the dividends in arrears is accumulated and paid out the next year prior to distribution to common stockholders. Ways of handling dividends in arrears of preferred stocks, which are redeemed by the Issuer and converted to common stocks of the Issuer by stockholders, are specified in (2) and (3), respectively:

    2) Preferred stocks redeemed by the Issuer: dividends in arrears are calculated up to the date when the preferred stocks are redeemed by the Issuer.

3) Preferred stocks converted to common stocks by preferred stockholders: dividends in arrears shall be paid in cash with no interests on the first dividend grant date subsequent to the date of conversion. In the case that the Issuer is prohibited by regulation to pay the dividends, the Issuer should pay such dividends in arrears with no interest to the stockholders on the first dividend grant date subsequent to the date when the regulation is lifted.

f. Redemption of preferred stock prior to the maturity date

On the First to Tenth of April, July and December during the period from 3 years after the issuance date to 90 days prior to the maturity date, the convertible preferred stocks shall be redeemed, in whole or in part, at forty dollars per share plus any dividends in arrears.

g. Mandatory conversion prior to the maturity date

The Issuer may redeem the convertible preferred stocks, in whole or in part, if at least 95% in principal amount of preferred stocks have already been redeemed or converted.

h. Maturity date

Unless previously redeemed or converted, the preferred stocks will be redeemed at forty dollars per share. After the conversion, the converting preferred stockholders shall be registered in its common stockholders' ledger.

i. Special reserve

The Issuer shall maintain a certain percentage of special reserve as provision for future series B convertible preferred stock redemption. Cash, not less than the amount which shall be transferred to special reserve, has to be saved in the bank as time certificates of deposit with restriction of not allowing for withdrawal. The restriction is lifted when the Issuer has reserved enough amount of special reserve required.

In accordance with SFAS No. 36, "Financial Instruments: Disclosure and Presentation," the Company divided preferred stocks into conversion option and put option, which are recognized as equity and liability, respectively. Equity component of preferred stocks which is recorded under minority interest amounted to $25,690 thousand. Liability component of preferred stocks is charged to embedded derivatives and liabilities. As of June 30, 2010, embedded derivatives which are measured at fair value amounted to $11,760 thousand; liabilities which do not belong to derivatives financial instruments amounted to $322,814 thousand. As of the balance sheet date, none of the preferred stockholders requested to convert their preferred stocks into common stocks.

24. CAPITAL STOCK AND STOCK DIVIDEND TO BE DISTRIBUTED

Test-Rite's capital stock as of June 30, 2010 and 2009 consists of the following:

	2010	**2009**
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)	531,223	473,666
Par value (in dollars)	$ 10	$ 10
Capital	$ 5,312,228	$ 4,736,660

Test-Rite's outstanding capital stock as of January 1, 2009, amounted to $4,736,660 thousand. Transferred from the 2009 retained earnings to capital stock were bonuses to employees of $11,610 thousand, and stock dividends of $63,958 thousand, or total of $75,568 thousand. On July 24, 2009, the Board of Directors decided to increase the Company's capital by 50,000,000 shares for cash. The stock was issued above par at $13.70 per share. Consequently, as of June 30, 2010, Test-Rite's capital stock was increased to $5,312,228 thousand consisting of 531,222,872 outstanding common shares having a par value of $10 dollars each.

In the stockholders' meetings on June 15, 2010 and June 16, 2009, the stockholders decided to distribute retained earnings for 2009 and 2008 as follows:

	2009	
	Distributions of Earnings	**Dividends Per Share (In Dollars)**
Legal reserve	$ 13,677	$ -
Cash dividends	125,825	0.26

	2008	
	Distributions of Earnings	**Dividends Per Share (In Dollars)**
Legal reserve	$ 23,382	$ -
Cash dividends	149,235	0.35
Stock dividends	63,958	0.15

The stockholders resolved in their meeting on June 16, 2009 to increase capital by distributing stock dividends of $63,958 thousand and stock bonuses to employees of 11,610 thousand shares, or a total of $75,568 thousand. Because the Company had not completed the capital registration process as of June 30, 2009, a total of $75,568 thousand was temporarily recorded under "stock dividend to be distributed" and transferred to the Company's capital on September 3, 2009 as the capital registration process was completed.

The bonus to employees of $9,848 thousand and $17,334 thousand and the bonus to directors and supervisors of $2,462 thousand and $4,209 thousand directly charged to expense for 2009 and 2008 were approved in the stockholders' meeting on June 15, 2010 and June 16, 2009, respectively. Bonus to employees for 2009 was all distributed by cash. Bonus to employees for 2008 was all distributed through 1,161,014 shares of common stock of Test-Rite. The number of shares of 1,161,014 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting. The shares have face value of $10 each. Therefore, $11,610 thousand was recorded under paid-in capital and $5,724 thousand was recorded under capital surplus - other. The approved amounts of the bonus to employees and the bonus to directors and supervisors were different from the accrual amounts of $9,300 thousand and $19,000 thousand, and $1,900 thousand and $4,800 thousand, for 2009 and 2008, respectively. The differences were $548 thousand and $1,666 thousand for the bonus to employees and $562 thousand and $591 thousand for the bonus to directors and supervisors, respectively. The differences were not material and had been adjusted in profit and loss for the six months ended June 30, 2010 and 2009.

For the six months ended June 30, 2010 and 2009, the earnings per share was calculated as follows:

2010

	Amounts (Numerator)				EPS (NT$)		
	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	$ 480,762	$ 321,526	$ 250,783	483,942,872	$ 0.99	$ 0.66	$ 0.52
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	1,245,865	-	-	-
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 480,762	$ 321,526	$ 250,783	485,188,737	$ 0.99	$ 0.66	$ 0.52

2009

	Amounts (Numerator)				EPS (NT$)		
	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	$ 242,003	$ 165,385	$ 139,006	432,781,858	$ 0.56	$ 0.38	$ 0.32
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	689,226	-	-	-
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 242,003	$ 165,385	$ 139,006	433,471,084	$ 0.56	$ 0.38	$ 0.32

The Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year. Bonuses to employees shall be recognized as expense after the adoption of Interpretation 96-052. Therefore, the weighted-average number of common shares outstanding in the calculation of basic and diluted EPS shall not be adjusted retroactively for the increase in common shares outstanding from stock issuance for employee’s bonuses.

Earnings per share for the six months ended June 30, 2009 was based upon the weighted average number of common shares outstanding during the year after giving retroactive effects to the stock dividends declared in 2009.

Regarding the 2009 and 2008 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.

For the six months ended June 30, 2010 and 2009, the bonus to employees was $22,600 thousand and $8,900 thousand, respectively, and the bonuses to directors and supervisors were $5,600 thousand and $1,800 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 8% and 2%, respectively, of net income (net of bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders’ resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders’ meeting.

25. 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.

The dividend policy is designed for the Company to achieve its business plan and at the same time, maintain stockholders' benefits. Distribution is made through stock dividends, common stocks from capital surplus and cash dividends. Cash dividends shall not be less than 10% of total distribution. However, if cash dividends per share are less than NT$0.1, stock dividends could be distributed instead of cash dividends.

26. TREASURY STOCK

The changes of treasury stock for the six months ended June 30, 2010 and 2009 are summarized as follows (in shares):

Reason	2010.1.1	Increase	Decrease	2010.6.30
Buy the stock back to transfer to employees	47,280,000	-	-	47,280,000

Reason	2009.1.1	Increase	Decrease	2009.6.30
Buy the stock back to transfer to employees	47,280,000	-	-	47,280,000

As of June 30, 2010 and 2009, the treasury stock of Test-Rite was both $897,297 thousand, which was purchased back by Test-Rite.

The Company should transfer all shares purchased back in lump sum or from time to time to employees, including those of subsidiaries in which the Company holds more than one half of the total number of voting shares, directly or indirectly within three years from the buyback date.

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, 2010 and 2009 was both 47,280,000 shares, and the total amount was both $897,297 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.

The Board of Directors resolved in their meeting on August 10, 2010 to decrease capital by cancelling treasury stock of $148,000 thousand or 14,800 thousand shares on August 22, 2010. The ratio of reduction of capital is 2.79%.

27. PERSONNEL, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES

Personnel, depreciation, depletion and amortization expenses for the six months ended June 30, 2010 and 2009 are summarized as follows:

Function / Expense Item	2010			2009		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	$ 172,967	$ 1,418,945	$ 1,591,912	$ 136,036	$ 1,267,057	$ 1,403,093
Labor insurance and health insurance	12,465	97,248	109,713	10,597	88,376	98,973
Pension cost	11,653	58,474	70,127	10,379	58,646	69,025
Others	13,585	104,182	117,767	12,132	107,132	119,264
Depreciation expenses	51,766	386,206	437,972	43,601	338,320	381,921
Amortization expenses	579	46,121	46,700	8,451	51,222	59,673

28. INCOME TAX

The components of income tax expense for the six months ended June 30, 2010 are as follows:

Tax expenses from entities generating net income	$ 100,315
Tax credits from entities generating net loss	(69,329)
Effect of tax law changes on deferred income tax	103,599
Deferred income tax asset adjustment and change in adjustment of valuation allowance	10,652
Adjustment of prior years' tax expenses	13,999
Income tax expense	$ 159,236

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

The tax effects of deductible temporary differences that gave rise to deferred income tax assets as of June 30, 2010 are as follows:

Loss carryforward	$ 8,140
Investment tax credits	15,100
Investment loss recognized under equity method	496,800
Others	381,904
	901,944
Less valuation allowance	(3,640)
Net deferred income tax assets	898,304
Less deferred income tax assets, noncurrent (included in other assets)	(877,557)
Deferred income tax assets, current (included in other current assets)	$ 20,747

Current income tax for the six months ended June 30, 2010 and income tax payable as of June 30, 2010 are generated as follows:

Income tax expense at statutory rate	$ 106,343
Decrease in tax resulting from others	(6,028)
Current tax expense	100,315
Provision for deferred income tax assets - others	(30,422)
Income tax payable	69,893
Less prepayments and withholdings in 2010	(213)
Income tax payable as of June 30, 2010	$ 69,680

The reported prepaid income tax and withholdings of $44,144 thousand as of June 30, 2010 were income tax prepayments in 2010 and prior years.

Loss carryforward as of June 30, 2010 for income tax purposes are as follows:

Year Expired	**Amount**
2013	$ 2,100
2019	4,500
2020	1,540
	$ 8,140

Investment and research and development tax credits as of June 30, 2010 are as follows:

Year Expired	**Investment Tax Credits**	**Human Resources Development Tax Credits**	**Research and Development Tax Credits**	**Total**
2012	$ 900	$ 400	$ 3,300	$ 4,600
2013	-	-	6,900	6,900
	$ 900	$ 400	$ 10,200	$ 11,500

Under Article 10 of the Statute for Industrial Innovation ("SII") passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

As of June 30, 2010, the Company has estimated $3,600 thousand as deductible from income tax in 2010 under SII.

The information of Test-Rite about Imputation Credit ("IC") on the undistributed earnings as of June 30, 2010 was summarized as follows:

IC on undistributed earnings as of June 30, 2010 (net of IC on earnings distributed in 2009)	$ 323,930
Undistributed earnings in years from 1998 and after	$ 252,226
Actual IC ratio on distributed earnings in 2010	33.77%
Actual IC ratio on distributed earnings in 2009	33.33%

The income tax returns of Test Rite for years through 2007 have been examined and approved by the tax authority. The tax authority assessed and reassessed an additional income tax payable of $75,769 thousand and $21,259 thousand, respectively, because Test Rite did not obtain legal evidence for commission expenses and others which Test Rite reported on its 2007 and 2006 income tax returns. Test Rite did not agree with the decision so it filed an appeal to the tax authority. Test Rite does not expect the result of the appeal will generate any significant loss to Test Rite based on its previous experience. Therefore, Test Rite decided not to record the tax payable on its book.

29. RELATED PARTY TRANSACTIONS

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

2010	
Name	**Relationship**
Test-Rite Int'l (Mexico) Ltd. ("TR Mexico")	The Company holds 49.00% ownership interest
Tony Ho	Related party in substance
Judy Lee	Chairman of Test-Rite after March 2009
X-Cel Relationship Management Co., Ltd.	Related party in substance
Quality Master Co., Ltd. ("Quality Master")	Related party in substance
Up Master Investment Co., Ltd. ("Up Master")	Related party in substance
Li Xiong Co., Ltd.	Up Master holds 100% ownership interest

Rental Income

Rental income from related parties for the six months ended June 30, 2010 and 2009 is summarized below :

	2010		2009	
	Amount	**%**	**Amount**	**%**
Others	$ 100	-	$ 100	-

The Company's rental income from related parties is according to market price and the rental income is received monthly.

Service Income

Service income from related parties for the six months ended June 30, 2010 and 2009 is summarized below:

	2010		2009	
	Amount	**%**	**Amount**	**%**
Others	$ 480	-	$ 480	-

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the six months ended June 30, 2010 and 2009 is as follows:

	2010		2009	
	Amount	**%**	**Amount**	**%**
TR Mexico	$ 9,309	8	$ 8,401	6

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, 2010 and 2009 is summarized below:

	2010		2009	
	Amount	**%**	**Amount**	**%**
Advances from related parties				
TR Mexico	$ 6,431	100	$ 4,964	100

Due to Related Parties

Due to related parties as of June 30, 2010 and 2009 is summarized below:

	2010		2009	
	Amount	**%**	**Amount**	**%**
Accrued commission expenses				
TR Mexico	$ 2,216	6	$ 870	4

Payment of Credit Guarantees

Endorsements or guarantees that Test-Rite provided to Test-Rite's business related legal entities and subsidiaries are summarized in Note 31.

As of June 30, 2010, short-term bank borrowings of $1,149,097 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of $64,556 thousand were guaranteed by Judy Lee.

As of June 30, 2009, short-term bank borrowings of $397,097 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of $98,454 thousand were guaranteed by Judy Lee.

As of June 30, 2010, long-term debt of $1,050,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of $2,500,000 thousand was guaranteed by Tony Ho and $500,000 thousand was guaranteed by Judy Lee.

As of June 30, 2009, long-term debt of $1,000,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of $3,000,000 thousand was guaranteed by Tony Ho and $766,667 thousand was guaranteed by Judy Lee.

30. PLEDGED ASSETS

Assets pledged for various purposes as of June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Accounts receivable (Note 7)	$ -	$ 64,332
Time deposits	68,366	193,934
Long-term equity investments at equity method	-	4,116,084
Land (Note 16)	208,875	208,875
Buildings and improvements (Note 16)	259,468	336,765
	$ 536,709	$ 4,919,990

As of June 30, 2009, Test-Rite Retail shares held by Lih Chiou totaling 75,000,000 shares had been pledged to Yuanta Bank as collateral for Li Chiou's loan. The face value of these shares was $4,116,084 thousand (see Note 22).

31. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite and Test-Rite Retail's outstanding letters of credit not reflected on the accompanying financial statements as of June 30, 2010 is US$3,052 thousand and EUR111 thousand.

Test-Rite and Freer's outstanding letters of credit not reflected on the accompanying financial statements as of June 30, 2009 is US$2,106 thousand and EUR218 thousand.

Endorsements/guarantees provided: As of June 30, 2010 and 2009, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries are summarized as follows:

	2010	2009
Standby letters of credit		
TR Products	US$ 2,750	US$ 2,750
Endorsements		
TR Products	US$ 22,430	US$ 14,430
Hola Shanghai Retail & Trading	US$ 16,661	US$ 27,561
TR Trading & TR Retailing	US$ 6,500	US$ 6,500
Jiashan Te-Cheng Wood Industrial	US$ 4,050	US$ 4,050
TR Development	US$ 4,000	US$ 4,000
TR Trading	US$ 3,600	US$ 3,600
Energy Retailing	US$ 3,000	US$ -
TR GI	EUR 1,000	EUR -
Test-Rite Business Development	US$ -	US$ 7,000
TR Pte Ltd.	US$ -	US$ 1,000

Tong Lung's outstanding funding letters of credit for purchases of raw material and equipment amounted to approximately $61,502 thousand on June 30, 2010.

Tong Lung has materials ordered but not yet received of approximately $8,569 thousand on June 30, 2010.

On March 12 2004, Tong Lung 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 decides to sell it within 10 years.

As of June 30, 2010, Tong Lung has refundable deposits paid in banks of $109,692 thousand in order to purchase raw material.

32. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Nominal Amount and Credit Risk

The derivative financial instrument contracts as of June 30, 2010 and 2009 are summarized below:

Forward exchange

		2010		2009	
Financial Instruments	**Type**	**Nominal Amount**	**Credit Risk**	**Nominal Amount**	**Credit Risk**
Non-trading purpose					
Forward exchange	Sale	US$ 220,000	-	US$ 298,700	-
	Buy	EUR156,000	-	US$ 212,119	-
	Sale	US$ 600	-	EUR 2,000	-
	Buy	EUR -	-	EUR 2,559	-

Options

	2009					
	Amount	**Put**	**Call**	**Interest Rate**	**Expiration Date**	**Credit Risk**
Trading purpose						
Sell option contracts	US$ 1,000	US$	NT$	32.30	2009.07.30	-

The Company had option trading at banks with a high rating. Therefore, the credit risk is low.

The exchange gains on the sale or purchase of derivative financial instruments of $91,461 thousand and $121,025 thousand for the six months ended of 2010 and 2009, respectively, are recorded under non-operating income - foreign exchange gain, net.

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

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

Fair Value of Financial Instruments

The fair value of non-derivative financial instruments as of June 30, 2010 and 2009 is summarized as follows:

	2010		2009	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Assets				
Cash and cash equivalents	$ 1,124,465	$ 1,124,465	$ 1,093,148	$ 1,093,148
Financial assets at fair value through profit or loss, current	158,132	158,132	356,716	356,716
Available-for-sale financial assets, current	9,463	9,463	7,963	7,963
Notes receivable	65,869	65,869	54,713	54,713
Accounts receivable	2,708,640	2,708,640	2,499,386	2,499,386
Other receivables	352,045	352,045	450,847	450,847
Other financial assets, current	292	292	25,811	25,811
Long-term equity investments at equity method	1,210	1,210	1	1
Investments in real estate	14,327	14,327	14,428	14,428
Available-for-sale financial assets, noncurrent	114,892	114,892	22,200	22,200
Held-to-maturity financial assets, noncurrent	-	-	7,397	7,397
Bond investments with no active market, noncurrent	50,000	50,000	50,000	50,000
Financial assets carried at cost, noncurrent	120,673	120,673	133,918	133,918
Refundable deposits paid	908,234	908,234	864,531	864,531
Liabilities				
Short-term bank borrowings	3,337,106	3,337,106	4,136,754	4,136,754
Short-term bills payable	20,000	20,000	25,000	25,000
Financial liabilities at fair value through profit or loss, current	-	-	7,751	7,751
Notes payable	23,377	23,377	9,646	9,646
Accounts payable	3,302,091	3,302,091	2,961,370	2,961,370
Other payables	1,760,787	1,760,787	1,079,102	1,079,102
Other financial liabilities, current	322,879	322,879	353,770	353,770
Long-term debt	4,903,587	4,903,587	4,623,501	4,623,501
Other financial liabilities, noncurrent	100,260	100,260	67,526	67,526
Current portion of long-term debt	113,088	113,088	397,817	397,817

The fair value of derivative financial instruments as of June 30, 2010 and 2009 is summarized as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities at fair value through profit or loss, current	$ 48,434	$ 48,434	$ (46,965)	$ (46,965)
Open interests of foreign currency options	-	-	(156)	(156)
Put option on convertible preferred stocks	(11,760)	(11,760)	(17,430)	(17,430)

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 will mature within a short period of time. Therefore, they should be recognized at fair value. Fair value recognition can be applied to financial instruments including cash and cash equivalents, notes receivable, accounts receivable, short-term bank borrowings, short-term bills payable, notes payable, accounts payable, and other financial instruments, etc.

b. If the price of marketable securities is obtainable, they should be measured at fair value. Otherwise, other information can be used to estimate these financial securities' fair value.

c. Fair value of long-term debts is estimated using the present value of future cash flows discounted by the interest rates the Company may obtain for similar loans.

d. The fair value of derivative financial instruments is the amount which the Company expects to receive or pay if the Company terminates 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.

Fair Value Measurement on Financial Assets and Liabilities

	Market Value	Estimation Method	Total
Assets			
Financial assets at fair value through profit or loss, current	$ 158,132	$ 50,240	$ 208,372
Available-for-sale financial assets, current	9,463	-	9,463
Available-for-sale financial assets, noncurrent	114,892	-	114,892
Liabilities			
Financial liabilities at fair value through profit or loss, current	-	1,806	1,806
Financial liabilities at fair value through profit or loss, noncurrent	11,760	-	11,760

33. OPERATING LEASE

The lease agreement of the land, buildings and improvements which Test-Rite entered into with non-related parties required the Company to pay guarantee deposit of $133,116 thousand, which was recorded under "refundable deposits paid".

A list of rent expense for the next 5 years and the present value of rentals from 2016 to 2017 as of June 30, 2010 are summarized as follows:

Period	**Amount**
2011	$ 273,182
2012	281,377
2013	289,818
2014	298,513
2015	307,468
2016-2017 (present value $290,095 thousand)	642,886
	$ 2,093,244

The lease agreement which Test-Rite entered into with related parties required the Company to collect guarantee deposit of $30 thousand, which was recorded under "refundable deposits received."

A list of rent revenue for the next 5 years as of June 30, 2010 is summarized as follows:

Period	**Amount**
2011	$ 247
2012	255
2013	262
2014	270
2015	68
	$ 1,102

As lessor, Chung Cin Enterprise entered into lease agreements with non-related parties. A list of rent revenue for the next 5 years and the present value of rentals from 2016 to 2025 as of June 30, 2010 are summarized as follows:

Period	**Amount**
2011	$ 31,637
2012	17,677
2013	12,095
2014	9,730
2015	8,523
2016-2020 (present value $40,655 thousand)	43,607
2021-2025 (present value $9,258 thousand)	13,363
	$ 136,632

As lessee, Chung Cin Enterprise entered into lease agreements with non-related parties. A list of rent expense for the next 5 years and the present value of rentals from 2016 to 2025 as of June 30, 2010 are summarized as follows:

Period	**Amount**
2011	$ 29,940
2012	30,395
2013	30,864
2014	32,085
2015	32,583
2016-2020 (present value $159,417 thousand)	174,827
2021-2025 (present value $171,603 thousand)	200,699
	$ 531,393

As lessee, TR U.S. entered into sale-leaseback agreement of equipment, warehouse, and showroom facilities with non-related parties. A list of rent expenses for future years as of June 30, 2010 is summarized as follows:

Period	**Amount**
2011	$ 57,808
2012	58,831
2013	59,676
2014	62,652
2015	63,097
2016-2018	116,042
	$ 418,106

TR U.S. entered into trademark license agreement with non-related parties. A list of royalty expense for the next two years as of June 30, 2010 is summarized as follows:

Period	**Amount**
2011	$ 6,389
2012	6,389
	$ 12,778

Hola Shanghai Retail & Trading entered into lease agreement for office premises with non-related parties. A list of rent expense for the next 5 years and the present value of rentals from 2016 to 2028 as of June 30, 2010 are summarized as follows:

Period	Amount
2011	$ 480,113
2012	489,457
2013	499,011
2014	506,227
2015	488,263
2016-2020 (present value $1,533,792 thousand)	1,842,719
2021-2025 (present value $199,905 thousand)	442,450
2026-2028 (present value $34,549 thousand)	150,737
	$ 4,898,977

Test-Rite Retail entered into lease agreement for office premises with non-related parties. A list of rent expense for the next 5 years and the present value of rentals from 2016 to 2040 as of June 30, 2010 are summarized as follows:

Period	Amount
2011	$ 541,900
2012	1,087,546
2013	1,103,829
2014	1,067,842
2015	1,004,813
2016-2020 (present value $3,385,016 thousand)	3,562,091
2021-2025 (present value $1,930,443 thousand)	2,031,427
2026-2030 (present value $133,425 thousand)	140,404
2031-2035 (present value $80,399 thousand)	84,605
2036-2040 (present value $63,241 thousand)	66,549
	$ 10,691,006