Test-Rite International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2009 and 2008 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and subsidiaries (collectively, the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended (all expressed in thousands of New Taiwan dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to report on these financial statements based on our reviews.

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

As mentioned in Note 2, certain insignificant subsidiaries' assets that amounted to $638,366 thousand and $851,484 thousand constituting 2.85% and 3.73% of the consolidated total assets as of June 30, 2009 and 2008 and operating revenues that amounted to $554,312 thousand and $766,260 thousand constituting 3.81% and 4.49% of the consolidated total operating revenues for the six months then ended were based on unreviewed financial statements of the subsidiaries. Also, as mentioned in Note 10, the Company's investments accounted for by the equity method of $1 thousand and the credit balance on the book value of long-term equity investments of $1,325 thousand as of June 30, 2009 and investments accounted for by the equity method of $1 thousand and the credit balance on the book value of long-term equity investments of $702 thousand as of June 30, 2008 which constitute 0.01% of the consolidated total assets as of June 30, 2009 and 2008, respectively, and the investment loss recognized under equity method that amounted to $1,202 thousand and $579 thousand, constituting (0.50%) and (0.23%) of the consolidated income before income tax for the six months then ended, respectively, were based on unreviewed financial statements of the investees.

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

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

August 17, 2009

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,093,148	5	$ 1,046,895	5
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	356,829	2	427,069	2
Available-for-sale financial assets, current (Notes 2 and 6)	7,963	-	8,802	-
Held-to-maturity financial assets, current (Notes 2 and 13)	-	-	11,118	-
Bond investments without active market, current (Note 15)	-	-	30,000	-
Notes receivable (Notes 2 and 7)	54,713	-	104,637	-
Accounts receivable (Notes 2 and 7)	2,499,386	11	3,230,714	14
Other receivables (Note 8)	450,847	2	848,921	4
Other financial assets, current	25,811	-	35,545	-
Inventories (Notes 2 and 9)	3,446,163	16	3,432,415	15
Prepayments	755,299	3	821,595	4
Other current assets	394,318	2	330,932	1
Total current assets	9,084,477	41	10,328,643	45
LONG-TERM INVESTMENTS				
Long-term equity investments at equity method (Note 10)	1	-	1	-
Investments in real estate (Note 11)	14,428	-	14,529	-
Available-for-sale financial assets, noncurrent (Note 12)	22,200	-	68,385	-
Held-to-maturity financial assets, noncurrent (Note 13)	7,397	-	7,397	-
Financial assets carried at cost, noncurrent (Note 14)	133,918	1	132,626	1
Bond investments without active market, noncurrent (Note 15)	50,000	-	-	-
Total long-term investments	227,944	1	222,938	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 16)				
Cost				
Land	654,435	3	669,140	3
Buildings and improvements	2,009,450	9	1,051,477	5
Machinery and equipments	1,288,096	6	1,410,730	6
Transportation equipment	101,272	-	90,629	-
Other equipment	7,468,919	33	7,262,702	32
Total cost	11,522,172	51	10,484,678	46
Revaluation increments	104,515	-	104,515	1
Less accumulated depreciation	(5,700,524)	(25)	(4,716,303)	(21)
Construction in progress and prepayments for property, plant and equipment	402,877	2	329,118	1
Property, plant and equipment, net	6,329,040	28	6,202,008	27
INTANGIBLE ASSETS (Note 2)				
Patent	-	-	64	-
Computer software cost	22,531	-	10,430	-
Goodwill	3,538,799	16	3,527,263	16
Deferred pension cost	38,862	-	-	-
Total intangible assets	3,600,192	16	3,537,757	16
OTHER ASSETS (Notes 2 and 17)				
Refundable deposits	864,531	4	800,091	4
Deferred income tax assets, noncurrent (Notes 2 and 28)	733,451	3	698,193	3
Restricted assets, noncurrent (Notes 4 and 17)	35,380	-	-	-
Other assets - others	1,530,247	7	1,009,620	4
Total other assets	3,163,609	14	2,507,904	11
TOTAL	$ 22,405,262	100	$ 22,799,250	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 18)	$ 4,136,754	18	$ 3,765,632	17
Short-term obligations (Note 19)	25,000	-	45,000	-
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	54,985	-	-	-
Notes payable	9,646	-	141,809	1
Accounts payable	2,961,370	13	3,112,706	14
Income tax payable (Notes 2 and 28)	131,441	1	248,445	1
Other payables (Note 20)	1,079,102	5	1,609,735	7
Advance receipt	237,185	1	306,525	1
Current portion of long-term liabilities (Note 22)	397,817	2	402,400	2
Other current liabilities (Note 21)	353,770	2	316,773	1
Total current liabilities	9,387,070	42	9,949,025	44
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss, noncurrent (Notes 5 and 23)	17,430	-	-	-
Long-term debt (Note 22)	4,623,501	21	4,550,564	20
Liability component of preferred stocks, noncurrent (Note 23)	312,029	1	-	-
Total long-term liabilities	4,952,960	22	4,550,564	20
ESTIMATED ACCRUED LAND VALUE INCREMENT TAX PAYABLE	36,740	-	36,740	-
OTHER LIABILITIES				
Accrued pension cost (Note 2)	224,905	1	181,822	1
Deposits received	67,526	1	29,628	-
Deferred credit (Note 16)	1,760,913	8	1,995,701	9
Other liabilities - others	54,951	-	93,985	-
Total other liabilities	2,108,295	10	2,301,136	10
Total liabilities	16,485,065	74	16,837,465	74
EQUITY ATTRIBUTED TO STOCKHOLDERS OF THE PARENT				
Capital stock (Note 24)				
Common stock	4,736,660	21	4,652,434	21
Stock dividends to be distributed	75,568	1	84,226	-
Capital surplus				
Additional paid-in capital	520,130	2	520,130	2
Long-term investments	-	-	30,123	-
Others (Note 24)	5,724	-	-	-
Retained earnings (Note 25)				
Legal reserve	692,933	3	669,551	3
Unappropriated earnings	143,180	1	227,868	1
Other adjustments of stockholders' equity				
Cumulative translation adjustments (Note 2)	128,014	-	128,993	-
Net loss not recognized as pension costs	(35,928)	-	(16,964)	-
Unrealized holding loss on available-for-sale financial assets	(3,983)	-	(1,843)	-
Treasury stock	(897,297)	(4)	(759,532)	(3)
	5,365,001	24	5,534,986	24
MINORITY INTEREST	555,196	2	426,799	2
Total stockholders' equity	5,920,197	26	5,961,785	26
TOTAL	$ 22,405,262	100	$ 22,799,250	100

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

(With Deloitte & Touche review report dated August 17, 2009)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES	$ 14,547,369	100	$ 17,075,186	100
OPERATING COST	10,470,260	72	12,685,983	74
GROSS PROFIT	4,077,109	28	4,389,203	26
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,803,644	26	4,192,656	25
INCOME FROM OPERATIONS	273,465	2	196,547	1
NON-OPERATING INCOME				
Interest income	17,216	-	26,334	-
Gain on disposal of property, plant and equipment (Note 16)	504	-	116,297	1
Gain on disposal of investments, net	-	-	49,227	-
Foreign exchange gain, net	125,711	1	33,973	-
Gain on valuation of financial assets	8,687	-	44,698	-
Gain on valuation of financial liabilities	22,186	-	2,094	-
Others	56,733	1	110,982	1
Total non-operating income	231,037	2	383,605	2
NON-OPERATING EXPENSES				
Interest expenses	139,469	1	204,263	1
Investment loss recognized under equity method (Notes 2 and 10)	1,202	-	579	-
Loss on disposal of property, plant and equipment	1,861	-	1,149	-
Loss on disposal of investments, net	15,758	-	-	-
Interests paid on liability component of preferred stocks, noncurrent	6,942	-	-	-
Impairment loss	-	-	31,900	-
Others	97,267	1	89,197	1
Total non-operating expenses	262,499	2	327,088	2
INCOME BEFORE INCOME TAX	242,003	2	253,064	1
PROVISION FOR INCOME TAX (Notes 2 and 28)	(76,618)	(1)	(67,497)	-
TOTAL CONSOLIDATED NET INCOME	$ 165,385	1	$ 185,567	1

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2009		2008	
	Amount	**%**	**Amount**	**%**
ATTRIBUTED TO				
Parent company's stockholders	$ 139,006	1	$ 220,943	1
Minority interest	26,379	-	(35,376)	-
	$ 165,385	1	$ 185,567	1

	2009		2008	
	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	$ 0.57	$ 0.39	$ 0.57	$ 0.42
Basic earnings per share attributed to parent company's stockholders		$ 0.33		$ 0.50
DILUTED EARNINGS PER SHARE (Notes 2 and 24)				
Diluted earnings per share including minority interest	$ 0.57	$ 0.39	$ 0.57	$ 0.42
Diluted earnings per share attributed to parent company's stockholders		$ 0.33		$ 0.50

(Concluded)

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

(With Deloitte & Touche review report dated August 17, 2009)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(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	Long-term Investments	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, 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 profit or loss of 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
BALANCE, JANUARY 1, 2008	$ 4,652,434	$ -	$ 520,130	$ 30,966	$ -	$ 611,866	$ 586,185	$ 76,895	$ (16,964)	$ (13,107)	$ (337,716)	$ 2,068,042	$ 8,178,731
Appropriation and distribution of 2007 net income (Note 24)													
Legal reserve	-	-	-	-	-	57,685	(57,685)	-	-	-	-	-	-
Cash bonuses to directors and supervisors	-	-	-	-	-	-	(10,383)	-	-	-	-	-	(10,383)
Stock bonuses to employees	-	41,530	-	-	-	-	(41,533)	-	-	-	-	-	(3)
Stock dividends	-	42,696	-	-	-	-	(42,696)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(426,963)	-	-	-	-	-	(426,963)
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	-	52,098	-	-	-	26,852	78,950
Effect of changes in percentage of ownership of long-term equity investments	-	-	-	(843)	-	-	-	-	-	-	-	843	-
Unrealized valuation profit or loss of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	11,264	-	794	12,058
Increase in treasury stock	-	-	-	-	-	-	-	-	-	-	(421,816)	-	(421,816)
Minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,634,356)	(1,634,356)
Total consolidated income for the six months ended June 30, 2008	-	-	-	-	-	-	220,943	-	-	-	-	(35,376)	185,567
BALANCE, JUNE 30, 2008	$ 4,652,434	$ 84,226	$ 520,130	$ 30,123	$ -	$ 669,551	$ 227,868	$ 128,993	$ (16,964)	$ (1,843)	$ (759,532)	$ 426,799	$ 5,961,785

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

(With Deloitte & Touche review report dated August 17, 2009)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	$ 165,385	$ 185,567
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	441,594	412,806
Amortization for the deferred charges of long-term debt	300	1,165
Interests on liability component of preferred stocks, noncurrent	3,854	-
Gain on valuation of financial assets	(8,687)	(44,698)
Gain on valuation of financial liabilities	(22,186)	(2,094)
Provision for (recovery from) inventory devaluation	2,035	(6,959)
Investment loss recognized under equity method	1,202	579
Impairment loss	-	31,900
Net gain on disposal of investments	-	(49,227)
Net loss on disposal of available-for-sale financial assets, noncurrent	4,878	3,201
Net loss (gain) on disposal of property, plant and equipment	1,357	(115,148)
Amortization for the unrealized gain on sale-leaseback	(117,395)	(117,395)
Loss on abandoned property, plant and equipment	142	1
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	(20,159)	162,187
Available-for-sale financial assets, current	(1,946)	-
Financial assets carried at cost, current	-	2,798
Held to maturity financial assets, current	-	1,023
Notes receivable	(12,955)	(39,778)
Accounts receivable	19,666	(258,973)
Other receivables	662,600	419,305
Other financial assets, current	75,611	(30,313)
Inventories	440,999	760,806
Prepayments	(83,162)	(55,079)
Deferred income tax assets, current	(5,728)	10,265
Other current assets	(127,560)	(168,434)
Deferred income tax assets, noncurrent	130,703	182,502
Other assets	(58,244)	134,816
Financial liabilities at fair value through profit or loss, current	(3,501)	(3,787)
Notes payable	(64,807)	15,149
Accounts payable	383,029	(37,050)
Income tax payable	(60,151)	(123,500)
Other payables	(374,130)	(32,755)
Advance receipt	(14,946)	4,900
Other current liabilities	(63,728)	(137,262)
Financial liabilities at fair value through profit or loss, noncurrent	(1,015)	-
Accrued pension cost	(657)	480
Other liabilities	(9,344)	(28,900)
Net cash provided by operating activities	1,283,054	1,078,098

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in available-for-sale financial assets, noncurrent	$ 12,595	$ 92,252
Proceeds from decreased capital stock of financial assets carried at cost, noncurrent	-	2,267
(Increase) decrease in financial assets carried cost, noncurrent	(167)	1,693
Acquisition of bond investments without active market	(50,000)	-
Acquisition of property, plant and equipment	(352,861)	(460,185)
Proceeds from disposal of property, plant and equipment	4,736	340,927
Increase in refundable deposits	(29,420)	(12,036)
Increase in restricted assets	(35,380)	-
Increase in deferred charges	(59,158)	(41,999)
Increase in goodwill	-	(1,922,717)
Net cash used in investing activities	(509,655)	(1,999,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank borrowings	(414,459)	(1,154,499)
(Decrease) increase in short-term obligations	(70,000)	15,000
(Decrease) increase in long-term debt	(467,624)	1,652,964
Increase in deposits received	38,698	4,422
Increase in treasury stock	-	(421,816)
Decrease in minority interest	(34,770)	(1,634,356)
Net cash used in financing activities	(948,155)	(1,538,285)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,248	78,647
NET DECREASE IN CASH AND CASH EQUIVALENTS	(170,508)	(2,381,338)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,263,656	3,428,233
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,093,148	$ 1,046,895
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest	$ 133,179	$ 138,956
Income tax	$ 95,736	$ 34,851
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on long-term equity investments	$ -	$ 303
Transfer of long-term equity investments to deferred credits	$ 1,202	$ (276)
Bonuses payable to directors and supervisors	$ -	$ 10,383
Bonuses payable to employees	$ -	$ 3
Dividends payable	$ 149,235	$ 426,963

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2009	2008
Current portion of long-term liabilities	$ 397,817	$ 402,400
Unrealized holding gain on available-for-sale financial assets	$ 5,402	$ 11,264
CASH PAID DURING THE PERIOD FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment acquired	$ 339,648	$ 431,336
Add liabilities for acquisition of property, plant and equipment at beginning of period	65,897	59,224
Deduct liabilities for acquisition of property, plant and equipment at end of period	(52,684)	(30,375)
Cash paid during the period for acquisition of property, plant and equipment	$ 352,861	$ 460,185

(Concluded)

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

(With Deloitte & Touche review report dated August 17, 2009)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(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 2009 and 2008
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Fortune Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	Included
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
B&S Link Co., Ltd. (Cayman)	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Pte Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Int'l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Vietnam Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	Established in May 2009
Test-Rite Development Co., Ltd.	Directly held 95.93%	Investment holding company	95.93	Included
Test-Rite Int'l (U.S.) Co., Ltd.	Directly held 49.00% and controllable investee	Importation and exportation	49.00	Included
Test-Rite Int'l (Thailand) Ltd.	Directly held 48.99% and controllable investee	Importation and exportation	48.99	Included
Lih Chiou Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Lih Teh International Co., Ltd.	Directly held 100.00%	Logistics services	100.00	Included
B&S Link Co., Ltd.	Directly held 100.00%	Providing information software and electronic information	100.00	Included

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)	Reasons for not Including in the Consolidated Financial Statement in 2009 and 2008
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	Included
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	Included
Test-Rite B&Q Co., Ltd.	Directly and indirectly held 100.00%	Sale of house decoration hardware and construction materials	100.00	Included
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 66.11%	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.	66.11	Included
Hola Homefurnishings Co., Ltd.	Indirectly held 65.00%	Importation and exportation, department store, supermarket and restaurant	65.00	Included
Test-Rite Quickbuy Co., Ltd.	Lih Teh International held 100%	Consultant of business operation	100.00	Included
Covalue Consultant Co., Ltd.	Lih Teh International held 80.00%	Product design	80.00	Included
Tony Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Build and civil engineering	100.00	Included
Test Cin M&E Engineering Co., Ltd.	Chung Chin Enterprise held 100.00%	Mechanical and electronic engineering	100.00	Included
Chung Cin Interior Design Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Interior design	100.00	Included
Tony Investment Co., Ltd.	Tony Construction held 100.00%	Investment in various industries	100.00	Included
Viet Han Co., Ltd.	Chung Chin Enterprise held 51.00%	Importation and exportation	51.00	Included
B&Q Indoor Decoration & Renovation Co., Ltd.	Test-Rite B&Q held 100.00%	Interior design	100.00	Included
Lucky International (SAMOA) Ltd.	Tong Lung Metal Industry held 100%	Investment	66.11	Included
Goodwill Trading Ltd.	Tong Lung Metal Industry held 100%	Investment	66.11	Included
Instant Luck International Ltd.	Tong Lung Metal Industry held 100%	Investment	66.11	Liquidated in July 2008
Freer Inc.	Hola Homefurnishings held 100.00%	Sale of bedclothes	65.00	Included
Homy Homefurnishings Co., Ltd.	Hola Homefurnishings held 100.00%	Sale of bedclothes	65.00	Included
U2 Industry Design Co., Ltd.	Directly held 64.00%	Product design	64.00	Sold in March 2008
Homy Homefurnishings (Shanghai) Ltd.	Homy Homefurnishings held 100.00%	Sale of bedclothes	65.00	Sold in March 2008

As of June 30, 2009 and 2008, Test-Rite and subsidiaries (collectively, the “Company”) have 6,781 and 6,880 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 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 2009 and 2008, please see Note 1.

(a) The information of subsidiaries not included in the consolidated financial statements for 2009 and 2008: all subsidiaries were included.
(b) The difference of the fiscal period between parent company and subsidiaries: None.
(c) Special risks of business operation for subsidiaries overseas: None.

Current/Noncurrent Assets and Liabilities

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

Cash and Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss, Current

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

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

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

Allowance for Doubtful Accounts

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

Factoring Accounts Receivable

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

Inventories

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.

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	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 a straight-line basis over 3 years. Patents are amortized on a straight-line basis over 5 years.

Deferred Charges

Deferred charges are amortized on a straight-line basis over 2 to 5 years.

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.

Foreign Currency Transactions

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

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

Cumulative Translation Adjustments

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

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

Treasury Stock

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

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

Income Tax

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

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

Earnings Per Share

Basic earnings per 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 financial statements as of and for the six months ended June 30, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the six months ended June 30, 2009.

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 net income for the six months ended June 30, 2009. For comparison purposes, the Company also reclassified nonoperating income- recovery of provision for inventory devaluation of $6,959 thousand and nonoperating expense- loss on physical inventory of $26,732 thousand to cost of goods sold for the six months ended June 30, 2008.

<u>Accounting for Bonuses to Employees, Directors and Supervisors</u>

In March 2007, the ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of $40,168 thousand in net income from continuing operations and a decrease of $30,126 thousand in consolidated net income.

Accounting for Share-based Payment

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Cash on hand	$ 15,564	$ 16,908
Petty cash	22,327	16,334
Checking deposits	14,591	4,262
Savings deposits	509,721	316,890
Foreign currency deposits	477,276	599,750
Time certificates of deposit	53,669	92,751
	$1,093,148	$1,046,895

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 amounting to $35,380 thousand were reclassified to restricted assets, noncurrent.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Financial assets held for trading		
Equity securities marketable on Taiwan Stock Exchange and in the over-the-counter market	$ 8,966	$ 55,912
Open-end funds	328,557	306,195
Corporate bonds mutual funds	5,752	12,835
Offshore mutual funds	5,690	4,275
Receivable on forward contracts, net	113	47,852
Receivable on short selling stocks	7,751	-
	$ 356,829	$ 427,069
Financial liabilities held for trading - current		
Payable on forward contracts, net	$ 47,078	$ -
Payable on short selling stocks	7,751	-
Forward option contracts	156	-
	$ 54,985	$ -
Financial liabilities at fair value through profit or loss - noncurrent		
Put option on convertible preferred stocks (Note 23)	$ 17,430	$ -

The Company entered into derivative contracts during the six months ended June 30, 2009 and 2008 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, 2009 and 2008 consist of the following:

	2009	2008
Equity securities marketable on Taiwan Stock Exchange and in the over-the-counter market	$ 956	$ 784
Benefit certificate of domestic funds	7,007	8,018
	$ 7,963	$ 8,802

7. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Non-affiliates		
Notes receivable	$ 54,713	$ 104,637
Accounts receivable	2,505,472	3,238,415
Less allowance for doubtful accounts	(6,086)	(7,701)
	2,499,386	3,230,714
	$ 2,554,099	$ 3,335,351

Test-Rite concluded an accounts receivable factoring agreement with Taishin International Bank in June, 2009. 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, 2009 and 2008, the accounts receivable factoring is summarized as follows:

2009

Counter-parties	Interest Rate	Credit Limit	Amount of Accounts Receivable Factoring (In Thousands)	Advance from Factor (In Thousands)	Net Amount Due from Factor (In Thousands)	Collateral
Taishin International bank	1.9	$ 11,200	US$ 30 (Approximately $ 976 thousand)	US$ 27 (Approximately $ 878)	US$ 3 (Approximately $98 thousand)	US$ 1,120
CIT Group & UPS	JP Morgan basic loan rate minus 0.25% or 3% annual rate	-	US$ 6,653 (Approximately $ 218,345 thousand)	US$ 4,563 (Approximately $ 149,768 thousand)	US$ 2,090 (Approximately $ 68,577 thousand)	US$ -

2008

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

Net amount due from factor 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 and 2008, accounts receivable of $44,554 thousand and $51,407 thousand were 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, 2009 and 2008 consist of the following:

	2009	2008
Value added tax refunds receivable	$ 9,934	$ 5,181
Receivables from related parties (Note 29)	4,964	4,890
Retention for factoring (Note 7)	68,675	43,303
Commission receivable	16,280	10,885
Receivables from disposal of property, plant and equipment, current (Note 16)	340,383	679,692
Others	10,611	104,970
	$450,847	$848,921

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

9. INVENTORIES

Inventories as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Merchandise - retail sale	$ 2,192,401	$ 2,132,442
Merchandise - trade	664,537	480,055
Raw material	347,499	489,993
Work-in-process	116,029	229,334
Finished goods	37,878	23,964
Merchandise - manufacturing	11,617	6,892
Construction in progress	76,202	69,735
	$ 3,446,163	$ 3,432,415

As of June 30, 2009 and 2008, the allowance for inventory devaluation was $125,115 thousand and $118,302 thousand, respectively. The cost of inventories recognized as cost of goods sold in the six months ended June 30, 2009 and 2008 was $9,904,280 thousand and $11,723,223 thousand, respectively, which included $2,035 thousand of write-downs of inventories and $6,959 thousand of the reversal of write-downs of inventories, respectively.

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

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

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

Construction in progress is Chung Cin’s inventories.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

Long-term equity investments at equity method as of June 30, 2009 and 2008 consist of the following:

	2009			2008	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Int’l (Mexico) Ltd.	$ 672	$ 1	49.00	$ 1	49.00

Equity in losses of TR Mexico for the six months ended June 30, 2009 and 2008, which were not based on reviewed financial statements, are summarized as follows:

	2009	2008
TR Mexico	$ (1,202)	$ (579)

TR Mexico is engaged in importation and exportation.

11. INVESTMENTS IN REAL ESTATE

	2009	2008
Land	$ 10,228	$ 10,228
Buildings and improvement	5,634	5,634
	15,862	15,862
Accumulated depreciation	(1,434)	(1,333)
	$ 14,428	$ 14,529

Real estate investments of Lih Teh for the six months ended June 30, 2009 and 2008 amounting to $14,428 thousand and $14,529 thousand, respectively, have been rented to a third party. The rental income for the six months ended June 30, 2009 and 2008 amounting to $452 thousand and $439 thousand was reported as other revenue.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2009	2008
Funds of real estate	$ 30,000	$ 41,684
Equity securities on Taiwan Stock Exchange	-	30,000
Unrealized holding loss on available-for-sale financial assets	(7,800)	(3,299)
	$ 22,200	$ 68,385

13. HELD-TO-MATURITY FINANCIAL ASSETS, NONCURRENT

	2009	2008
Core Pacific - Yamaichi I	$ -	$ 11,118
Core Pacific - Yamaichi II	4,097	4,097
CMS Interest Principal Guaranteed Notes	3,300	3,300
	7,397	18,515
Less current portion of held to maturity financial assets	-	(11,118)
	$ 7,397	$ 7,397

Core Pacific - Yamaichi I bonds were issued with terms from February 16, 2002 to February 15, 2008 with a face value of US$100 thousand and interest rate of 9%. Interest is paid monthly.

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

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

14. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	2009			2008	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Hwa Jan International Co., Ltd. (Samoa)	$ 9,849	$ 9,977	19.00	$ 9,228	19.00
TEPRO	430	433	10.00	-	-
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	5.00	40,000	5.00
NCTU Springl Technology Capital Co., Ltd.	10,832	10,832	4.69	10,036	5.22
Emit Technology Co., Ltd.	10,842	10,842	4.58	10,842	4.58
Yuan Chuang Co., Ltd.	2,166	2,166	1.00	2,407	1.60
Techgains Pan-Pacific Co., Ltd.	19,191	19,316	0.81	18,576	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
Nucom International Co., Ltd.	64,400	27,400	1.57	27,400	1.57
Hong Da Electronic Co., Ltd.	2,000	-	0.72	1,185	0.72
China Semiconductor Co., Ltd.	767	546	0.42	546	0.99
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	-
	$ 172,883	$ 133,918		$ 132,626	

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

	2009		2008
	Original Accumulated Cost	Carrying Value	Carrying Value
Subordinated bond of Ta Chong Bank	$ 50,000	$ 50,000	$ -
Beneficiary certificates of Credit Lyonnais, Paris	-	-	30,000
Less current portion of bond investments with no active market	-	-	(30,000)
	$ 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 sixth year if the bonds have not been redeemed.

Beneficiary certificates of Credit Lyonnais, Paris: issue period is from September 29, 2003 to September 29, 2008; interest is calculated at floating rate and paid annually; the face value per unit is $5,000 thousand. The bank had redeemed the beneficiary certificates as they matured.

16. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2009 and 2008 consist of the following:

	2009				2008
	Original Cost	Revaluation Increments	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 654,435	$ 104,515	$ -	$ 758,950	$ 773,655
Buildings and improvements	2,009,450	-	1,062,272	947,178	822,514
Machinery and equipment	1,288,096	-	1,267,702	20,394	305,783
Transportation equipment	101,272	-	54,332	46,940	38,304
Furniture, fixtures and office equipment	595,485	-	375,395	220,090	495,094
Leasehold improvements	5,829,323	-	2,441,927	3,387,396	3,103,157
Molds and tools	38,410	-	20,328	18,082	17,860
Other equipment	1,005,701	-	478,568	527,133	316,523
Construction in progress and prepayments for property, plant and equipment	402,877	-	-	402,877	329,118
	$11,925,049	$ 104,515	$ 5,700,524	$ 6,329,040	$ 6,202,008

Test-Rite: As of June 30, 2009 and 2008, the cost of the leased-out land was $267,519 thousand and $267,519 thousand and the carrying value of leased-out buildings and improvements was $257,913 thousand and $267,175 thousand, respectively.

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

On July 19, 2007, Test-Rite paid $1,788,880 thousand to purchase land from non-affiliates for the purpose of integrating the group’s resources. The transaction was completed by July 31, 2007. On December 21, 2007, Test-Rite sold a real property and leased it back immediately in consideration of business strategies. The profit from this transaction was $2,762,217 thousand. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. As of December 31, 2007, Test-Rite recorded $2,347,885 thousand unrealized gain. Based on the liquidity of the unrealized gain, $234,789 thousand is recorded under other current liability and $2,113,096 thousand is recorded under other liabilities - deferred credit. For the six months ended June 30, 2009 and 2008, the amortization for the unrealized gain is $117,395 thousand, which is treated as a reduction of rental cost and rental expense. As of June 30, 2009 and 2008, the unrealized gain is $1,955,702 thousand and $2,230,490 thousand, respectively, with $234,789 thousand recorded under other current liability on both dates and $1,760,913 thousand and $1,995,701 thousand, respectively, are recorded under other liabilities - deferred credit (See Note 21). In addition, as of June 30, 2009, the uncollectible proceeds of $340,383 thousand, which have been reduced by uncollectible interest revenue of $3,367 thousand, were recorded under other receivables (see Note 8).

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

As of June 30, 2009 and 2008, 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):

	2009	2008
Land	$208,875	$208,875
Buildings and improvements	336,765	59,425
	$545,640	$268,300

17. OTHER ASSETS

Other assets as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Refundable deposits	$ 864,531	$ 800,091
Restricted assets (Note 4)	35,380	-
Deferred tax asset - noncurrent (Note 28)	733,451	698,193
Deferred charges (Note 2)	350,610	346,403
Others	1,179,637	663,217
	$3,163,609	$2,507,904

18. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of June 30, 2009 and 2008 consist of the following:

	2009		2008	
	Interest Rate %	Amount	Interest Rate %	Amount
Unsecured loans	0.87~5.36	$3,783,371	2.62~7.227	$3,668,838
Secured loans	1.16~5.59	347,583	5.96	51,407
Loans payable	3.67~4.87	5,800	5.38~5.63	45,387
		$4,136,754		$3,765,632

As of June 30, 2009, the amount of $44,554 thousand was secured by the accounts receivable of TR Int’l (U.S.) Co., Ltd. The amount 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. The amount of $110,506 thousand was secured by buildings and improvements of Jiashan Te-cheng Wood Industrial Co., Ltd. (see Notes 7 and 30).

As of June 30, 2008, the amount of $51,407 thousand was secured by the accounts receivable of TR Int’l (U.S.) Co., Ltd. (see Notes 7 and 30).

19. SHORT-TERM OBLIGATIONS

Short-term obligations as of June 30, 2009 and 2008 consist of the following:

	2009		2008	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper, unsecured	1.54	$ 25,000	2.578	$ 45,000

20. OTHER PAYABLES

Other payables as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Accrued expenses	$ 511,257	$ 945,288
Cash dividends payable	149,235	426,963
Other notes payable	68,996	13,019
Payable for purchase of property, plant and equipment	52,684	30,375
Bonuses payable to employees	23,068	20,863
Bonuses payable to directors and supervisors	21,112	28,362
Others	252,750	144,865
	$ 1,079,102	$ 1,609,735

21. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Unrealized gain on sale-leaseback (Note 16)	$ 234,789	$ 234,789
Receipts under custody	18,619	12,578
Accrued VAT payable	22,637	20,330
Allowance for indemnity losses on exports (Note 2)	4,546	1,109
Others	73,179	47,967
	$ 353,770	$ 316,773

22. LONG-TERM DEBT

Long-term debt as of June 30, 2009 and 2008 consists of the following:

	2009		2008
	Interest Rate	Amount	Amount
Chang Hwa Bank			
Unsecured loan from May 19, 2008 to May 19, 2011. Interest is paid monthly and principal due evenly in quarterly installment.	1.59	$ 266,667	$ 400,000
Taishin International Bank			
Unsecured loan from June 25, 2008 to December 31, 2009. Interest is paid monthly, principal due on December 31, 2009.	1.90	200,000	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.	1.39	600,000	600,000
Bank SinoPac Co., Ltd.			
Unsecured loan from January 2, 2008 to January 2, 2011. Interest is paid monthly, principal due on January 2, 2011.	1.27	500,000	500,000

	2009		2008
	Interest Rate	**Amount**	**Amount**
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.	1.625	200,000	200,000
Unseured loan from February 1, 2008 to March 1, 2010. Interest is paid monthly, principal due on March 1, 2010.	2.75	1,800	4,200
Land Bank's Syndicate Loan			
Unsecured loan from June 3, 2009 to July 25, 2012 and from June 9, 2009 to July 25, 2012. Interest is paid monthly, principal due on July 25, 2012. Interest rate is current interest rate plus 0.6%	1.1611~ 1.1726	3,000,000	3,000,000
Yuanta Bank			
Pledged loan from December 11, 2008 to December 11, 2011. Interest is paid monthly, principal due on quarterly installment.	3.75	200,000	-
First Sino Bank			
Pledged loan from June 24, 2008 to June 24, 2013. Interest is paid monthly. Principal due on June 24, 2013.	6.534	52,851	48,764
		5,021,318	4,952,964
Less current portion		(397,817)	(402,400)
		$4,623,501	$4,550,564

As of June 30, 2009, 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 years ended December 31.

Land Bank's Syndicate Loan

a. Leverage Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Tangible Net Worth of not more than 2 to 1. (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 years 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 years 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 years ended December 31.

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

a. Lih Chiou needs to examine if it maintains $120,000 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 B&Q has to transfer cash dividends distributed every year to the bank account of Yuanta Bank.

See Note 30 for collaterals on bank borrowings.

See Note 29 for guarantees on bank borrowings.

23. LIABILITY COMPONENT OF PREFERRED STOCKS - NONCURRENT

	2009	2008
Private placement of liability component of series B preferred stocks	$ 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. As of June 30, 2009, 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, 2009, embedded derivatives which are measured at fair value amounted to $17,430 thousand; liabilities which do not belong to derivatives financial instruments amounted to $312,029 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, 2009 and 2008 consists of the following:

	2009	2008
Registered capital		
Share (thousand shares)	660,000	660,000
Par value (in dollars)	$ 10	$ 10
Capital	$6,600,000	$6,600,000

	2009	2008
Issued capital		
Share (thousand shares)	473,666	465,243
Par value (in dollars)	$ 10	$ 10
Capital	$ 4,736,660	$ 4,652,434

As of June 30, 2009, Test-Rite's capital amounted to $4,736,660 thousand consisting of 473,666,067 outstanding common shares having a par value of $10 each.

In the stockholders' meetings on June 16, 2009 and June 13, 2008, the stockholders decided to distribute retained earnings for 2008 and 2007 as follows:

	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

	2007	
	Distributions of Earnings	Dividends Per Share (In Dollars)
Legal reserve	$ 57,685	$ -
Cash dividends	426,963	1.00
Stock dividends	42,696	0.10
Bonuses to employees – cash	3	-
Bonuses to employees – stock	41,530	-
Bonuses to director and supervisors – cash	10,383	-

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, 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." Since the capital registration process is not yet completed, the Company shall exclude the resulting potential shares in the weighted average number of shares outstanding in the calculation of basic and diluted EPS for the six months ended June 30, 2009.

The stockholders resolved in their meeting on June 13, 2008 to increase capital by distributing stock dividends of $42,696 thousand and stock bonuses to employees of $41,530 thousand, or a total of $84,226 thousand. Because the Company had not completed the capital registration process as of June 30, 2008, a total of $84,226 thousand was temporarily recorded under "stock dividend to be distributed" and transferred to the Company's paid-in capital on August 17, 2008 as the capital registration process was completed.

The bonus to employees of $17,334 thousand and the bonus to directors and supervisors of $4,209 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009. Bonus to employees was all distributed through 1,161,014 shares. 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 $19,000 thousand and $4,800 thousand, respectively, reflected in the financial statements for the year ended December 31, 2008, and the differences of $1,666 thousand and $591 thousand, respectively. The differences were not material and had been adjusted in profit and loss for the six months ended June 30, 2009.

For the six months ended June 30, 2009 and 2008, the earnings per share was calculated as follows:

	2009						
	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	426,386,067	$ 0.57	$ 0.39	$ 0.33
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	427,075,293	$ 0.57	$ 0.39	$ 0.33

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

If “stock dividends to be distributed” as of June 30, 2009 were taken into account, the pro forma earnings per share for the six months ended June 30, 2009 and 2008 was calculated as follows:

	2009						
	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	433,942,872	$ 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	434,632,098	$ 0.56	$ 0.38	$ 0.32

	2008						
	Income Before Tax Include Minority	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**	**Shares (Denominator)**	**Income Before Tax Include Minority**	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**
Basic earnings per share							
Net income to stockholders of common stock	$ 253,064	$ 185,567	$ 220,943	446,543,868	$ 0.57	$ 0.42	$ 0.49
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	791,955	-	-	-
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 253,064	$ 185,567	$ 220,943	447,335,823	$ 0.57	$ 0.42	$ 0.49

There are two assumptions made to calculate the effects of dilutive potential ordinary shares - bonus to employees. First, the bonus to employees was assumed as distributed in the form of stock. Second, the stock market value on June 30, 2009, instead of par value, was used to determine the number of shares increased. 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.

Regarding the 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.

Test-Rite’s board of directors and stockholders have proposed and approved the distribution from 2007 earnings of $41,530 thousand as stock bonuses to employees (represents 0.96% of the outstanding common share at the year end of 2008) and of $10,383 thousand as bonuses to directors and supervisors. In 2007, the amount of earnings per share after income tax (before retroactive adjustment for stock dividends in 2007) was $1.32 dollars. However, if the earnings distribution to employees, directors, and supervisors was accounted for as expenses, the pro-forma earnings per share after income tax would be $1.20 dollars.

For the six months ended June 30, 2009 and 2008, the bonus to employees was $8,900 thousand and $16,362 thousand, respectively, and the bonuses to directors and supervisors were $1,800 thousand and $3,273 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 8% and 2%, respectively, of net income. 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, 2009 and 2008 are summarized as follows (in shares):

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

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

As of June 30, 2009, the treasury stock of Test-Rite was $897,297 thousand, which was bought by Test-Rite itself.

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

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, 2009 and 2008 was 47,280,000 shares and 38,280,000 shares, respectively, and the total amount was $897,297 and $759,532 thousand, respectively, 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.

27. PERSONNEL, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES

Personnel, depreciation, depletion and amortization expenses for the six months ended June 30, 2009 and 2008 are summarized as follows:

Function / Expense Item	2009			2008		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expense						
Salary	$ 136,036	$ 1,267,057	$ 1,403,093	$ 143,926	$ 1,392,360	$ 1,536,286
Labor/health insurance	10,597	88,376	98,973	11,187	88,549	99,736
Pension	10,379	58,646	69,025	12,224	62,480	74,704
Other	12,132	107,132	119,264	13,967	173,724	187,691
Depreciation	43,601	338,320	381,921	54,344	319,486	373,830
Depletion	-	-	-	-	-	-
Amortization	8,451	51,222	59,673	4,040	34,936	38,976

28. INCOME TAX

The components of income tax expense for the six months ended June 30, 2009 are as follows:

Tax expense from operating gain	$ 77,158
Tax benefit from operating loss	(44,015)
Estimated 10% income tax on 2008 undistributed earnings	400
Effect of tax law changes on deferred income tax	129,000
Deferred income tax asset adjustment and adjustment of valuation allowance	(76,938)
Adjustment of prior years' tax expenses	(8,987)
Income tax expense	$ 76,618

The tax effects of deductible temporary differences that gave rise to deferred income tax assets as of June 30, 2009 are as follows:

Loss carryforwards	$ 35,319
Investment tax credits	13,000
Investment loss recognized under equity method	537,200
Others	217,247
	802,766
Less valuation allowance	(10,326)
Net deferred income tax assets	792,440
Less deferred income tax assets, noncurrent	(733,451)
Deferred income tax assets, current	$ 58,989

Current income tax for the six months ended June 30, 2009 and income tax payable as of June 30, 2009 are generated as follows:

Income tax expense at statutory rate	$ 160,981
Decrease in tax resulting from others	(84,893)
Current tax expense	76,088
Provision for deferred income tax assets - Others	40,514
Income tax payable	116,602
Add estimated 10% income tax on 2008 undistributed earnings	400
Less prepayments and withholdings in 2009	(69)
Add income tax payable for the prior years	14,508
Income tax payable as of June 30, 2009	$ 131,441

The reported prepaid income tax and withholdings of $63,205 thousand as of June 30, 2009 is prior year’s income tax prepayments.

Loss carryforwards as of June 30, 2009 for income tax purposes are as follows:

Year Expired	**Amount**
2013	$ 2,500
2018	20,124
2019	12,695
	$ 35,319

Investment and research and development tax credits as of June 30, 2009 are as follows:

Year Expired	Investment Tax Credits	Human Resources Development Tax Credits	Research and Development Tax Credits	Total
2012	$ 600	$ 200	$ 6,200	$ 7,000
2013	-	-	6,000	6,000
	$ 600	$ 200	$ 12,200	$ 13,000

The information of Test-Rite about Imputation Credit ("IC") on the undistributed earnings as of June 30, 2009 was summarized as follows:

IC on undistributed earnings as of June 30, 2009	$ 227,145
Undistributed earnings in years from 1997 and before	$ -
Undistributed earnings in years from 1998 and after	$ 143,180
Expected IC ratio on distributed earnings in 2009	33.33%
Actual IC ratio on distributed earnings in 2008	33.33%

The income tax returns of Test Rite for years through 2006 have been examined and approved by the tax authority. The tax authority assessed an additional income tax payable of $108,117 thousand because Test Rite did not obtain legal evidence for commission expenses which the Company reported on its 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 the Company based on its previous experience. Therefore, the Company 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:

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

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

Rental Revenues

	2009		2008	
	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 Revenues

	2009		2008	
	Amount	**%**	**Amount**	**%**
Others	$ 480	-	$ 456	-

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the six months ended June 30, 2009 and 2008 are summarized below:

	2009		2008	
	Amount	**%**	**Amount**	**%**
TR Mexico	$ 8,401	6	$ 13,590	10

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, 2009 and 2008 are summarized below:

	2009		2008	
	Amount	**%**	**Amount**	**%**
Advances from related parties				
TR Mexico	$ 4,964	100	$ 4,890	100

Due to Related Parties

Due to related parties as of June 30, 2009 and 2008 are summarized below:

	2009		2008	
	Amount	**%**	**Amount**	**%**
Accrued commission expenses				
TR Mexico	$ 870	4	$ 2,325	6

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, 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, 2008, short-term bank borrowings of $379,425 thousand were guaranteed by Tony Ho and 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.

As of June 30, 2008, long-term debt of $1,000,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of $3,900,000 thousand was guaranteed by Tony Ho.

30. PLEDGED ASSETS

Assets pledged for various purposes as of June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Accounts receivable (see Note 7)	$ 64,332	$ 51,407
Time deposits	193,934	2,400
Investments accounted for by the equity method	4,116,084	-
Land (see Note 16)	208,875	208,875
Buildings and improvements (see Note 17)	336,765	59,425
	$ 4,919,990	$ 322,107

As of June 30, 2009, Test-Rite B&Q had 75,000,000 of its shares pledged as collateral for Lih Chiou to raise a loan at Yuanta Bank. The face value of these shares was $4,116,084 thousand (see Note 22).

31. COMMITMENTS AND CONTINGENCIES

Letter of Credit

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 EUR€218 thousand.

Test-Rite and Freer’s outstanding letters of credit not reflected on the accompanying financial statements as of June 30, 2008 is US$3,218 thousand and EUR€240 thousand.

Endorsements/guarantees provided: As of June 30, 2009 and 2008, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries are summarized as follows:

	2009		2008	
Standby letters of credit				
TR Products	US$	2,750	US$	2,750
Endorsements				
Hola Shanghai Retail & Trading Ltd.	US$	27,561	US$	23,161
TR Products	US$	14,430	US$	16,780
Test-Rite Business Development	US$	7,000	US$	5,000
TR Trading & TR Retailing	US$	6,500	US$	15,000
Jiashan Te-Cheng Wood Industrial	US$	4,050	US$	3,550
TR Development	US$	4,000	US$	15,200
TR Trading	US$	3,600	US$	-
TR Pte Ltd.	US$	1,000	US$	2,000
Test-Rite Fortune Investment Consultant	US$	-	US$	1,200
TR (Hong Kong) Ltd.	US$	-	US$	500

Tong Lung's outstanding funding letters of credit for purchases of raw material and equipment amounted to approximately $36,553 thousand on June 30, 2009.

Tong Lung has materials ordered but not yet received of approximately $8,569 thousand on June 30, 2009.

In December 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, 2009, Tong Lung has refundable deposits in banks of $56,330 thousand in order to purchase raw material.

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

Litigation

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

32. SUBSEQUENT EVENTS

On July 24, 2009, the board of directors of Test-Rite decided to issue 50,000,000 shares of common stock at $15 per shares, or a total of $750,000 thousand for the need of paying off bank loans. The stock issuance proposition had been approved by the Financial Supervisory Commission and took effect on August 13, 2009.

In order to fulfill the Company's long-term development strategy and coordinate group resources, Test-Rite B&Q Co., Ltd., which is held 100% by Test-Rite, was approved by the board of directors to purchase common stocks of Hola Homefurnishings Co., Ltd. with its own capital from public on June 26, 2009. The purchasing period is from June 29, 2009 to July 29, 2009 and the price is $24.8 per share. The expected maximum number of shares of Hola Homefurnishings that Test-Rite B&Q will purchase from public is 14,758,252, which equals 35% of Hola Homefurnishings' outstanding shares. When the purchase is completed, Test-Rite B&Q will hold 100% shares of Hola Homefurnishings and a merger will be undertaken. After the merger, Test Rite B&Q will continue its operation and the acquired company, Hola Homefurnishings, will cease to exist. As of July 29, 2009, Test-Rite B&Q had purchased 9,933,202 shares of Hola Homefurnishings' outstanding common stock.

For the purpose of business expansion, Test-Rite B&Q Co. is approved by the board of directors to rebuild its office in Taoyuan to a mega shopping mall on June 26, 2009. Test-Rite B&Q expected to start investing from July 31, 2009 and the total investment will be no more than $1.6 billion.

In order to improve financial structure and increase working capital, the board of directors approved Test-Rite B&Q to raise a five-year syndicate loan at Taiwan Business Bank on August 13, 2009. The amount of the loan will be no more than $2.2 billion.

33. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Nominal Amount and Credit Risk

The forward exchange contract as of June 30, 2009 and 2008 is summarized below:

<u>Forward exchange</u>

		2009		2008	
	Type	**Nominal Amount**	**Credit Risk**	**Nominal Amount**	**Credit Risk**
Non-trading purpose					
Forward exchange	Sale	US$ 298,700	-	US$ 327,500	-
	Buy	US$ 212,119	-	US$ 269,000	-
	Sale	EUR€ 2,000	-	EUR€ 3,588	-
	Buy	EUR€ 2,559	-	EUR€ 2,520	-

Options

	2009					
	Amount	Put	Call	Interest Rate	Expiration Date	Credit Risk
Trading purpose						
Sell option contracts	US$ 1,000	USD	NTD	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 $121,025 thousand and $187,776 thousand for the six months ended of 2009 and 2008, respectively, are recorded under nonoperating income - 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, 2009 and 2008 is summarized as follows:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	$ 1,093,148	$ 1,093,148	$ 1,046,895	$ 1,046,859
Financial assets at fair value through profit or loss, current	356,716	356,716	379,217	379,217
Available-for-sale financial assets, current	7,963	7,963	8,802	8,802
Held-to-maturity financial assets, current	-	-	11,118	11,118
Bond investment without active market, current	-	-	30,000	30,000
Notes receivable	54,713	54,713	104,637	104,637
Accounts receivable	2,499,386	2,499,386	3,230,714	3,230,714
Other receivable	450,847	450,847	848,921	848,921
Other current financial assets	25,811	25,811	35,545	35,545
Long-term equity investments at equity method	1	1	1	1
Investments in real estate	14,428	14,428	14,529	14,529
Available-for-sale financial assets, noncurrent	22,200	22,200	68,385	68,385

	2009		2008	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Held-to-maturity financial assets, noncurrent	7,397	7,397	7,397	7,397
Bond investments without active market, noncurrent	50,000	50,000	-	-
Financial assets carried at cost, noncurrent	133,918	133,918	132,626	132,626
Refundable deposits	864,531	864,531	800,091	800,091
Liabilities				
Short-term bank borrowings	4,136,754	4,136,754	3,765,632	3,765,632
Short-term obligations	25,000	25,000	45,000	45,000
Financial liabilities at fair value through profit or loss, current	7,751	7,751	-	-
Notes payable	9,646	9,646	141,809	141,809
Accounts payable	2,961,370	2,961,370	3,112,706	3,112,706
Other payable	1,079,102	1,079,102	1,609,735	1,609,735
Other current financial liabilities	353,770	353,770	316,773	316,773
Long-term liabilities	4,623,501	4,623,501	4,550,564	4,550,564
Other financial debt	67,526	67,526	29,628	29,628
Current portion of long-term liabilities	397,817	397,817	402,400	402,400

The fair value of derivative financial instruments as of June 30, 2009 and 2008 is summarized as follows:

	2009		2008	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Sell forward exchange asset	$ (68,149)	$ (68,149)	$ 60,530	$ 60,530
Buy forward exchange liability	21,184	21,184	(12,678)	(12,678)
Open interests of foreign currency options	(156)	(156)	-	-
Options on convertible preferred stocks	(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 obligations, 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 loans 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 stops the contracts according to the agreement at the balance sheet date. Generally, the amounts included unrealized gain or loss on outstanding contracts and most of them have reference value from financial organizations.

Fair Value Measurement on Financial Assets and Liabilities

	Market Value	Other Estimation Method	Total
Assets			
Financial assets at fair value through profit or loss, current	$ 356,716	$ 113	$ 356,829
Available-for-sale financial assets, current	7,693	-	7,693
Liabilities			
Financial liabilities at fair value through profit or loss, current	7,751	47,234	54,985
Financial liabilities at fair value through profit or loss, noncurrent	-	17,430	17,430

34. OPERATING LEASE

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

A list of rent expense in the future 5 years and the present value of rentals from 2015 to 2017 as of June 30, 2009:

Period	Amount
2010	$ 265,225
2011	273,182
2012	281,377
2013	289,818
2014	298,513
2015~2017 (present value $399,888 thousand)	950,354
	$ 2,358,469

The lease agreement which Test-Rite entered into with non-affiliates required the Company to collect guarantee deposit of $3,558 thousand, which was recorded under “refundable deposits.”

A list of rent revenue in the future years is summarized as follows:

Period	Amount
2010	$ 399
2011	255
2012	262
2013	270
2014	278
2015 (present value $59 thousand)	70
	$ 1,534

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

A list of rent revenue in the future 5 years and the present value of rentals from 2015 to 2026 as of June 30, 2009:

Period	**Amount**
2010	$ 42,444
2011	23,299
2012	9,937
2013	9,598
2014	9,836
2015~2019 (present value $19,359 thousand)	23,609
2020~2024 (present value $10,705 thousand)	15,622
2025~2026 (present value $501 thousand)	804
	$135,149

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

A list of rent expense in the future 5 years and the present value of rentals from 2015 to 2025 as of June 30, 2009:

Period	**Amount**
2010	$ 28,795
2011	29,940
2012	29,940
2013	30,864
2014	32,085
2015~2019 (present value $154,419 thousand)	170,518
2020~2024 (present value $162,289 thousand)	192,289
2025 (present value $22,280 thousand)	27,438
	$541,869

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

A list of rent expenses in the future 5 years as of June 30, 2009:

Period	**Amount**
2010	$105,416
2011	84,733
2012	68,807
2013	50,837
2014	8,920
2015	2,230
	$320,943

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

A list of royalty expense in the future 5 years as of June 30, 2009:

Period	**Amount**
2010	$ 7,212
2011	3,355
2012	6,709
2013	6,709
	$ 23,985

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

A list of rent expenses in the future 5 years and the present value of rentals from 2015 to 2024 as of June 30, 2009:

Period	**Amount**
2010	$ 118,595
2011	113,667
2012	108,737
2013	108,737
2014	109,282
2015~2019 (present value $377,575 thousand)	412,017
2020~2024 (present value $204,830 thousand)	238,095
	$1,209,130

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

A list of rent expense in the future 5 years and the present value of rentals from 2015 to 2022 as of June 30, 2009:

Period	**Amount**
2010	$ 453,901
2011	466,322
2012	477,658
2013	486,356
2014	491,051
2015~2019 (present value $1,697,420 thousand)	2,095,591
2020~2022 (present value $339,875 thousand)	468,740
	$4,939,620

The lease agreement for office premises which Test-Rite B&Q entered into is summarized as follows:

A list of rent expense in the future 5 years and the present value of rentals from 2015 to 2025 as of June 30, 2009:

Period	**Amount**
2010	$ 433,551
2011	892,840
2012	922,243
2013	951,256
2014	889,342
2015~2019 (present value $3,244,855 thousand)	3,462,673
2020~2024 (present value $1,438,388 thousand)	1,606,606
2025 (present value $174,074 thousand)	153,383
	$9,311,894