Test-Rite International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments Recognition and Measurement," SFAS No. 36 "Financial Instruments Disclosure and Presentation" and related amendments to other SFASs.

April 15, 2008

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

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

For the convenience of readers, the auditors' 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 auditors' report and 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
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

ASSETS	2007 Amount	%	2006 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 3,428,233	14	$ 1,244,524	6
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	495,035	2	626,479	3
Available-for-sale financial assets, current (Notes 2 and 6)	11,242	-	9,417	-
Held to maturity financial assets, current (Notes 2 and 15)	12,141	-	-	-
Financial assets carried at cost, current (Notes 2 and 7)	3,094	-	3,325	-
Bond investments with no active market, current (Note 17)	30,000	-	-	-
Notes receivable (Notes 2 and 8)	64,859	-	49,785	-
Accounts receivable (Notes 2 and 8)	2,971,741	12	2,023,982	10
Other receivables (Note 9)	940,992	4	242,980	1
Other financial assets, current (Note 10)	5,232	-	15,265	-
Inventories (Notes 2 and 11)	4,186,262	17	4,240,723	21
Prepayments	766,516	3	893,993	4
Other current assets	172,763	1	214,840	1
Total current assets	13,088,110	53	9,565,313	46
LONG-TERM INVESTMENTS				
Long-term equity investments at equity method (Note 12)	1	-	42,877	-
Investments in real estate (Note 13)	14,579	-	14,680	-
Prepayment for long-term investments	-	-	15,808	-
Available-for-sale financial assets, noncurrent (Note 14)	149,340	-	68,000	1
Held to maturity financial assets, noncurrent (Note 15)	7,397	-	21,461	-
Financial assets carried at cost, noncurrent (Note 16)	168,486	1	180,496	1
Bond investments with no active market, noncurrent (Note 17)	-	-	30,000	-
Total long-term investments	339,803	1	373,322	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 18)				
Cost				
Land	707,653	3	1,000,611	5
Buildings and improvements	1,150,660	5	2,294,934	11
Machinery and equipment	1,480,171	6	1,347,090	7
Transportation equipment	100,776	-	91,776	-
Other equipment	6,867,633	28	6,751,513	33
Total cost	10,306,893	42	11,485,924	56
Revaluation increments	104,574	-	104,515	-
Less accumulated depreciation	(4,434,386)	(18)	(4,346,037)	(21)
Prepayments for property, plant and equipment	393,151	2	222,185	1
Property, plant and equipment, net	6,370,232	26	7,466,587	36
INTANGIBLE ASSETS				
Patent	116	-	287	-
Computer software cost	10,545	-	2,017	-
Goodwill (Note 2)	1,604,546	7	1,407,309	7
Total intangible assets	1,615,207	7	1,409,613	7
OTHER ASSETS (Notes 2 and 19)				
Refundable deposits	788,055	3	728,512	3
Deferred income tax assets, noncurrent	880,695	4	548,892	3
Other assets - others	1,469,645	6	584,118	3
Total other assets	3,138,395	13	1,861,522	9
TOTAL	$ 24,551,747	100	$ 20,676,357	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2007 Amount	%	2006 Amount	%
CURRENT LIABILITIES				
Short-term bank borrowings (Note 20)	$ 4,920,131	20	$ 4,040,459	19
Short-term obligations (Note 21)	30,000	-	60,000	-
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	5,881	-	14,182	-
Notes payable	126,660	1	118,033	1
Accounts payable	3,149,756	13	3,229,716	16
Income tax payable (Notes 2 and 32)	371,945	1	311,232	1
Other payables (Note 22)	1,233,990	5	837,235	4
Advance receipt	301,625	1	207,449	1
Current portion of long-term liabilities (Note 23)	500,000	2	398,540	2
Other current liabilities (Note 24)	454,035	2	343,617	2
Total current liabilities	11,094,023	45	9,560,463	46
LONG-TERM LIABILITIES				
Bonds payable (Note 25)	-	-	-	-
Long-term debt (Note 26)	2,800,000	12	2,686,400	13
Total long-term liabilities	2,800,000	12	2,686,400	13
ESTIMATED ACCRUED LAND VALUE INCREMENT TAX PAYABLE	36,740	-	36,740	-
OTHER LIABILITIES				
Accrued pension cost (Note 27)	181,342	1	160,199	1
Deferred credit (Note 18)	2,113,096	9	-	-
Other liabilities - others	147,815	-	127,132	1
Total other liabilities	2,442,253	10	287,331	2
Total liabilities	16,373,016	67	12,570,934	61
STOCKHOLDERS' EQUITY				
Capital stock (Note 28)	4,652,434	19	4,488,130	22
Capital surplus				
Additional paid-in capital	520,130	2	519,609	3
Treasury stock	-	-	35,041	-
Long-term investments	30,966	-	45,997	-
Retained earnings (Note 29)				
Legal reserve	611,866	3	569,337	3
Unappropriated earnings	586,185	2	524,756	2
Cumulative translation adjustments (Note 2)	76,895	-	22,338	-
Net loss not recognized as pension costs	(16,964)	-	16	-
Unrealized holding loss on available-for-sale financial asset	(13,107)	-	(782)	-
Treasury stock (Notes 2 and 30)	(337,716)	(1)	(364,159)	(2)
	6,110,689	25	5,840,283	28
MINORITY INTEREST	2,068,042	8	2,265,140	11
Total stockholders' equity	8,178,731	33	8,105,423	39
TOTAL	$ 24,551,747	100	$ 20,676,357	100

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

(With Deloitte & Touche audit report dated April 15, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Note 2)	$ 36,568,037	100	$ 34,056,205	100
OPERATING COST	27,207,433	75	25,109,552	74
GROSS PROFIT	9,360,604	25	8,946,653	26
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,411,987	23	7,659,394	22
INCOME FROM OPERATIONS	948,617	2	1,287,259	4
NON-OPERATING INCOME				
Interest income	27,190	-	40,337	-
Equity in net earnings of investees (Notes 2 and 12)	43	-	-	-
Gain on disposal of property, plant and equipment	418,003	1	3,844	-
Net gain on sale of investments	118,418	-	99,730	-
Foreign exchange gain, net	76,039	-	-	-
Recovery of provision for inventory devaluation	-	-	30,538	-
Gain on valuation of financial assets	-	-	1,188	-
Others	136,159	1	141,217	1
Total non-operating income	775,852	2	316,854	1
NON-OPERATING EXPENSES				
Interest expenses	444,697	1	420,482	1
Equity in net losses of investees (Notes 2 and 12)	-	-	3,770	-
Loss on disposal of property, plant and equipment	1,884	-	8,559	-
Exchange losses, net	-	-	34,110	-
Loss on valuation of financial assets	14,361	-	-	-
Loss on valuation of financial liabilities	2,097	-	1,438	-
Loss on physical inventory	16,532	-	-	-
Others	279,250	1	253,762	1
Total non-operating expenses	758,821	2	722,121	2
INCOME BEFORE INCOME TAX	965,648	2	881,992	3
PROVISION FOR INCOME TAX (Notes 2 and 32)	(93,856)	-	(234,541)	(1)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE	871,792	2	647,451	2
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE (Note 3) (Net of income tax benefit of $4,957 thousand)	-	-	(13,072)	-
TOTAL CONSOLIDATED NET INCOME	$ 871,792	2	$ 634,379	2

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
ATTRIBUTED TO				
Parent company's stockholders	$ 576,847	1	$ 425,301	1
Minority interest	294,945	1	209,078	1
	$ 871,792	2	$ 634,379	2

	2007		2006	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 28)				
Income before cumulative effect of changes in accounting principle	$ 2.21	$ 2.00	$ 2.05	$ 1.51
Cumulative effect of changes in accounting principle		-		(0.03)
Basic earnings per share before distribution to minority interest		$ 2.00		$ 1.48
Basic earnings per share attributed to parent company stockholders		$ 1.32		$ 0.99
DILUTED EARNINGS PER SHARE (Notes 2 and 28)				
Income before cumulative effect of changes in accounting principle	$ -	$ -	$ 2.03	$ 1.49
Cumulative effect of changes in accounting principle		-		(0.03)
Diluted earnings per share before distribution to minority interest		$ -		$ 1.46
Diluted earnings per share attributed to parent company stockholders		$ -		$ 0.98

(Concluded)

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

(With Deloitte & Touche audit report dated April 15, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

		Capital Surplus			Retained Earnings							
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Long-term Investments	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Costs	Unrealized Holding Loss on Available-for-Sale Financial Assets	Treasury Stock	Minority Interest	Total
BALANCE, JANUARY 1, 2006	$ 4,167,176	$ 514,635	$ 10,741	$ -	$ 496,587	$ 895,100	$ 24,570	$ -	$ -	$ (546,510)	$ 1,423,554	$ 6,985,853
Appropriation and distribution of 2005 net income (Note 28)												
Legal reserve	-	-	-	-	72,750	(72,750)	-	-	-	-	-	-
Cash bonuses to directors and supervisors	-	-	-	-	-	(13,095)	-	-	-	-	-	(13,095)
Stock bonuses to employees	52,370	-	-	-	-	(52,380)	-	-	-	-	-	(10)
Stock dividends	193,359	-	-	-	-	(193,359)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(464,061)	-	-	-	-	-	(464,061)
Effect of changes of ownership interests in equity method investees	-	-	-	45,997	-	-	-	-	-	-	-	45,997
Net loss not recognized as pension costs	-	-	-	-	-	-	-	16	-	-	-	16
Equity adjustments from the first adoption of new financial accounting standards (Notes 3 and 6)	-	-	-	-	-	-	-	-	13	-	1,817	1,830
Unrealized valuation profit or loss of available-for-sale financial assets, current (Note 6)	-	-	-	-	-	-	-	-	12	-	1,782	1,794
Unrealized valuation profit or loss of available-for-sale financial assets, noncurrent	-	-	-	-	-	-	-	-	(807)	-	-	(807)
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	(2,232)	-	-	-	-	(2,232)
Convertible bonds converted into common stock	75,225	4,974	-	-	-	-	-	-	-	-	-	80,199
Changes in shares held by subsidiaries (Note 30)	-	-	-	-	-	-	-	-	-	272	-	272
Treasury stock transferred to employees (Note 30)	-	-	24,300	-	-	-	-	-	-	182,079	-	206,379
Minority interest	-	-	-	-	-	-	-	-	-	-	628,909	628,909
Total consolidated income for 2006	-	-	-	-	-	425,301	-	-	-	-	209,078	634,379
BALANCE, DECEMBER 31, 2006	4,488,130	519,609	35,041	45,997	569,337	524,756	22,338	16	(782)	(364,159)	2,265,140	8,105,423
Appropriation and distribution of 2006 net income (Note 28)												
Legal reserve	-	-	-	-	42,529	(42,529)	-	-	-	-	-	-
Cash bonuses to directors and supervisors	-	-	-	-	-	(7,655)	-	-	-	-	-	(7,655)
Stock bonuses to employees	30,550	-	-	-	-	(30,559)	-	-	-	-	-	(9)
Stock dividends	84,858	-	-	-	-	(84,858)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(339,432)	-	-	-	-	-	(339,432)
Effect of changes in percentage of ownership of long-term equity investments	-	-	-	(15,031)	-	-	-	-	-	-	15,031	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	-	54,557	-	-	-	-	54,557
Net loss not recognized as pension costs	-	-	-	-	-	-	-	(16,980)	-	-	(2,554)	(19,534)
Unrealized valuation profit or loss of available-for-sale financial assets, noncurrent												
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, current	-	-	-	-	-	-	-	-	2,339	-	(514)	1,825
	-	-	-	-	-	-	-	-	2,339	-	(514)	1,825
Unrealized valuation profit or loss of available-for-sale financial assets on long-term equity investments, noncurrent												
Convertible bonds converted into common stock (Note 28)	48,896	521	-	-	-	-	-	-	-	-	-	49,417
	48,896	521	-	-	-	-	-	-	-	-	-	49,417
Increase in treasury stock (Note 30)	-	-	-	-	-	-	-	-	-	(929,941)	(26,191)	(956,132)
Treasury stock transferred to employees (Note 30)	-	-	(35,041)	-	-	(10,385)	-	-	-	956,384	-	910,958
Minority interest	-	-	-	-	-	-	-	-	-	-	(475,569)	(475,569)
Total consolidated income for 2007	-	-	-	-	-	576,847	-	-	-	-	294,945	871,792
BALANCE, DECEMBER 31, 2007	$ 4,652,434	$ 520,130	$ -	$ 30,966	$ 611,866	$ 586,185	$ 76,895	$ (16,964)	$ 1,557	$ (337,716)	$ 2,070,288	$ 8,195,641

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

(With Deloitte & Touche audit report dated April 15, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	$ 871,792	$ 634,379
Cumulative effect of changes in accounting principles	-	18,029
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	875,276	843,586
Amortization for the cost of issuing bonds and unrealized interest expenditure	3,169	2,060
Gain on financial assets valuation	(15,102)	(1,188)
Loss on financial liabilities valuation	31,559	1,438
Provision for (recovery from) inventory devaluation	16,532	(30,538)
Equity in net (earnings) losses of investees	(43)	3,770
Gains on disposal of available-for-sale financial assets, noncurrent	(6,706)	(42,741)
Net gains on disposal of long-term equity investments	-	(15,783)
Net (gains) losses on disposal of property, plant and equipment	(416,119)	4,728
Loss on abandoned property, plant and equipment and deferred charges	-	53
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	146,546	264,705
Financial assets carried at cost, current	231	(3,325)
Held to maturity financial assets, current	(12,141)	-
Available-for-sale financial assets, current	(1,825)	(5,793)
Notes receivable	(15,074)	(1,807)
Accounts receivable	(947,759)	162,069
Other receivables	(10,512)	144,839
Other financial assets, current	(2,193)	(3,039)
Inventories	37,929	225,845
Prepayments	127,477	122,594
Deferred income tax assets, current	44,375	(15,671)
Other current assets	(2,298)	72,129
Deferred income tax assets, noncurrent	(331,803)	(225,553)
Other assets	(52,147)	741,171
Financial liabilities at fair value through profit or loss, current	(8,314)	(7,418)
Notes payable	8,627	6,923
Accounts payable	(111,506)	359,396
Income tax payable	60,713	112,678
Other payables	363,827	(159,293)
Advance receipt	94,176	(11,362)
Deferred income tax liabilities, noncurrent	-	(27,584)
Other current liabilities	(124,370)	84,411
Interest expense compensation payable	877	3,032
Other liabilities	44,641	(12,173)
Net cash provided by operating activities	669,835	3,244,567

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financing deposit	$ 12,007	$ 4,900
Decrease in futures deposits	219	-
Disposal of long-term equity investments	42,893	-
Decrease (increase) in prepayment for long-term investments	15,808	(15,808)
Proceeds from disposal of available-for-sale financial assets, noncurrent	-	315,808
Decrease in holding to maturity financial assets, noncurrent	14,064	2,609
Increase in available-for-sale financial assets	(89,719)	(341,874)
Decrease in financial assets carried at cost, noncurrent	12,010	153
Proceeds from disposal of bond investments without active market	-	1,000
Proceeds from decrease in capital stock of financial assets carried at cost, noncurrent	-	330
Acquisition of property, plant and equipment	(2,367,812)	(1,578,420)
Proceeds from disposal of property, plant and equipment	4,155,111	36,343
Increase in refundable deposits	(59,543)	(118,483)
Increase in goodwill	(197,237)	-
Increase in deferred charges	(323,359)	(856,020)
Net cash provided by (used in) investing activities	1,214,442	(2,549,462)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank borrowings	879,672	457,312
(Decrease) increase in short-term obligations	(30,000)	30,000
Increase in long-term debt	263,600	1,290,000
Payment for bonds payable	-	(440,000)
Payments for bonuses to directors, supervisors and employee	(7,655)	(13,095)
Payment for cash dividend	(339,432)	(464,061)
Decrease in deposits received	(550)	(15,281)
Increase in treasury stock	(956,132)	-
Treasury stock transferred to employees	910,958	206,379
Decrease in minority interest	(475,569)	(191,528)
Net cash provided by financing activities	244,892	859,726
EFFECT OF EXCHANGE RATE CHANGES ON CASH	54,540	(2,253)
NET CASH USED IN PURCHASE OF SHARES OF TONG LONG METAL INDUSTRY CO., LTD.	-	(1,830,571)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,183,709	(277,993)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,244,524	1,522,517
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,428,233	$ 1,244,524

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 305,817	$ 307,965
Income tax	$ 370,334	$ 467,398
Cash paid during the year for acquisition of property, plant and equipment		
Property, plant and equipment acquired	$ 2,381,197	$ 1,390,869
Add liabilities for acquisition of property, plant and equipment at the beginning of year	45,839	233,390
Deduct liabilities for acquisition of property, plant and equipment at the end of year	(59,224)	(45,839)
Cash paid during the year for acquisition of property, plant and equipment	$ 2,367,812	$ 1,578,420
Cash received during the year from disposal of property, plant and equipment		
Proceeds from disposal of property, plant and equipment	$ 5,501,405	$ -
Deduct receivable from disposal of property, plant and equipment (current) at the end of year	(687,500)	-
Deduct receivable from disposal of property, plant and equipment (noncurrent) at the end of year	(658,794)	-
Cash received during the year from disposal of property, plant and equipment	$ 4,155,111	$ -
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Effect on changes in percentage of ownership interest of equity method investees	$ (15,031)	$ 45,997
Transfer of long-term equity investments to deferred credits	$ (43)	$ 133
Convertible bonds converted into common stock	$ 49,417	$ 80,199
Current portion of bonds payable	$ -	$ 48,540
Current portion of long-term liabilities	$ 500,000	$ 350,000
Bonuses to employees	$ 9	$ 10
Equity adjustment from the first adoption of new financial accounting standards	$ -	$ 13
Unrealized holding loss on available-for-sale financial assets	$ (12,324)	$ (795)
Net loss not recognized as pension costs	$ (16,980)	$ 16
Changes in percentage of ownership of equity held by subsidiaries	$ -	$ 272
Translation adjustments on long-term equity investments	$ 17	$ 21

(Concluded)

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

(With Deloitte & Touche audit report dated April 15, 2008)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

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

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

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

Information of Subsidiaries

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)	Reasons for not Including in the Consolidated Financial Statement in 2007 and 2006
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Fortune Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	Included
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
B&S Link Co., Ltd. (Cayman)	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Test-Rite Pte Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
Test-Rite Int’l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	Included
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	Included
Lih Chiou Co., Ltd.	Directly held 100.00%	International trade	100.00	Included
Lih Teh International Co., Ltd.	Directly held 100.00%	Integrating data and providing information	100.00	Included
B&S Link Co., Ltd.	Directly held 100.00%	Providing information software and electronic information	100.00	Included
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	Included
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	Included
Test-Rite Quickbuy Co., Ltd.	Indirectly held 100.00%	Sale of articles for daily use	100.00	Included
Chung Cin Interior Design Construction Co., Ltd.	Indirectly held 100.00%	Interior design	100.00	Included

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)	Reasons for not Including in the Consolidated Financial Statement in 2007 and 2006
Test Cin M&E Engineering Co., Ltd.	Indirectly held 100.00%	Mechanical and electronic engineering	100.00	Included
Tony Construction Co., Ltd.	Indirectly held 100.00%	Build and civil engineering	100.00	Included
Tony Investment Co., Ltd.	Indirectly held 100.00%	Investment in various industries	100.00	Included
Covalue Consultant Co., Ltd.	Indirectly held 80.00%	Consultant of business operation	80.00	Included
Test-Rite Development Co., Ltd.	Directly held 80.00%	Investment holding company	80.00	Included
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 67.42%	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) import and export business related to the aforementioned products.	67.42	Included
U2 Industry Design Co., Ltd.	Directly held 64.00%	Design new product	64.00	Included
Hola Homefurnishings Co., Ltd.	Directly and indirectly held 62.56%	Importation and exportation, department store, supermarket and restaurant	62.56	Included
Freer Inc.	Indirectly held 62.56%	Sale of bedclothes	62.56	Included
Homy Homefurnishings Co., Ltd.	Indirectly held 58.88%	Sale of bedclothes	58.88	Included
Homy Homefurnishings (Shanghai) Ltd.	Indirectly held 58.88%	Sale of bedclothes	58.88	Included
Test-Rite B&Q Co., Ltd.	Directly held 49.99% and controllable investee	Sale of house decoration hardware and construction materials	49.99	Included
B&Q Indoor Decoration & Renovation Co., Ltd.	Test-Rite B&Q held 100.00%	Interior design	49.99	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

In 2007, for the purpose of restructuring, Blundale Group decreased their capital and returned to the Test-Rite. Then the Company merged the Grand System, Precision Tools, Essential Hardware Bright Industry and Leading Instruments.

As of December 31, 2007, Test-Rite and subsidiaries (collectively, the "Company") have 6,842 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of Test-Rite and its subsidiaries (see Note 1). All significant intercompany balances and transactions have been eliminated upon consolidation. For the information of subsidiaries and reasons for not including in consolidated financial statements in 2007 and 2006, please see Note 1.

(a) The information of subsidiaries not included in the consolidated financial statements for 2007 and 2006: all subsidiaries were included in consolidation.
(b) The difference of the fiscal period between parent company and subsidiaries: unsuited.
(c) Special risks of business operation for subsidiaries overseas: None.

Current/Noncurrent Assets and Liabilities

Assets consisting of unrestricted cash and cash equivalents, assets for trading purpose and other assets to be converted into cash, sold, or consumed in 12 months or in the normal operating cycle are classified as current. Property, plant and equipment, intangible assets and all other assets are classified as noncurrent. Liabilities for trading purpose and liabilities to be liquidated in 12 months or in the normal operating cycle are classified as current. All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes cash on hand and unrestricted bank deposits. Cash equivalents refer to treasury bond, debt obligation, time certificates of deposit and commercial paper which can be readily converted into cash without significant penalty or which value will not be significantly affected by variation of interest.

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

Allowance for doubtful accounts is provided based on collectibility of accounts.

Factoring Accounts Receivable

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

Inventories

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

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

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

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

Long-Term Equity Investments at Equity Method

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

When equity method of accounting is used, the difference between acquisition cost and equity in net assets on the acquisition date is amortized over a five-year period. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards, the excess of the cost of the investment over the fair value of identifiable net assets, representing goodwill, is no longer amortized, but should be tested for impairment every year and for specific events or changes in circumstances which indicate that such carrying value may not be recoverable.

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 the Company does not maintain its percentage ownership interest in an investee after the changes in the investee's capital structure that affect the Company's proportionate interest, the long-term equity investment and capital surplus accounts are adjusted. If the balance of the capital surplus account relating to a long-term equity investment is not sufficient to absorb such an adjustment, any excess is charged against unappropriated retained earnings.

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

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

Investment in Real Estate

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

Available-for-Sale Financial Assets

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

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.

Financial Assets Carried at Cost

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

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

Bond Investments without Active Market

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

Property, Plant and Equipment

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

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

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

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

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

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

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

Assets Leased to Others

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

Impairment of Assets

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

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

Intangible Assets

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

Deferred Charges

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

Allowance for Indemnity Losses on Export

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

Bonds Payable

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

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

Retirement Plan

Test-Rite, Hola, B& S Link, Chung Cin Enterprise, Chung Cin Interior Design Construction, Tony Construction, Test Cin M&E, B&Q and Tong Lung Metal have defined benefit plan .
under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. In accordance with the Labor Standards Law of the Republic of China, such plan is funded at 4% of employee salaries and wages and deposited with the Central Trust of China, except that B&Q, Freer and Tong Lung

Metal are funded at 2%, 2% and 7%. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name.

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

The "Labor Pension Act", effective on July 1, 2005, prescribes defined contribution plan. Those employees who were subject to the Labor Standards Law prior to the enforcement of the Act and still work for the Company after the enforcement of this Act may choose to remain to be subject to the pension mechanism under the Labor Standards Law. If they choose to be subject to the pension mechanism under this Act, their seniority prior to the enforcement of this Act shall be maintained. In accordance with the Act, the rate of contribution by an employer to the Labor Pension Fund shall not be less than 6% of the employee's wages per month.

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

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

Subsidy Revenue from Government

Tong Lung Metal Industry Co., Ltd. applies for subsidy for electric plan from the Institute for Information Industry. The subsidy is reported as deferred income before the result is approved by the Institute for Information Industry and when the result is adopted, the subsidy will be reported as decrease of purchase cost.

Foreign Currency Transactions

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

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

Cumulative Translation Adjustments

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

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

Treasury Stock

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

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

Income Tax

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

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

Earnings Per Share

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

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

Sales, Sales Returns and Allowances

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

Non-Derivative Financial Instruments

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

3. ACCOUNTING CHANGE

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

Effective January 1, 2006, the Company adopted the newly released SFAS No. 34 "Accounting for Financial Instruments," No. 36, "Disclosure and Presentation of Financial Instruments," and other related accounting standards which were amended to be in agreement with the new standards.

Effect of the Adoption of the Newly Released and Revised SFAS

The Company properly categorized the financial assets and liabilities (including derivative financial instruments) at the initial adoption of the newly released and amended SFAS. The adjustments to the original carrying amount of financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss are included in the cumulative effect of changes in accounting principle in the income statement; on the other hand, the adjustment to the original carrying amount of available-for-sale financial assets are recognized as adjustments to stockholders' equity.

The adjustments of the initial adoption of the newly released SFASs are summarized as follows:

	2006	
	Recognized As Cumulative Effect of Changes in Accounting Principle (After Tax)	Recognized As Adjustment of Stockholders' Equity
Financial assets at fair value through profit or loss, current	$ (11,966)	$ -
Financial liabilities at fair value through profit or loss, current	(1,106)	-
Available-for-sale financial assets, current	-	1,830
	$ (13,072)	$ 1,830

Effective January 1, 2006, the Company adopted amended SFAS No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," No. 5, "Long-term Investments under Equity Method," and No. 25, "Business Combinations." The major amendments to the above SFASs require that goodwill shall not be amortized and the difference between the underlying equity in net assets of the investee and the cost of the investment should be analyzed first and the portion attributed to goodwill is not amortized but tested for impairment periodically. The adoption of newly released SFAS increased the income before cumulative effect of change in accounting principle by $20,177 thousand in 2006.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Petty cash	$ 38,204	$ 32,649
Checking deposits	691,277	30,105
Savings deposits	1,944,037	507,836
Foreign currency deposits	584,902	562,736
Time certificates of deposit	70,229	77,457
Cash equivalents	99,584	33,741
	$ 3,428,233	$ 1,244,524

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Financial assets held for trading		
Equity securities marketable on Taiwan Stock Exchange and in the over-the-counter market	$ 29,717	$ 17,056
Open-end funds	439,603	549,435
Corporate bonds mutual funds	14,042	30,425
Offshore mutual funds	4,987	16,245
Receivable on forward contracts, net	43	47
Receivable on short selling stock	474	13,271
Real estate funds	3,001	-
Structured note	3,168	-
	$ 495,035	$ 626,479
Financial liabilities held for trading		
Payable on forward contracts, net	$ 5,407	$ 621
Payable on short selling stock	474	13,271
Option	-	290
	$ 5,881	$ 14,182

As of December 31, 2007 and 2006, the short selling in the investment amounted to $474 thousand and $13,271 thousand which was included in both the financial assets at fair value through profit or loss, current and the financial liabilities at fair value through profit or loss, current. The deposits of short selling amounted to $429 thousand and $12,007 thousand and were included in financing deposits under other financial assets, current (see Note 10).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Equity securities marketable on Taiwan Stock Exchange and in the over-the-counter market	$ 1,779	$ 1,779
Benefit certificate of domestic funds	4,014	4,014
	5,793	5,793
Unrealized holding gain on available-for-sale financial assets	5,449	3,624
	$ 11,242	$ 9,417

7. FINANCIAL ASSETS CARRIED AT COST, CURRENT

Financial assets carried at cost, current as of December 31, 2007 and 2006 consist of the following:

	2007	2006
The funds without active market	$ 3,094	$ 3,325

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

8. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Non-affiliates		
Notes receivable	$ 64,859	$ 49,785
Accounts receivable	2,979,512	2,034,060
Less allowance for doubtful accounts	(7,771)	(10,078)
	2,971,741	2,023,982
	$ 3,036,600	$ 2,073,767

Test-Rite has entered into a factoring agreement with banks. According to the agreement, credit risk is transferred to the factor when accounts are sold and assigned to the factor. However, banks may charge back to Test-Rite for any account not paid in full when due for any reason other than credit risk.

Master Design Inc. ("MDI") and TR Products Corp. ("TR Products"), the subsidiaries of Test-Rite Int'l (U.S.) Co., Ltd., have entered into a factoring agreement with a commercial factor. Under the terms of the agreement, credit risk is transferred to the factor on accounts sold and assigned to the factor. However, factor may charge back to MDI and TR Products for any accounts not paid in full when due for any reason other than credit risk. The terms of the agreement do not stipulate advance of funds to MDI and TR Products prior to the collection of the accounts. However, factor may do so at its discretion upon MDI's and TR Products' requests, subject to additional terms which may be requested.

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

As of December 31, 2007 and 2006, the accounts receivable factoring is summarized as follows:

2007

Object	Interest Rate	Amount of Accounts Receivable Factoring	Advance from Factor	Net Amount Due from Factor	Collateral
Shanghai Commercial & Saving Bank, Ltd.	Basic loan rate plus 0.4% divided by 94.45%	US$2,543 (About $82,502 thousand)	US$1,703 (About $55,251 thousand)	US$840 (About $27,251 thousand)	Commercial US$13,000 (About $421,742 thousand)
CIT Group & UPS	JP Morgan basic loan rate minus 0.25% or 3% annually rate	US$12,370 (About $401,320 thousand)	US$11,349 (About $368,196 thousand)	US$1,022 (About $33,154 thousand)	

2006

Object	Interest Rate	Amount of Accounts Receivable Factoring	Advance from Factor	Net Amount Due from Factor	Collateral
Shanghai Commercial & Saving Bank, Ltd.	Basic loan rate plus 0.4% divided by 94.45%	US$10,375 (About $338,184 thousand)	US$9,000 (About $293,361 thousand)	US$1,375 (About $44,823 thousand)	Commercial US$13,000 (About $421,742 thousand)
Hong Kong and Shanghai Banking Corporation Ltd.	LIBOR plus 0.4%	US$1,314 (About $42,831 thousand)	US$1,183 (About $38,546 thousand)	US$131 (About $4,285 thousand)	
CIT Group & UPS	JP Morgan basic loan rate minus 0.25% or 3% annually rate	US$14,429 (About $470,328 thousand)	US$12,935 (About $421,629 thousand)	US$1,494 (About $48,698 thousand)	

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

Test-Rite Int'l (U.S.) concluded accounts receivable financing agreements with Standard Chartered Bank and UPS. The agreements declared that Test-Rite Int'l (U.S.) should not be responsible for the credit risk of accounts receivable not being collected. But if non-credit risk occurred and the accounts receivable were not collected, Standard Chartered Bank and UPS will request Test-Rite Int'l (U.S.) to buyback the amounts. To protect their rights, UPS concluded a Domestic Receivable Buyback Agreement with Test-Rite. Test-Rite promises that if non-credit risk occurred and Test-Rite Int'l (U.S.) does not pay to UPS, UPS can request Test-Rite to buyback the amounts. As of December 31, 2007 and 2006, accounts receivable of $64,231 thousand and $115,553 thousand were pledged to secure short-term bank borrowing (see Notes 20 and 34).

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 December 31, 2006, accounts receivable of $45,070 thousand were pledged to secure short-term bank borrowing (see Notes 20 and 34).

9. OTHER RECEIVABLES

Other receivables as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Value-added tax refunds receivables	$ 5,504	$ 14,180
Receivable from disposal of investment	16,795	2,652
Advances for related parties (see Note 33)	4,529	4,275
Commissions receivables	7,344	4,792
Retention for sales of accounts receivable (see Note 8)	60,405	97,806
Receivables from disposal of property, plant and equipment, current (see Note 18)	687,500	-
Others	158,915	119,275
	$ 940,992	$ 242,980

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

10. OTHER FINANCIAL ASSETS, CURRENT

Other financial assets, current as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Financing deposit (see Note 5)	$ 429	$ 12,007
Futures deposit	169	219
Guarantee deposits paid	-	3,039
Others	4,634	-
	$ 5,232	$ 15,265

11. INVENTORIES

Inventories as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Merchandise - retail sale	$ 2,238,585	$ 2,197,701
Merchandise - trade	1,115,473	1,508,476
Raw materials	605,896	307,989
Work-in-process	233,960	228,663
Finished goods	91,177	40,465
Merchandise - manufacturing	23,046	6,141
Construction in progress	183,792	51,298
	4,491,929	4,340,733
Less valuation allowance	(305,667)	(100,010)
	$ 4,186,262	$ 4,240,723

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

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

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

Construction in progress is Chung Cin’s inventories.

12. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

Long-term equity investments at equity method as of December 31, 2007 and 2006 consist of the following:

	2007			2006	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Int’l (Mexico) Ltd.	$ 245	$ 1	49.00	$ 1	49.00
St. Finesse, Inc.	-	-	-	42,876	30.00
	$ 245	$ 1		$ 42,877	

Equities in earnings (losses) of TR Mexico and St. Finesse for the years ended December 31, 2007 and 2006 are summarized as follows:

	2007	2006
TR Mexico	$ 43	$ 112
St. Finesse	-	(3,882)
	$ 43	$ (3,770)

TR Mexico is engaged in importation and exportation.

St. Finesse, Inc. is engaged in sale of cigar and wines. As of December 25, 2006, Chung Cin concluded an agreement to sell all of its shares in St. Finesse to the director of Chung Fu Chen Yen Enterprise Corp. on July 9, 2007.

13. INVESTMENTS IN REAL ESTATE

	2007	2006
Land	$ 10,228	$ 10,228
Buildings and improvement	5,634	5,634
	15,862	15,862
Accumulated depreciation	(1,283)	(1,182)
	$ 14,579	$ 14,680

Real estate investment of Lih Teh has been rented to third parties. The rental income for the years ended December 31, 2007 and 2006 amounted to $857 thousand and $832 thousand which was reported as other revenue.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2007	2006
Deposit funds of real estate	$ 30,000	$ -
Equity securities on Taiwan Stock Exchange	137,057	68,807
Unrealized holding loss on available-for-sale financial assets	(17,717)	(807)
	$149,340	$ 68,000

Equity securities on Taiwan Stock Exchange were stated at the closing price on December 31, 2007 and 2006.

15. HELD TO MATURITY FINANCIAL ASSETS, NONCURRENT

	2007	2006
Core Pacific - Yamaichi I	$ 12,141	$ 14,064
Core Pacific - Yamaichi II	4,097	4,097
CMS Interest Principal Guaranteed Notes	3,300	3,300
	19,538	21,461
Less current portion of held to maturity financial assets	(12,141)	-
	$ 7,397	$ 21,461

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 and interest rate of 10%. Interest is paid monthly.

16. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	2007			2006	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Hwa Jan International Co., Ltd. (Samoa)	$ 9,849	$ 9,863	19.00	$ 9,909	19.00
TB Commerce Network Co., Ltd.	31,900	31,900	10.59	31,900	10.59
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	5.00	40,000	5.00
NCTU Springl Technology Capital Co., Ltd.	12,036	12,036	4.69	12,036	4.69
Emit Technology Co., Ltd.	10,842	10,842	4.58	10,842	4.58
Yuan Chuang Co., Ltd.	2,972	2,674	1.67	2,972	1.67
Techgains Pan-Pacific Co., Ltd.	19,191	19,204	0.81	19,250	1.61
Highlight Optoelectronics Inc.	3,713	3,713	0.88	3,713	0.88
Quartz Frequency Technology Co., Ltd.	750	750	0.43	750	0.43
Taiwan Finance Co., Ltd.	2,120	2,120	0.04	2,120	0.04
Nucom International Co., Ltd.	36,400	27,400	2.00	36,400	2.00
Hong Da Electronic Co., Ltd.	1,185	1,185	1.00	1,185	1.00
China Semiconductor Co., Ltd.	2,596	546	1.00	2,596	1.00
Yieh United Steel Co., Ltd.	3,920	3,920	-	3,920	-
Shanghai Commercial & Saving Bank, Ltd.	1,903	1,903	-	1,903	-
TEPRO	430	430	-	-	-
Kailay Engineering Co., Ltd.	1,000	-	-	1,000	-
	$ 180,807	$ 168,486		$ 180,496	

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

As of December 31, 2007 and 2006, Tong Lung Metal recognized impairment loss of $12,010 thousand and $5,100 thousand on Nucom International, Hong Da, Kailay and China Semiconductor.

17. BOND INVESTMENTS WITH NO ACTIVE MARKET, NONCURRENT

	2007		2006
	Original Accumulated Cost	Carrying Value	Carrying Value
Beneficiary certificates of Credit Lyonnais, Paris	$ 30,000	$ 30,000	$ 30,000
Less current portion of bond investments with no active market		(30,000)	-
		$ -	$ 30,000

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

18. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2007 and 2006 consist of the following:

	2007				2006
	Original Cost	Revaluation Increments	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 707,653	$ 104,574	$ -	$ 812,227	$ 1,105,126
Buildings and improvements	1,150,660	-	301,368	849,292	1,595,006
Machinery and equipment	1,480,171	-	1,373,615	106,556	88,271
Transportation equipment	100,776	-	58,326	42,450	44,949
Furniture, fixtures and office equipment	733,509	-	281,830	451,679	369,657
Leasehold improvements	5,106,598	-	2,005,974	3,100,624	3,405,526
Molds and tools	90,373	-	69,475	20,898	10,227
Other equipment	937,153	-	343,798	593,355	625,640
Construction in progress and prepayments for property, plant and equipment	393,151	-	-	393,151	222,185
	$10,700,044	$ 104,574	$ 4,434,386	$ 6,370,232	$ 7,466,587

Test-Rite: As of December 31, 2007 and 2006, the cost of the leased-out land was $267,519 thousand and $484,305 thousand and the carrying value of leased-out buildings and improvements was $271,806 thousand and $902,830 thousand, respectively.

Tong Lung Metal: As of December 31, 2007, the cost of the leased-out land was $49,235 thousand and $50,777 thousand. The carrying value of leased-out building and improvements was $66,109 thousand and $70,220 thousand.

As of December 31, 2007 and 2006, the carrying value of property, plant and equipment pledged to secure long-term debt and provided as collaterals to bank was as follows (see Notes 26 and 35):

	2007	2006
Land	$208,875	$566,506
Buildings and improvements	60,743	196,226
	$269,618	$762,732

Revaluation increments are recognized on Tong Lung Metal Industry Corp.

On July 19, 2007, Test-Rite paid $1,788,880 thousand to purchase land from non-affiliates for the purpose of integrating the group's resources. The transaction was completed by July 31, 2007. On December 21, 2007, Test-Rite sold a real property and leased back immediately in consideration of business strategies. The profit from this transaction was $2,762,217 thousand. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Test-Rite recorded $2,347,885 thousand unrealized gain ($234,789 thousand in other current liabilities and $2,113,096 thousand in other liabilities - deferred credit) and $414,332 thousand realized gain on disposal of property at the year end. In addition, the uncollected proceeds of $1,375,000 thousand were recorded as $687,500 thousand under other receivables - current, $658,794 thousand under other assets - other and the $28,706 thousand unrealized interests will be collected in 8 installments every 3 months starting from January 2, 2008 (see Notes 9 and 19).

19. OTHER ASSETS

Other assets as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Deferred tax asset, noncurrent (see Note 32)	$ 880,695	$ 548,892
Refundable deposits	788,055	728,512
Receivables of from disposal of property, plant and equipment, noncurrent (see Note 18)	658,794	-
Deferred charges (see Note 2)	324,049	126,545
Deferred pension cost (see Note 2)	45,253	51,920
Prepaid pension cost (see Note 27)	11,011	23,428
Others	430,538	382,225
	$ 3,138,395	$ 1,861,522

20. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of December 31, 2007 and 2006 consist of the following:

	2007		2006	
	Interest Rate %	Amount	Interest Rate %	Amount
Unsecured loans	2.60~6.17	$ 4,821,601	1.892~6.23	$ 3,834,637
Secured loans	5.20	64,231	1.91~7.361	205,822
Loans payable	5.50~5.70	34,299	-	-
		$ 4,920,131		$ 4,040,459

As of December 31, 2007, the amount of $64,231 thousand was secured by the accounts receivable of TR Int'l (U.S.) Co., Ltd. (see Notes 8 and 34).

As of December 31, 2006, the amount of $115,553 thousand was secured by the accounts receivable of TR Int'l (U.S.) Co., Ltd. and $90,269 thousand was secured by the accounts receivable of TR Development Co., Ltd. (see Notes 8 and 34).

21. SHORT-TERM OBLIGATIONS

Short-term obligations as of December 31, 2007 and 2006 consist of the following:

	2007		2006	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper, unsecured	2.578	$ 30,000	1.33~1.95	$ 60,000

22. OTHER PAYABLES

Other payables as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Accrued expenses	$ 939,696	$ 641,520
Interest payable	6,919	17,689
Other notes payable	10,910	10,522
Payables for purchase of property, plant and equipment	59,224	45,839
Others	217,241	121,665
	$ 1,233,990	$ 837,235

23. CURRENT PORTION OF LONG-TERM LIABILITIES

Current portion of long-term liabilities as of December 31, 2007 and 2006 consists of the following:

	2007	2006
Bonds payable (see Note 25)	$ -	$ 48,540
Long-term debt (see Note 26)	500,000	350,000
	$ 500,000	$ 398,540

24. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Receipts under custody	$ 14,871	$ 18,382
Accrued VAT payable	14,093	25,910
Allowance for indemnity losses on exports (see Note 2)	3,028	1,354
Unrealized gain on sale-leaseback (Note 18)	234,789	
Others	187,254	297,971
	$ 454,035	$ 343,617

25. BONDS PAYABLE

Bonds payable as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Domestic unsecured bonds	$ -	$ -
Domestic convertible bonds	-	43,600
Interest expense compensation payable	-	4,940
Less current portion	-	(48,540)
	$ -	$ -

As of December 31, 2007, Test-Rite's bondholders have converted bonds into 40,012,336 common shares, which resulted in $121,648 thousand additional paid-in capital.

26. LONG-TERM DEBT

Long-term debt as of December 31, 2007 and 2006 consists of the following:

	2007		2006
	Interest Rate	**Amount**	**Amount**
Calyon Bank			
Unsecured loan from September 29, 2003 to September 29, 2008. Interest is paid yearly, principal due on September 29, 2008. Interest rate is 2.64%.	2.640	$ 500,000	$ 500,000
Taishin International Bank			
Unsecured loan from December 13, 2005 to December 31, 2009. Interest is paid monthly, principal due on December 31, 2008.	3.391	200,000	200,000
Ta Chong Bank			
Pledged loan from September 29, 2007 to September 29, 2010. Interest is paid monthly, principal due on September 29, 2010.	2.5989	600,000	600,000
Hong Kong and Shanghai Banking Co., Ltd.			
Pledged loan from December 27, 2006 to September 27, 2011, the first installment on September 25, 2007 and the Company is expected to 10% in 2007, 15% in 2008, 20% in 2009, 25% in 2010, and 30% in 2011. Interest is paid monthly. During July and August 2007, the Company paid in advance the installments of 2007, 2008, 2009 and 2010.	3.28	300,000	1,000,000
Shanghai Commercial & Savings Bank			
Unsecured loan from December 17, 2007 to December 17, 2011 and principal due in quarterly installments. Interest is paid monthly.	3.055	200,000	-
Land Bank's Syndicate Loan			
Unsecured loan from July 26, 2007 to July 25, 2012. Interest is paid monthly, principal due on July 25, 2012.	2.9853~ 3.0221	1,500,000	-
Bank Sinopac Co., Ltd.			
Pledged loan from October 28, 2004 to August 28, 2007. Interest is paid monthly, principal due on August 28, 2007. Interest rate is one year deposit rate plus 0.575%.	-	-	261,400
Taipei Fubon Bank			
Unsecured loan from July 25, 2003 to July 25, 2008. In December 2007, the Company paid the principal in advance of the due date.	-	-	175,000
Shanghai Commercial & Savings Bank			
Unsecured loan from December 8, 2005 to December 8, 2008. In July 2007, the Company paid the principal in advance of the due date.	-	-	150,000
Sunny Bank Ltd.			
Unsecured loan from February 22, 2006 to February 22, 2009. In July 2007, the Company paid the principal in advance of the due date.	-	-	150,000
		3,300,000	3,036,400
Less current portion		(500,000)	(350,000)
		$ 2,800,000	$ 2,686,400

As of December 31, 2007, Test-Rite promised to maintain the financial covenants according to the loan agreements respectively as the following:

Calyon Bank

a. Leverage Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Tangible Net Worth of not more than 1.5 to 1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 0.8 to 1.

c. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than $4,000,000 thousand.

As of December 31, 2007, the leverage ratio was defaulted. Since the loan would be due in one year and had been recorded as current portion of long-term liabilities, Test-Rite was expected to pay off the loan without any anticipated difficulties.

Taishin International Bank

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 1.5 to1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1.2 to 1.

Land Bank's Syndicate Loan

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

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

c. EBITDA Ratio, Test-Rite s 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.

Hong Kong and Shanghai Banking Co., Ltd.

a. Leverage Ratio, Test-Rite shall maintain a ratio of Total Liabilities plus contingent liabilities to Tangible Net Worth of less 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 to 1.

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

See Note 18 for collateral on bank borrowing.

27. RETIREMENT PLAN

The "Labor Pension Act", effective on July 1, 2005, prescribes defined contribution plan. Those employees who were subject to the Labor Standards Law prior to the enforcement of the Act and still work for the Company after the enforcement of this Act may choose to remain to be subject to the pension mechanism under the Labor Standards Law. If they choose to be subject to the pension mechanism under this Act, their seniority prior to the enforcement of this Act shall be maintained. In accordance with the Act, the rate of contribution by an employer to the Labor Pension Fund shall be not less than 6% of the employee's wages per month.

Test-Rite, Hola, Freer, Chung Cin Enterprise, Chung Cin Construction, Tony Construction, Test Cin M&E, B&S Link, B&Q, B&Q Indoor Decoration & Renovation and Tong Lung Metal have defined benefit pension plan covering all employees. The benefits are based primarily upon an employee's years of service and average compensation for the six-month period before retirement.

	2007	2006
Service cost	$ 21,433	$ 23,225
Interest cost	16,770	16,880
Actual return on plan assets	(234)	(182)
Expected return on plan assets	(11,196)	(11,450)
Amortization of net transition asset	(243)	(242)
Vested past service cost	11,126	-
Amortization of pension loss	21,744	15,779
	$ 59,400	$ 44,010

The following table sets forth the actuarial assumptions and plan's status as of December 31, 2007 and 2006:

	2007	2006
Weighted-average discount rate	2.70%~3.00%	2.15%~3.00%
Expected rate of return on plan assets	2.75%~3.00%	2.50%~3.00%
Assumed rate of increase in salary	1.50%~5.00%	1.25%~5.00%

	2007	2006
Actuarial present value of benefit obligation		
Vested benefits	$ (264,368)	$ (252,391)
Nonvested benefits	(336,329)	(309,932)
Accumulated benefit obligation	(600,697)	(562,323)
Additional benefits at future salaries	(115,093)	(105,670)
Projected benefit obligation	(715,790)	(667,993)
Plan assets at fair value	444,724	429,703
Projected benefit obligation in excess of plan assets	(271,066)	(238,290)
Net transition asset not yet recognized	28,088	33,443
Net pension loss not yet recognized	32,230	39,694
Deferred pension cost	(45,253)	(51,920)
Additional pension liability	100,318	81,489
Accrued pension cost	(14,648)	(1,187)
	(170,331)	(136,771)
Prepaid pension cost assets (included in other assets)	(11,011)	(23,428)
Accrued pension liability (included in other liabilities)	$ (181,342)	$ (160,199)

28. CAPITAL STOCK

Test-Rite's capital stock as of December 31, 2007 and 2006 consists of the following:

	2007	2006
Registered capital		
Share (thousand shares)	660,000	550,000
Par value (in dollars)	$ 10	$ 10
Capital	$ 6,600,000	$ 5,500,000
Issued capital		
Share (thousand shares)	465,243	448,813
Par value (in dollars)	$ 10	$ 10
Capital	$ 4,652,434	$ 4,488,130

Test-Rite's outstanding capital stock as of January 1, 2007, amounted to $4,488,130 thousand. For the year ended December 31, 2007, Test-Rite's bondholders have converted bonds amounting to $43,600 thousand into 4,889,602 common shares amounting to $48,896 thousand. Transferred from the 2006 retained earnings to capital stock were bonuses to employees of $30,550 thousand, and stock dividends of $84,858 thousand, or total of $115,408 thousand. Consequently, as of December 31, 2007, Test-Rite's capital stock was increased to $4,652,434 thousand consisting of 465,243,433 outstanding common shares having a par value of $10 dollars each.

In their June 13, 2007 and June 9, 2006 meetings, the stockholders decided to distribute retained earnings as follows:

	Distributions of Earnings		Dividends Per Share (In Dollars)	
	2006	2005	2006	2005
Legal reserve	$ 42,529	$ 72,750	$ -	$ -
Cash dividends	339,432	464,061	0.80	1.17
Stock dividends	84,858	193,359	0.20	0.49
Bonuses to employees - stock	30,550	52,370	-	-
Bonuses to employees - cash	9	10	-	
Bonuses to director and supervisors - cash	7,655	13,095	-	-

For the years ended December 31, 2007 and 2006, earnings per share is calculated as follows:

	2007						
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax	Shares (Denominator)	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	$ 965,648	$ 871,972	$ 576,847	436,702,913	$ 2.21	$ 2.00	$ 1.32

	2006						
	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	$ 881,992	$ 647,451	$ 438,373		$ 2.05	$ 1.51	$ 1.02
Cumulative effect of changes in accounting principles		(13,072)	(13,072)			(0.03)	(0.03)
Net income to stockholders of common stock	$ 881,992	$ 634,379	$ 425,301	430,305,733	$ 2.05	$ 1.48	$ 0.99
The effects of dilutive potential ordinary shares							
Convertible bonds with real interest rate of 3.50%	$ 1,526	$ 1,145	$ 1,145	4,480,987	$ (0.01)	$ (0.01)	$ (0.01)
Diluted earnings per share							
Net income	$ 883,518	$ 648,596	$ 439,518		$ 2.03	$ 1.49	$ 1.01
Cumulative effect of changes in accounting principles		(13,072)	(13,072)			(0.03)	(0.03)
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 883,518	$ 635,524	$ 426,446	434,786,720	$ 2.03	$ 1.46	$ 0.98

Earnings per share for the year ended December 31, 2006 was based upon the weighted average number of common shares outstanding during the year after giving retroactive effects to the stock dividends and stock bonuses declared in 2007.

Based on the dividend distribution policy, the Company will distribute dividend from either profit or capital surplus. The amount of cash dividend cannot be less than 10% of total amount of dividend distribution. However, if per share of cash dividend is less than $0.10, stock dividend could be distributed instead.

Test-Rite's board of directors and stockholders in 2007 have proposed and approved the distribution from 2006 earnings of $30,550 thousand as stock bonuses to employees (represents 0.68% of the outstanding common share at the year end of 2005) and of $7,655 thousand as bonuses to directors and supervisors. In 2006, the earnings per share after income tax (before retroactive adjustment for stock dividends in 2006) was $1.02 dollars. However, if the earnings distributions to employees, directors, and supervisors are accounted for as expenses, the pro-forma earnings per share after income tax is $0.92 dollars.

29. RETAINED EARNINGS

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

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

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

30. TREASURY STOCK

The changes of treasury stock for the year ended December 31, 2007 and 2006 are summarized as follows (in shares):

Reason	2007.1.1	Increase	Decrease	2007.12.31
Buy the stock back to transfer to employees	20,000,000	47,185,000	50,000,000	17,185,000

Reason	2006.1.1	Increase	Decrease	2006.12.31
Buy the stock back to transfer to employees	30,000,000	-	10,000,000	20,000,000
Shares held by Quality Master	21,916	-	21,916	-
	30,021,916	-	10,021,916	20,000,000

As of December 31, 2007, the treasury stock of Test-Rite was $337,716 thousand.

As of December 31, 2006, the treasury stock of Test-Rite was $364,159 thousand.

During 2007, Test-Rite transferred 50,000,000 shares of treasury stock to employees at $18.22 per share, resulting in reduction of capital surplus of $35,041 thousand and retained earnings of $10,385 thousand, which was debited to capital surplus and retained earnings from treasury stock transactions.

During 2006, Test-Rite transferred 10,000,000 shares of treasury stock to employees at $20.70 per share, resulting in capital surplus of $24,300 thousand, which was credited to capital surplus from treasury stock transactions.

As Test-Rite sold all the equity of Quality Master to related party in April 2006, Quality Master was not a subsidiary of Test-Rite. The stocks, 21,916 shares issued by Test-Rite which are held by Quality Master are not covered by SFAS No. 30 “Accounting for Treasury Stock.”

According to the Stock Exchange Law of ROC, the shares of treasury stock should not be over 10% of the Company’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 holding company held as of December 31, 2007 and 2006 was 17,185,000 and 20,000,000 shares and the total amount was $337,716 thousand and $364,159 thousand pursuant to the law.

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

31. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2007 and 2006 are summarized as follows:

Function / Expense Item	2007			2006		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expense						
Salary	$ 393,552	$2,657,269	$3,050,821	$ 565,730	$1,883,047	$2,448,777
Labor/health insurance	28,997	174,407	203,404	25,066	150,234	175,300
Pension	26,254	124,887	151,141	24,825	107,446	132,271
Other	47,198	315,498	362,696	95,667	312,020	407,687
Depreciation	155,750	610,985	766,735	201,675	523,112	724,787
Amortization	38,045	70,496	108,541	21,694	97,105	118,799

32. INCOME TAX

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

The components of income tax expense for the year ended December 31, 2007 are as follows:

Current income tax expenses	$ 249,143
Estimated 10% income tax on 2006 undistributed earnings	6,783
Deferred tax asset adjustment and change in adjustment of valuation allowance	(157,929)
Adjustment of prior years' tax expenses	(4,141)
Income tax expense	$ 93,856

The tax effects of deductible temporary differences that gave rise to deferred tax assets as of December 31, 2007 are as follows:

Losses carryforward	$ 18,606
Unrealized gain on sale - leaseback	148,900
Investment tax credits	476,380
Loss on bad debt	140,000
Others	160,876
	944,762
Less valuation allowance	(20,362)
Net deferred tax assets	924,400
Less deferred tax assets, noncurrent	(880,695)
Deferred tax assets, current	$ 43,705

Income tax expense at statutory rate	$ 487,427
Decrease in tax resulting from others	(238,284)
Current tax expense	249,143
Unrealized gain on sales - leaseback	148,900
Provision for deferred income tax assets	
Others	(54,609)
Income tax payable	343,434
Add estimated 10% income tax on 2006 undistributed earnings	6,783
Less prepayments and withholdings in 2007	(92,446)
Add income tax payable for the prior years	114,174
Income tax payable as of December 31, 2007	$ 371,945

The reported prepaid income tax and withholdings of $31,461 thousand as of December 31, 2007 were the 2007 and prior year's income tax prepayments.

Losses carryforward as of December 31, 2007 for income tax purposes are as follows:

Year Expired	Amount
2008	$ 7,820
2009	750
2010	5,300
2011	2,261
2012	2,475
	$ 18,606

The information of Test-Rite about Imputation Credit ("IC") on the undistributed earnings as of December 31, 2006 and 2007 was summarized as follows:

IC on undistributed earnings as of December 31, 2007	$ 182,101
Undistributed earnings in years from 1997 and before	$ 9,338
Undistributed earnings in years from 1998 and after	$ 576,847
Actual IC ratio on distributed earnings of 2006	33.33%
Expected IC ratio on distributed earnings of 2007	33.33%

The calculation of the expected IC ratio on distributed earnings of 2007 includes estimated income tax expense of 2007.

33. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Test-Rite Int'l (Mexico) Ltd. ("TR Mexico")	Parent company holds 49.00% ownership interest
Up Master Investment Co., Ltd. ("Up Master")	Related party in substance
Li Xiong Co., Ltd.	Up Master holds 100.00% ownership interest
X-Cel Relationship Management Co., Ltd.	Related party in substance
Quality Master Investment Co., Ltd. ("Quality Master")	Related party in substance
Tony Ho	Chairman of parent company
Judy Lee	Parent company's managing director

Rental Income

Rental income from related parties for the years ended December 31, 2007 and 2006 is summarized below:

	2007		2006	
	Amount	%	Amount	%
Others	$ 201	-	$ 151	-

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

Service Income

Service income from related parties for the years ended December 31, 2007 and 2006 is summarized below:

	2007		2006	
	Amount	%	Amount	%
Others	$ 916	4	$ 456	-

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the years ended December 31, 2007 and 2006 are summarized below:

	2007		2006	
	Amount	%	Amount	%
TR Mexico	$ 30,985	6	$ 29,618	7

Due from Related Parties

Due from related parties as of December 31, 2007 and 2006 is summarized below:

	2007		2006	
	Amount	%	Amount	%
Advances for related parties				
TR Mexico	$ 4,529	100	$ 4,275	100

Due to Related Parties

Due to related parties as of December 31, 2007 and 2006 is summarized below:

	2007		2006	
	Amount	%	Amount	%
Accrued commission expenses				
TR Mexico	$ 2,882	5	$ 3,258	7

34. PLEDGED ASSETS

Assets pledged for various purposes as of December 31, 2007 and 2006 are summarized as follows:

	2007	2006
Accounts receivable (see Note 8)	$ 64,231	$ 311,501
Time deposits (see Note 10)	33,488	3,039
Land (see Note 18)	208,875	566,506
Buildings and improvements (see Note 18)	60,743	196,226
Long-term investments in equity-method investee	382,529	-
	$ 749,866	$ 1,077,272

In December 2006, Test-Rite received a secured loan provided by HSBC with a line of credit totaling $1,000,000 thousand. According to the terms, the value of the collateral should be 150% of the actual loan credit. As of December 31, 2007, Test-Rite had borrowed $300,000 thousand using 9,126,000 shares of Tong Lung Metal, which was recorded at $382,529 thousand book value ($456,300 thousand at market value), as the collateral.

35. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2007 and 2006 are US$1,176 thousand and US$1,571 thousand.

Tong Lung Metal's outstanding funding letters of credit for purchases of raw material and equipment amounted to approximately $74,693 thousand. Tong Lung Metal has materials ordered but not yet received of approximately $376,093 thousand.

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

Tong Lung Metal signed a land lease contract with Subic Bay Freeport Zone in 2006. The lease term is 40 years, and the rent payment would be paid annually for 5 years since 2006. As of December 31, 2007, Tong Lung had paid $10,841 thousand and recorded unamortized prepaid rent of $12,187 thousand on book. In the future 3 years, Tong Lung Metal is expected to pay the remaining rental USD293 thousand. Currently the land is used by Tong Lung Mental-Philippine.

On June 30, 2007, TR Products, Landia and Homezone concluded the factoring of receivables with UPS. The agreement declared that TR Products, Landia and Homezone should not be responsible for the credit risk of accounts receivable not being collected. But when non-credit risk happened, UPS would request TR Products, Landia and Homezone to buyback the amounts. To protect their rights, UPS concluded the Domestic Receivable Buyback Agreement and Recourse Claims Buyback Agreement with Test-Rite. Test-Rite promises that if TR Products, Landia and Homezone could not pay the amounts when non-credit risk happened, UPS can request Test-Rite to buyback the amounts. On December 31, 2007, the factored amounts of TR Products, Landia and Homezone with UPS were US$15,000 thousand, respectively.

On December 31, 2005, TR Products and Compass Home concluded the factoring of receivables with UPS. The agreement declared that TR Products and Compass Home should not be responsible for the credit risk of accounts receivable not being collected. But when non-credit risk happened, UPS would request TR Products and Compass Home to buyback the amounts. To protect their rights, UPS concluded the Domestic Receivable Buyback Agreement with Test-Rite. Test-Rite promises that if TR Products and Compass Home could not pay the amounts when non-credit risk happened, UPS can request Test-Rite to pay the amounts. The original contract of TR Products and Compass Home had been cancelled in June 2007 because the new contract had been signed by TR Products, Landia and Homezone with UPS instead.

Litigation

As of December 31, 2007, Tong Lung Metal has significant in-process litigation named Chen Shu Yuan stockholder case. This case represents Chen Shu Yuan and the other 3801 stockholders (stockholders) who brought a suit against Tong Lung Metal due to their investment loss suffered from subscription to Tong Lung Metal's capital increase in cash in 1997. Those stockholders claimed for indemnity of NT$1.1 billion but such claim was suspended immediately when Tong Lung Metal was approved for reorganization. As soon as Tong Lung Metal completed the reorganization, Taiwan High Court adjudicated and rejected those stockholders' claim. Those stockholders further raised an appeal to the Supreme Court. However, according to Tong Lung Metal lawyer's opinion, such right to appeal for those stockholders is beyond the determined period in law. Consequently, Tong Lung Metal did not make any recording for such contingent payable.

Tong Lung Metal sold machine and equipment to She An She Corporation in January 2001. She An She Corporation has not paid NT$12,000 thousand to Tong Lung Metal. Tong Lung Metal claims compensation for NT$6,000 thousand and applied for a pay warrant in May 2005 which She An She Corporation had objected to. The pay warrant was changed to an indictment case. Tong Lung Metal settled its claims against She An She Corporation and the parties agreed to withdraw the claim on October 1, 2007. She An She Corporation made a NT$4,250 thousand (including interest NT$250 thousand) payment to Tong Lung Metal, and all above the amounts were reported under non-operating income - other income and interest income.

36. SIGNIFICANT SUBSEQUENT EVENT

As of December 17, 2007, Lih Chiou Co., Ltd. singed an agreement to purchase 50% of Test-Rite B&Q Co., Ltd. common stock from Portswood B.V., Kingfisher's subsidiary, and had made the total payment amounted to US$106,500 thousand and completed the ownership registration on January 4, 2008.

37. DISCLOSURES FOR FINANCIAL INSTRUMENTS

The Company adopted newly released Statement of Financial Accounting Standards ("SFAS") No. 34, "Accounting for Financial Instruments". Please see Note 3 for the cumulative effect of changes in accounting principle.

Nominal Amount and Credit Risk

The forward exchange contract as of December 31, 2007 and 2006 is summarized below:

Financial Instruments	Type	2007 Nominal Amount	2007 Credit Risk	2006 Nominal Amount	2006 Credit Risk
Non-trading purpose					
Forward exchange	Sale	US$ 43,011	-	US$ 232,699	-
	Buy	US$ 436	-	US$ 191,850	-
	Sale	EUR€ 5,000	-	EUR€ 3,000	-
	Buy	EUR€ 10	-	-	-
Trading purpose					
Forward exchange	Sale	US$ 3,000	-	US$ -	-

The option contracts as of December 31, 2006 are summarized below:

	2006 Contract Amount	Call Option	Put Option	Exchange Rate	Maturity Day	Credit Risk
Sell option contract						
Trading purpose	US$ 10,000	USD	NTD	32.7	2006.12.27~ 2007.01.31	-

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

Market Risk

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

Liquidity Risk and Cash Flow Risk

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

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

Reporting of Derivative Instruments in the Financial Statements

Foreign exchange gains of the Company from derivative financial instruments for the years ended December 31, 2007 and 2006 amounted to $71,388 thousand and $318,533 thousand, which were reported as non-operating income - exchange gains.

Fair Value of Financial Instruments

The fair value of non-derivative financial instruments as of December 31, 2007 and 2006 is summarized as follows:

	2007		2006	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Assets				
Cash and cash equivalents	$ 3,428,233	$ 3,428,233	$ 1,244,524	$ 1,244,524
Financial assets at fair value through profit or loss, current	494,992	494,992	626,432	626,432
Available-for-sale financial assets, current	11,242	11,242	9,417	9,417
Held to maturity financial assets, current	12,141	12,141	-	-
Financial assets carried at cost, current	3,094	3,094	3,325	3,325
Bond investment without active market, current	30,000	30,000	-	-
Notes receivable	64,859	64,859	49,785	49,785
Accounts receivable	2,971,741	2,971,741	2,023,982	2,023,982
Other receivable	940,992	940,992	242,980	242,980
Other current financial assets	5,232	5,232	15,265	15,265
Long-term equity investments at equity method	1	1	42,877	42,877
Available-for-sale financial assets, noncurrent	149,340	149,340	68,000	68,000
Held to maturity financial assets, noncurrent	7,397	7,397	21,461	21,461
Financial assets carried at cost, noncurrent	168,486	168,486	180,496	180,496
Bond investments without active market, noncurrent	-	-	30,000	30,000
Refundable deposits	788,055	788,055	728,512	728,512
Other assets	1,469,645	1,469,645	584,118	584,118
Liabilities				
Short-term bank borrowings	4,920,131	4,920,131	4,040,459	4,040,459
Short-term obligations	30,000	30,000	60,000	60,000
Financial liabilities at fair value through profit or loss, current	474	474	13,271	13,271
Notes payable	126,660	126,660	118,033	118,033
Accounts payable	3,149,756	3,149,756	3,229,716	3,229,716
Other payable	1,233,990	1,233,990	837,235	837,235
Current portion of long-term liabilities	500,000	500,000	398,540	398,540
Other current financial liabilities	3,028	3,028	1,354	1,354
Long-term liabilities	2,800,000	2,800,000	2,686,400	2,686,400
Other financial liabilities	25,206	25,206	25,756	25,756

The fair value of derivative financial instruments as of December 31, 2007 and 2006 is summarized as follows:

	2007		2006	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Unsettled option transaction	$ -	$ -	$ (290)	$ (290)
Buy forward exchange asset	31	31	3,660	3,660
Sell forward exchange liability	(5,395)	(5,395)	(4,234)	(4,234)

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

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

(b) Short-term investments and long-term investments, for which market prices exist, are valued at market prices. Otherwise, available financial or other useful information is employed to compute fair value.

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

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

(e) The fair value of derivative financial instruments is the amounts 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.

38. OTHERS

Chung Cin Enterprise entered into lease agreements with non-affiliate as follows:

List of rent expense that should be paid each year in the future 5 years and the present value of rentals from 2013 to 2025 as of December 31, 2007:

Period	**Amount**
2008	$ 27,949
2009	28,366
2010	28,795
2011	29,940
2012	30,395
2013~2017 (present value $148,655 thousand)	163,025
2018~2022 (present value $156,440 thousand)	182,917
2023~2025 (present value $85,520 thousand)	105,328
	$ 596,715

TR U.S. entered into lease agreements for the sale-leaseback of equipment, warehouse, and showroom facilities in several states.

List of rent expense that should be paid each year in the future 5 years as of December 31, 2007:

Period	Amount
2008	$ 135,547
2009	127,499
2010	110,085
2011	79,570
2012	59,948
	$ 512,649

TR U.S. has trademark license agreements with non-affiliate.

List of royalty expense that should be paid each year in the future 5 years as of December 31, 2007:

Period	Amount
2008	$ 487
2009	-
2010	3,244
2011	6,489
2012	6,489
	$ 16,709

Hola Homefurnishings entered into lease agreements for office premises as follows:

List of rent expense that should be paid each year in the future 5 years and the present value of rentals from 2013 to 2025 as of December 31, 2007:

Period	Amount
2008	$ 99,773
2009	102,244
2010	102,803
2011	97,627
2012	92,245
2013~2017 (present value $401,300 thousand)	433,492
2018~2022 (present value $264,303 thousand)	305,263
2023~2025 (present value $48,722 thousand)	58,509
	$ 1,291,956

TR Retailing entered into lease agreements for office premises as follows:

List of rent expense that should be received each year in the future 5 years and the present value of rentals from 2013 to 2021 as of December 31, 2007:

Period	**Amount**
2008	$ 100,961
2009	104,826
2010	108,263
2011	111,708
2012	115,931
2013~2017 (present value $498,511 thousand)	602,616
2018~2021 (present value $202,695 thousand)	403,739
	$ 1,548,044