

Pou Chen Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pou Chen Corporation and subsidiaries

We have audited the accompanying consolidated balance sheets of Pou Chen Corporation and subsidiaries (collectively, the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. 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 consolidated financial position of the Company as of December 31, 2009 and 2008, and the consolidated 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 described in Note 3 to the consolidated financial statements, effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors", which requires that earnings distribution to employees, directors and supervisors should be accounted for as expenses, and also adopted the related amendments to other Statement of Financial Accounting Standards.

As described in Note 3 to the consolidated financial statements, effective July 1, 2008, the Company adopted the newly amended SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The amendments to SFAS 34 mainly deal with reclassifications of financial assets at fair value through profit or loss that are held for trading.

March 30, 2010

Notice to Readers

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 independent 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 independent auditors’ report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 47,639,464	19	\$ 27,536,547	12	Short-term loans (Note 16)	\$ 25,410,495	10	\$ 28,883,892	13
Financial assets at fair value through profit or loss, current (Notes 2, 5 and 27)	968,493	-	1,240,466	-	Short-term bills payable (Note 17)	1,779,074	1	852,539	-
Available-for-sale financial assets, current (Notes 2, 3 and 6)	8,519,459	4	5,259,939	2	Notes payable	45,379	-	70,659	-
Notes receivable (Notes 2 and 7)	23,128	-	58,200	-	Notes payable to affiliates (Note 28)	58,253	-	56,296	-
Accounts receivable (Notes 2 and 8)	22,413,700	9	27,590,251	12	Accounts payable	14,236,670	6	14,249,054	6
Accounts receivable from affiliates (Notes 2, 8 and 28)	945,179	-	1,472,203	1	Accounts payable to affiliates (Note 28)	1,171,890	-	920,407	1
Other receivables	6,236,861	3	4,606,608	2	Income tax payable (Notes 2 and 25)	665,657	-	520,946	-
Inventories (Notes 2 and 9)					Financial liabilities at fair value through profit or loss, current (Notes 2, 5 and 27)	361,551	-	1,382,367	1
Inventories - manufacturing	24,716,162	10	28,219,395	13	Hedging derivative financial liabilities, current (Notes 2 and 27)	33,310	-	25,822	-
Inventories - construction	3,854,912	2	3,109,966	1	Other payables	14,581,896	6	13,519,401	6
Other current assets	6,611,798	3	8,489,735	4	Progressive billings in excess of construction in progress (Notes 2 and 9)	56,846	-	-	-
Total current assets	121,929,156	50	107,583,310	47	Current portion of long-term liabilities (Note 18)	11,434,614	5	14,071,611	6
					Other current liabilities	2,219,238	1	1,570,741	1
FUNDS AND LONG-TERM INVESTMENTS					Total current liabilities	72,054,873	29	76,123,735	34
Investments accounted for by the equity method (Notes 2 and 10)	32,345,322	13	31,686,734	14	LONG-TERM LIABILITIES				
Investments in real estate (Notes 2 and 11)	186,123	-	-	-	Bonds payable (Notes 2 and 19)	8,120,369	3	8,379,711	4
Available-for-sale financial assets, noncurrent (Notes 2 and 12)	1,085,863	-	532,085	-	Long-term debt (Note 20)	45,909,621	19	36,008,075	16
Financial assets at fair value through profit or loss, noncurrent (Notes 2, 5 and 27)	1,769,719	1	1,959,600	1	Hedging derivative liabilities, noncurrent (Notes 2 and 27)	95,362	-	163,495	-
Financial assets carried at cost, noncurrent (Notes 2 and 13)	1,275,782	1	1,789,964	1	Total long-term liabilities	54,125,352	22	44,551,281	20
Total funds and long-term investments	36,662,809	15	35,968,383	16	RESERVE FOR LAND VALUE INCREMENT TAX (Note 14)	142,664	-	142,664	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 14)					OTHER LIABILITIES				
Cost	109,529,128	45	103,985,706	46	Accrued pension cost (Notes 2 and 21)	666,253	-	596,253	-
Revaluation increment	293,323	-	293,323	-	Guarantee deposits received	5,834	-	3,873	-
	109,822,451	45	104,279,029	46	Deferred income tax liability, noncurrent (Notes 2 and 25)	834,715	1	265,024	-
Less accumulated depreciation	(45,977,027)	(19)	(41,916,484)	(18)	Others (Notes 2 and 10)	118,126	-	-	-
Less accumulated impairment	(244,532)	-	(246,954)	-	Total other liabilities	1,624,928	1	865,150	-
Construction in progress and prepayments for equipment	3,791,114	1	5,073,762	2	Total liabilities	127,947,817	52	121,682,830	54
Property, plant and equipment, net	67,392,006	27	67,189,353	30	STOCKHOLDERS' EQUITY				
INTANGIBLE ASSETS (Note 2)					Capital stock (Note 22)	28,430,847	12	27,400,055	12
Goodwill	7,819,026	3	7,259,818	3	Capital surplus (Note 2)	7,453,437	3	7,244,524	3
OTHER ASSETS (Notes 2 and 15)					Retained earnings (Note 22)	17,433,768	7	13,074,796	6
	11,918,055	5	9,418,780	4	Cumulative translation adjustments (Note 2)	(127,367)	-	1,416,859	1
					Net loss net recognized as pension cost	(40,706)	-	-	-
					Unrealized losses on financial instruments (Note 2)	(364,936)	-	(4,151,134)	(2)
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock (Notes 2 and 23)	(1,241,416)	(1)	(1,499,640)	(1)
					Minority interest	66,094,967	27	62,116,713	27
					Total stockholders' equity	117,773,235	48	105,736,814	46
TOTAL	\$ 245,721,052	100	\$ 227,419,644	100	TOTAL	\$ 245,721,052	100	\$ 227,419,644	100

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

(With Deloitte & Touche audit report dated March 30, 2010)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 206,821,443	100	\$ 208,950,288	100
LESS SALES RETURNS AND ALLOWANCES	<u>(381,552)</u>	<u>-</u>	<u>(477,181)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	206,439,891	100	208,473,107	100
COST OF GOODS SOLD	<u>155,744,458</u>	<u>76</u>	<u>160,556,420</u>	<u>77</u>
GROSS PROFIT	<u>50,695,433</u>	<u>24</u>	<u>47,916,687</u>	<u>23</u>
OPERATING EXPENSES				
Selling expenses	13,814,497	7	11,815,492	6
General and administrative expenses	17,182,421	8	15,790,172	8
Research and development expenses	<u>4,897,480</u>	<u>2</u>	<u>5,218,503</u>	<u>2</u>
Total operating expenses	<u>35,894,398</u>	<u>17</u>	<u>32,824,167</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>14,801,035</u>	<u>7</u>	<u>15,092,520</u>	<u>7</u>
NON-OPERATING INCOME				
Interest income	345,693	-	649,957	1
Investment income recognized under equity method (Note 10)	2,341,381	1	1,496,256	1
Dividend income	131,317	-	620,085	-
Gain on disposal of property, plant and equipment	15,688	-	22,895	-
Gain on disposal of investments	-	-	393,833	-
Foreign exchange gain, net	255,274	-	-	-
Rental income	54,122	-	41,026	-
Valuation gain on financial liabilities (Note 5)	1,010,730	-	-	-
Others	<u>1,013,851</u>	<u>1</u>	<u>435,101</u>	<u>-</u>
Total non-operating income	<u>5,168,056</u>	<u>2</u>	<u>3,659,153</u>	<u>2</u>
NON-OPERATING EXPENSES				
Interest expense	2,660,002	1	3,494,892	2
Loss on disposal of property, plant and equipment	383,092	-	348,289	-
Loss on disposal of investments	24,860	-	-	-
Foreign exchange loss, net	-	-	193,601	-
Impairment loss	712,943	1	1,253,117	1
Valuation loss on financial assets (Note 5)	181,917	-	184,003	-
Valuation loss on financial liabilities (Note 5)	-	-	565,594	-
Others	<u>602,093</u>	<u>-</u>	<u>603,568</u>	<u>-</u>
Total non-operating expenses	<u>4,564,907</u>	<u>2</u>	<u>6,643,064</u>	<u>3</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 15,404,184	7	\$ 12,108,609	6
INCOME TAX EXPENSE (Notes 2 and 25)	<u>(510,206)</u>	<u>-</u>	<u>(945,342)</u>	<u>(1)</u>
CONSOLIDATED NET INCOME	<u>\$ 14,893,978</u>	<u>7</u>	<u>\$ 11,163,267</u>	<u>5</u>
ATTRIBUTED TO				
Parent Company's stockholders	\$ 7,026,018	3	\$ 5,071,488	2
Minority interest	<u>7,867,960</u>	<u>4</u>	<u>6,091,779</u>	<u>3</u>
	<u>\$ 14,893,978</u>	<u>7</u>	<u>\$ 11,163,267</u>	<u>5</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 26)				
Included income for minority interest	<u>\$ 5.52</u>	<u>\$ 5.34</u>	<u>\$ 4.21</u>	<u>\$ 3.88</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.52</u>		<u>\$ 1.76</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 26)				
Included income for minority interest	<u>\$ 5.46</u>	<u>\$ 5.28</u>	<u>\$ 4.16</u>	<u>\$ 3.84</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.49</u>		<u>\$ 1.74</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Pro-forma information, assuming common shares of the Parent Company held by its subsidiaries were not treated as treasury stock:

	2009		2008	
CONSOLIDATED NET INCOME ATTRIBUTED TO STOCKHOLDERS OF THE PARENT COMPANY	<u>\$ 7,030,794</u>		<u>\$ 5,080,172</u>	
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 26)				
Included income for minority interest	<u>\$ 5.50</u>	<u>\$ 5.32</u>	<u>\$ 4.20</u>	<u>\$ 3.87</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.51</u>		<u>\$ 1.76</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 26)				
Included income for minority interest	<u>\$ 5.44</u>	<u>\$ 5.26</u>	<u>\$ 4.15</u>	<u>\$ 3.83</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.48</u>		<u>\$ 1.74</u>

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

(With Deloitte & Touche audit report dated March 30, 2010)

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus				Retained Earnings			Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Other Equity			Minority Interest	Total
		Additional Paid-in Capital of Common Stock	Additional Paid-in Capital of Bonds Conversion	Treasury Stock	Long-Term Equity Investments	Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Losses on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock		
BALANCE, JANUARY 1, 2008	\$ 25,118,540	\$ 808,054	\$ 1,492,700	\$ 1,757,844	\$ 1,363,435	\$ 4,269,818	\$ 1,423,250	\$ 7,778,952	\$ (157,084)	\$ -	\$ (87,710)	\$ 134,641	\$ (155,375)	\$ 47,877,647	\$ 91,624,712
Appropriation of earnings	-	-	-	-	-	480,025	-	(480,025)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(1,313,097)	1,313,097	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(169,000)	-	-	-	-	-	-	(169,000)
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(273,216)	-	-	-	-	-	-	-
Bonuses to employees (Note 22)	273,216	-	-	-	-	-	-	(2,471,099)	-	-	-	-	-	-	-
Stock dividends (Note 22)	2,471,099	-	-	-	-	-	-	(2,471,099)	-	-	-	-	-	-	(2,471,099)
Cash dividends (Note 22)	-	-	-	-	-	-	-	(2,471,099)	-	-	-	-	-	-	-
Effect of changes of ownership interest in investees	-	-	-	-	2,046,883	-	-	-	-	-	-	-	-	-	2,046,883
Adjustments on change of investee's unappropriated earnings	-	-	-	-	-	-	-	(84,298)	-	-	-	-	-	-	(84,298)
Cash dividends received by subsidiaries	-	-	-	8,684	-	-	-	-	-	-	-	-	-	-	8,684
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	(183,168)	-	-	-	(183,168)
Adjustments on changes of investee's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(2,526,524)	-	-	-	(2,526,524)
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(1,353,732)	-	-	-	(1,353,732)
Execution of employee stock warrants (Note 22)	37,200	-	-	-	-	-	-	-	-	-	-	-	-	-	37,200
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	1,573,943	-	-	-	-	-	1,573,943
Acquisition of treasury stock - 110,500 thousand shares (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	(2,077,341)	-	(2,077,341)
Retirement of treasury stock - 50,000 thousand shares (Note 23)	(500,000)	(14,481)	(26,750)	(191,845)	-	-	-	-	-	-	-	-	733,076	-	-
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	8,147,287	8,147,287
Consolidated net income for 2008	-	-	-	-	-	-	-	5,071,488	-	-	-	-	-	6,091,729	11,163,267
BALANCE, DECEMBER 31, 2008	27,400,055	793,573	1,465,950	1,574,683	3,410,318	4,749,843	110,153	8,214,800	1,416,859	-	(4,151,134)	134,641	(1,499,640)	62,116,713	105,736,814
Appropriation of earnings	-	-	-	-	-	498,719	-	(498,719)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	2,489,480	(2,489,480)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	-	-
Stock dividends (Note 22)	1,331,134	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	-	(1,331,134)
Cash dividends (Note 22)	-	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	-	-
Transfer of employee bonuses to common stock (Note 22)	41,049	29,309	-	-	-	-	-	-	-	-	-	-	-	-	70,358
Effect of changes of ownership interest in investees	-	-	-	-	344,220	-	-	-	-	-	-	-	-	-	344,220
Adjustments on change of investee's unappropriated earnings	-	-	-	-	-	-	-	(4,778)	-	-	-	-	-	-	(4,778)
Cash dividends received by subsidiaries	-	-	-	4,776	-	-	-	-	-	-	-	-	-	-	4,776
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	60,645	-	-	-	60,645
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,128,090	-	-	-	1,128,090
Adjustments on changes of investee's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	2,597,463	-	-	-	2,597,463
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(40,706)	-	-	-	-	(40,706)
Execution of employee stock warrants	3,609	-	-	-	-	-	-	-	-	-	-	-	-	-	3,609
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	(1,544,226)	-	-	-	-	-	(1,544,226)
Acquisition of treasury stock - 17,300 thousand shares (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	(256,168)	-	(256,168)
Retirement of treasury stock - 34,500 thousand shares (Note 23)	(345,000)	(9,992)	(18,458)	(140,942)	-	-	-	-	-	-	-	-	514,392	-	-
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,889,706)	(3,889,706)
Consolidated net income for 2009	-	-	-	-	-	-	-	7,026,018	-	-	-	-	-	7,867,960	14,893,978
BALANCE, DECEMBER 31, 2009	\$ 28,430,847	\$ 812,890	\$ 1,447,492	\$ 1,438,517	\$ 3,754,538	\$ 5,248,562	\$ 2,599,633	\$ 9,585,573	\$ (127,367)	\$ (40,706)	\$ (364,936)	\$ 134,641	\$ (1,241,416)	\$ 66,094,967	\$ 117,773,235

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

(With Deloitte & Touche audit report dated March 30, 2010)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 14,893,978	\$ 11,163,267
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	7,981,120	6,929,937
Valuation loss on financial assets	181,917	184,003
Valuation (gain) loss on financial liabilities	(1,010,730)	565,594
Provision for bad debts	69,544	500,672
Investment income recognized under equity method	(2,341,381)	(1,496,256)
Cash dividends received from investees under equity method	1,186,523	901,341
Net loss (gain) on disposal of investments	24,860	(393,833)
Provision for impairment loss	712,943	1,253,117
Net loss on disposal of property, plant and equipment	367,404	325,394
Compensation expense	415,822	22,161
Net changes in operating assets and liabilities		
Notes receivable	25,856	(26,708)
Accounts receivable	4,854,553	(1,992,683)
Accounts receivable from affiliates	514,667	(429,839)
Other receivables	(224,563)	1,689,791
Inventories	4,645,141	(9,298,068)
Other current assets	1,875,514	(1,960,816)
Deferred income tax asset, noncurrent	64,282	(215,814)
Other assets	(66,627)	(31,363)
Notes payable	(25,714)	(6,752)
Notes payable to affiliates	2,390	2,306
Accounts payable	(8,123)	(1,348,208)
Accounts payable to affiliates	251,724	(212,770)
Income tax payable	(14,992)	(550,701)
Other payables	(370,799)	4,975,884
Billings on construction in progress	56,846	-
Other current liabilities	651,191	(375,590)
Deferred income tax liability, noncurrent	(117,823)	265,024
Reserve for retirement plan	29,294	24,649
Minority interest	(5,848,950)	8,147,287
Net cash provided by operating activities	<u>28,775,867</u>	<u>18,611,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets at fair value through profit or loss, current	198,782	(3,506,484)
Increase in investments accounted for by the equity method	(80,146)	(2,674,137)
Increase in available-for-sale financial assets, noncurrent	(29,098)	(370,739)
Increase in financial assets carried at cost, noncurrent	(81,252)	(710,373)
Acquisitions of property, plant and equipment	(9,815,004)	(13,603,019)
Proceeds from disposal of property, plant and equipment	383,417	549,126

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
Increase in investment in real estate	\$ (1,373)	\$ (675,902)
Decrease (increase) in refundable deposits	971,182	(1,976,096)
Decrease (increase) in goodwill	163,253	(133,917)
Increase in deferred charges	<u>(1,369,763)</u>	<u>(717,552)</u>
Net cash used in investing activities	<u>(9,660,002)</u>	<u>(23,819,093)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(4,160,715)	10,619,095
Increase in short-term bills payable	926,535	75,432
Increase in long-term debt	15,386,362	8,865,362
Increase in guarantee deposits received	1,970	5,337
Repayment of Euro convertible bonds and domestic secured bonds	(8,794,971)	(5,001,698)
Bonuses to directors and supervisors as distribution of retained earnings	-	(169,000)
Cash dividend	(1,326,269)	(2,462,255)
Execution of employee stock warrants	3,609	37,200
Cash paid for acquisition of treasury stock	(256,168)	(2,077,341)
Premium received on call option	<u>-</u>	<u>833,919</u>
Net cash provided by financing activities	<u>1,780,353</u>	<u>10,726,051</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>746,322</u>	<u>562,178</u>
EFFECT OF ACQUISITION OF SUBSIDIARY	<u>(1,543,553)</u>	<u>-</u>
EFFECT OF DISPOSAL OF SUBSIDIARY	<u>3,930</u>	<u>(725,632)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,102,917	5,354,530
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,536,547</u>	<u>22,182,017</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 47,639,464</u>	<u>\$ 27,536,547</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest (excluding interest capitalized)	<u>\$ 2,737,762</u>	<u>\$ 2,832,910</u>
Income tax	<u>\$ 568,780</u>	<u>\$ 1,809,972</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Adjustments on changes of unrealized loss (gain) on cash flow hedge financial liabilities	<u>\$ 60,645</u>	<u>\$ (183,168)</u>
Adjustments on changes of unrealized loss (gain) on available-for-sale financial assets	<u>\$ 3,725,553</u>	<u>\$ (3,880,256)</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
Effect of changes in ownership interest in investees	<u>\$ 339,442</u>	<u>\$ 1,962,585</u>
Cash dividends received by subsidiaries	<u>\$ 4,776</u>	<u>\$ 8,684</u>
Translation adjustments on foreign long-term equity investments	<u>\$ (1,544,226)</u>	<u>\$ 1,573,943</u>
Current portion of long-term liabilities	<u>\$ 11,434,614</u>	<u>\$ 14,071,611</u>
Retirement of treasury stock	<u>\$ (514,392)</u>	<u>\$ (733,076)</u>
CASH PAID DURING THE YEAR FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Fair value of property, plant and equipment acquired	\$ 9,799,692	\$ 13,482,534
Add payables for acquisitions of property, plant and equipment, beginning of year	199,051	319,536
Less payables for acquisitions of property, plant and equipment, end of year	<u>(183,739)</u>	<u>(199,051)</u>
Cash paid during the year for acquisitions of property, plant and equipment	<u>\$ 9,815,004</u>	<u>\$ 13,603,019</u>

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

(With Deloitte & Touche audit report dated March 30, 2010)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

Pou Chen Corporation (“Pou Chen”) was incorporated in the Republic of China (the “ROC”) in September 1969. Pou Chen is located in Changhwa County and currently has three factories and nine trade departments. Pou Chen’s business activities include manufacturing and sales of various kinds of shoes and electronic peripheral components, and import and export of related products and materials. Pou Chen also invests significantly in shoes and electronic industries to diversify its business operation.

Pou Chen invested in Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”) and other footwear - related companies through Wealthplus Holdings Limited. Effective June 6, 2008, Pou Sheng International (Holdings) Limited (“Pou Sheng”), the subsidiary of Yue Yuen, has been listed on the Hong Kong Exchange and Clearing Limited.

In January 1990, Pou Chen started to trade its stock on the Taiwan Stock Exchange Corporation.

In addition to Pou Chen, the consolidated financial statements include the following subsidiaries:

Name	Location of Incorporation	Pou Chen and Its Subsidiaries’ Ownership Percentage
Wealthplus Holdings Limited	British Virgin Islands	100.00
Win Fortune Investments Limited	British Virgin Islands	100.00
Ming Wang Investments Co., Ltd.	ROC	100.00
Windsor Entertainment Co., Ltd.	ROC	100.00
Yun Yang Investments Co., Ltd.	ROC	100.00
Pou Shine Investments Co., Ltd.	ROC	100.00
Pan Asia Insurance Services Co., Ltd.	ROC	100.00
Proshine Healthcare Co., Ltd.	ROC	100.00
Pro Arch International Development Enterprise Inc. (formerly known as: Pro Arch Technology Inc.)	ROC	99.99
Barits Development Corporation	ROC	99.59
Pou Yuen Technology Co., Ltd.	ROC	99.38
LNC Technology Co., Ltd.	ROC	85.41
The Right and Great Asia-Pacific Realty Development Co., Ltd.	ROC	70.00
Vistas Design Co., Ltd.	ROC	100.00
Global Brands Manufacture Ltd.	ROC	49.37

Wealthplus Holdings Limited (“Wealthplus”), a British Virgin Islands registered corporation, is an investment holding company. Wealthplus commenced its operations in 1991 and invests in companies which are engaged in the design and sale of footwear and electronic peripheral products. Wealthplus’s board of directors decided to decrease and return its capital, amounting to US\$60,000 thousand (NT\$1,922,115 thousand) and US\$100,000 thousand (NT\$3,203,525, thousand), respectively, in March and December 2008. As at December 31, 2009, Wealthplus has an outstanding common stock of US\$9,222 thousand.

The information of Wealthplus's major subsidiaries is as follows:

Name	Location of Incorporation	Ownership Percentage	Primary Operation Activities
Yue Yuen Industrial (Holdings) Limited	Bermuda	48.60	Manufacturing and sale of athletic and casual footwear and sports apparel
Pou Sheng International (Holdings) Limited	Bermuda	27.28	Manufacturing and sale of athletic and casual footwear and sportswear retailer and distributor business
GBM Manufacturing Co., Ltd.	British Virgin Islands	100.00	Property management in the People's Republic of China (PRC)
Upmost Smart Limited	British Virgin Islands	100.00	Manufacturing of electronic components
Gao Chen Technology Co., Ltd.	PRC	79.60	Manufacturing and sale of plastic products and electronic components
Digital Decade Limited	British Virgin Islands	100.00	Assembly and sale of TFT-LCD module
Pou Qiao Technology Electronic Limited	PRC	100.00	Assembly of backlight units
China Lion Associates Limited	British Virgin Islands	51.00	Sale of backlight units
Go-Cheery Industrial Limited	Hong Kong	100.00	Management and office administration service
Crown Master Investments Limited	British Virgin Islands	100.00	Investment holding
Tetor Ventures Limited	British Virgin Islands	100.00	Investment holding
Star Eagle Consultants Limited	British Virgin Islands	100.00	Insurance agent
Pou Yu Biotechnology Co., Ltd.	ROC	68.55	Manufacturing and sale of medical appliance
Dong Guan Pou Yu Precision Ceramics Industrial Co., Ltd.	PRC	68.55	Designing and manufacturing medical appliance

Win Fortune Investments Limited ("Win Fortune"), a British Virgin Islands registered corporation, is an investment holding company. Win Fortune commenced its operations in 1994 and invests in Yue Yuen (as at December 31, 2009, the ownership percentage is 0.94%). As at December 31, 2009, Win Fortune has an outstanding common stock of US\$100 thousand.

Ming Wang Investments Co., Ltd. ("Ming Wang"), a corporation incorporated in the ROC, is an investment holding company. Ming Wang commenced its operations in 1996. It is engaged in investing activities. As at December 31, 2009, Ming Wang has an outstanding common stock of \$681,192 thousand.

Windsor Entertainment Co., Ltd. ("Windsor Entertainment"), a corporation incorporated in the ROC, commenced its operations in 2003. It is engaged in entertainment and resort operation. Windsor Entertainment decreased its capital to offset its accumulated deficit by \$200,000 thousand and issued additional capital stock of \$200,000 thousand at a price of \$10 dollars per share in June 2008. As at December 31, 2009, Windsor Entertainment has an outstanding common stock of \$210,000 thousand.

Yun Yang Investments Co., Ltd. ("Yun Yang"), a corporation incorporated in the ROC, commenced its operations in 1997. It is engaged in investment activities. As at December 31, 2009, Yun Yang has an outstanding common stock of \$92,792 thousand.

Pou Shine Investments Co., Ltd. ("Pou Shine"), a corporation incorporated in the ROC, commenced its operations in 1990. It is engaged in investing activities. As at December 31, 2009, Pou Shine has an outstanding common stock of \$709,594 thousand.

Pan Asia Insurance Services Co., Ltd. (“Pan Asia Insurance Services”), a corporation incorporated in the ROC, commenced its operations in 1999. It is engaged in agency of property and casualty insurance. As at December 31, 2009, Pan Asia Insurance Services has an outstanding capital of \$3,000 thousand.

Proshine Healthcare Co., Ltd. (“Proshine Healthcare”), formerly known as: Pro Arch Technology Inc., a corporation incorporated in the ROC, commenced its operations in 2007. It is engaged in sale of medical devices and precision instruments. In August 2009, Proshine Healthcare’s board of directors decided to decrease and return its capital, amounting to \$120,000 thousand at a price of \$10 dollars per share. As at December 31, 2009, Proshine Healthcare has an outstanding common stock of \$160,000 thousand.

Pro Arch International Development Enterprise Inc. (“Pro Arch International”), formerly known as Pro Arch Technology Inc. a corporation incorporated in the ROC, is engaged in manufacturing and sale of computer peripheral equipment and related spare parts and started to engage in real estate development business in September 2009. As at December 31, 2009, Pro Arch International has an outstanding common stock of \$313,419 thousand. In December 2008, Pro Arch International decreased its capital to offset its accumulated deficit by \$300,000 thousand and issued additional capital stock of \$300,000 thousand at a price of \$10 dollars per share. In July 2009, Pro Arch International decreased its capital to offset its accumulated deficit by \$237,581 thousand and issued additional capital stock of \$250,000 thousand at a price of \$10 dollars per share.

The information of Pro Arch International’s subsidiary is as follows:

Name	Location of Incorporation	Ownership Percentage	Primary Operation Activities
Pro Arch Technology BVI Inc.	British Virgin Islands	100.00	Investment holding

Barits Development Corporation (“Barits Development”), a corporation incorporated in the ROC, commenced its operations in 1985. It is engaged in leather manufacturing and investing activities. As at December 31, 2009, Barits Development has an outstanding common stock of \$1,329,328 thousand.

The information of Barits Development’s subsidiaries is as follows:

Name	Location of Incorporation	Ownership Percentage	Primary Operation Activities
Top Score Investments Co., Ltd.	British Virgin Islands	100.00	Investment holding
Song Ming Investments Co., Ltd.	ROC	100.00	Investment holding
Ming Chi Investments Co., Ltd.	ROC	100.00	Investment holding
Ming Shun Investments Co., Ltd.	ROC	100.00	Investment holding
Wang Yi Construction Co., Ltd.	ROC	89.75	Construction
Pou Chin Development Co., Ltd.	ROC	85.71	Agency of demarcation
Pou Yii Development Co., Ltd.	ROC	75.00	Rental and sale of real estate

Top Score Investments Co., Ltd. (“Top Score”) invests in Yue Yuen as at December 31, 2009, the ownership percentage is 0.44%.

Pou Yuen Technology Co., Ltd. (“Pou Yuen Technology”), a corporation incorporated in the ROC, commenced its operations in 1993. It is engaged in tooling design software and information technology software services. As at December 31, 2009, Pou Yuen Technology has an outstanding common stock of \$900,000 thousand.

The information of Pou Yuen Technology's subsidiaries is as follows:

Name	Location of Incorporation	Ownership Percentage	Primary Operation Activities
Vantage Capital Investments Ltd.	British Virgin Islands	100.00	Information Software Services

LNC Technology Co., Ltd. ("LNC Technology"), a corporation incorporated in the ROC, commenced its operations in 2007. It is engaged in manufacturing and sale of precision instruments, equipment and computer numerical controlled machine. In November 2008, LNC Technology issued additional capital stock of \$30,000 thousand at a price of \$10 dollars per share. As at December 31, 2009, LNC Technology has an outstanding common stock of \$600,000 thousand.

The information of LNC Technology's major subsidiaries is as follows:

Name	Location of Incorporation	Ownership Percentage	Primary Operation Activities
Success Dragon Holdings Ltd.	British Virgin Islands	100.00	Investment Holding
Dong Guan Pou Yuen Digital Technology, Co., Ltd.	PRC	100.00	Manufacturing and sale of computer numerical controlled machine

The Right and Great Asia-Pacific Realty Development Co., Ltd. ("Right and Great Asia-Pacific"), incorporated in the ROC, commenced its operations in 2008. It is primarily engaged in real estate development and investing activities business. As at December 31, 2009, Right and Great Asia-Pacific has an outstanding common stock of \$600,000 thousand.

Vistas Design Co., Ltd. ("Vistas Design"), a corporation incorporated in the ROC, commenced its operations in 2008. It is engaged in interior decorating and design services, and consulting in artistry. As at December 31, 2009, Vistas Design has an outstanding common stock of \$5,000 thousand.

Global Brands Manufacture Ltd. ("Global Brands Manufacture"), incorporated in the ROC, commenced its operations in 1973. It is engaged in the manufacturing, assembly and sale of printed circuit boards. Its stock has been traded on the Taiwan Stock Exchange Corporation. As at December 31, 2009, Global Brands Manufacture has an outstanding common stock of \$4,153,407 thousand. The Company disposed 40% ownership interest of Global Brands Manufacture Ltd. on March 24, 2010. Please see Note 31 to the consolidated financial statements for relevant information.

The information of Global Brands Manufacture's subsidiaries is as follows:

Name	Location of Incorporation	Ownership Percentage	Principal Operation Activities
Up First Investments Ltd.	British Virgin Islands	100.00	Sale of PCB
Chuan Yi Computer (Shenzhen) Co., Ltd.	PRC	100.00	Manufacturing and sale of PCB
Yi Kuan Electronics (Shenzhen) Co., Ltd.	PRC	100.00	Manufacturing and sale of PCB
PC Asia Limited	British Virgin Islands	(Note)	Sale of PCB
Dynamic Skyline Ltd.	British Virgin Islands	100.00	Assembly of PCB
Centralian Investments Ltd.	British Virgin Islands	100.00	Assembly and sale of PCB
Will Grow Holdings Ltd.	Hong Kong	100.00	Investment holding
Kunshan Yuansong Electronics Technology Co., Ltd.	PRC	100.00	Assembly of PCB
Class Choice Ltd.	British Virgin Islands	100.00	Rental of real estate

(Continued)

Name	Location of Incorporation	Ownership Percentage	Principal Operation Activities
Total Rich Holdings Ltd.	Hong Kong	100.00	Investment holding
Dong Guan Jin Cheng Electronics Technology Co., Ltd.	PRC	100.00	Manufacturing and assembly of tooling
Up Ever Holdings Ltd.	Hong Kong	100.00	Investment holding
Dong Guan Yao Cheng Electronics Technology Co., Ltd.	PRC	100.00	Assembly of PCB
Success Ocean Investments Ltd.	British Virgin Islands	100.00	Investing in business of electronic peripheral products
CMK Global Brands Manufacture Ltd.	British Virgin Islands	86.00	Manufacturing and sale of PCB
Always Up Investments Ltd.	Hong Kong	100.00	Investment holding
Dong Guan Xiangcheng Technology Ltd.	PRC	100.00	Manufacturing and sale of PCB
Cheng Cheng Enterprise Co., Ltd.	ROC	100.00	Rental and development of real estate
Solar Link Technologies, Inc.	USA	100.00	Assembly of TFT-LCD and Liquid Crystal on Silicon TV

(Concluded)

Note: PC Asia Limited is the 100% own subsidiary of UP First. On February 2, 2009, PC Asia's board of directors decided to liquidate the Company. Accordingly, the consolidated financial statements include the relevant revenues and expenses from January 1 to February 13, 2009.

As at December 31, 2009 and 2008, there were 332,653 and 345,185 employees, in Pou Chen and subsidiaries referred above, respectively.

Pou Chen and its consolidated subsidiaries are hereafter collectively referred to as "the Company".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, loss on inventory devaluation, depreciation expenses and impairment, amortization expenses, pension expenses and the provision for bonuses to employees and supervisors, etc. Actual results could differ from these estimates.

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

The Company's significant accounting policies and basis of measurement are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Pou Chen and its controlled subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation. Minority interest presented in gross amount is included in “stockholders’ equity”.

Wealthplus, Win Fortune and Top Score have their accounting year from October 1 of the preceding year to September 30 of the year. Therefore, the 2009 annual information of above-mentioned companies indicated information of the period from October 1, 2008 to September 30, 2009.

Vantage Capital Investments Ltd. (“Vantage”) changed the balance sheet date of accounting year from September 30 to December 31. Therefore, the 2009 annual information of Vantage indicated information of the period from October 1, 2008 to December 31, 2009.

Current/Noncurrent Assets and Liabilities

Cash or cash equivalents, assets held for operating purposes and assets expected to be converted into cash, or consumed within one year from the balance sheet date are recorded as current assets. Property, plant and equipment, intangible assets and other assets not being recorded as current assets are recorded as noncurrent assets. Liabilities incurred for operating purposes and expected to be liquidated within one year from the balance sheet date are recorded as current liabilities. Liabilities not being recorded as current liabilities are recorded as noncurrent liabilities.

For the Company’s construction related business, which has an operating cycle of over one year, the length of the operating cycle is the basis for classifying the Company’s construction assets and liabilities as current or noncurrent.

Cash and Cash Equivalents

Cash includes unrestricted cash and bank deposits. Cash equivalents refer to short-term commercial papers whose carrying values approximate fair values.

Financial Assets at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or financial liabilities classified as held for trading and designated by the Company as at fair value through profit or loss upon initial recognition. Those financial instruments are initially recorded at fair value at the transaction date and continuously recorded at fair value with unrealized gains or losses reported as part of net income. Related transaction costs are expensed currently. Cash dividends are recognized as income when received. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Derivative financial instruments which do not qualify for hedge accounting are classified as financial instruments at fair value through profit or loss and are recorded as financial assets if their fair value is positive; otherwise are recorded as financial liabilities.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined by using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at fair value through profit or loss.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided on the basis of management's evaluation of the collectibility and past loss experience of notes and accounts receivable and other pertinent factors.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a category by category basis. Market value meant average purchase cost in the last month for raw materials and supplies and net realizable value for finished goods and work in process. As stated in Note 3 to the consolidated financial statements, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at approximate weighted-average cost on the balance sheet date.

Revenues, costs and profits arising from real estate development projects are measured by the ratio of actual costs incurred in a period to the total estimated costs to be incurred on the project. Borrowing costs incurred on and before the completion of a project are capitalized as part of the project costs.

For construction projects, costs are recorded as "Construction costs" and billings are recorded as "Progress billings." For the same project, any excess of costs over billings is reported as "Construction cost in excess of billings," an asset account; otherwise, the excess of billings over costs is reported as "Billings in excess of costs," a liability account.

Investments Accounted for by the Equity Method

Investments in companies where the Company's ownership interest is 20% or more or the Company can exercise significant influence over the investees are accounted for by the equity method.

When the equity method is first adopted or the investment is first acquired, the difference between the underlying equity in net assets of the investee and the cost of the investment is amortized on a straight line basis over 10 years. However, effective January 1, 2006, the cost of the investment in excess of the fair value of investee's identifiable net assets is considered as goodwill in accordance with the amended Statement of Financial Accounting Standards (SFAS). Goodwill is not amortized.

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

If an adjustment resulted from the changes in unrealized loss on available-for-sale financial assets of an investee, the adjustment is reported as a separate component of stockholders' equity.

When the Company's share in losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company.

Investment is evaluated for impairment on the balance sheet date and loss is recognized if there is objective evidence showing that the investment is impaired. The impairment losses of those investments in which the Company exercises significant influence but without controlling power are evaluated based on their respective carrying amount.

Investments in Real Estate

Impairment loss is recognized immediately for any significant decline in the value of real estate investments. 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 a gain.

Financial Assets Carried at Cost, Noncurrent

Equity investments without reliable fair value are carried at their original cost. Cash dividends are recognized as income at the ex-dividend date but cash dividends resulting from net income before the investment date should be recorded as a decrease in the investment cost. Stock dividends received are not recognized as income; they are instead reflected as an increase in the number of shares held. If there is objective evidence showing that the asset is impaired, the impairment loss shall be recognized and not allowed to be reversed.

Property, Plant, Equipment and Leased Asset

Property, plant, equipment and leased assets are stated at cost with revalued appreciation less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of property, plant and equipment are capitalized. Interest costs are capitalized starting with the first expenditure related to construction of asset, and capitalization continues until such asset is substantially completed and ready for its intended use.

Depreciation is provided on the straight-line basis over the following estimated useful lives of the related assets, with an additional year for salvage:

Items	Estimated Useful Lives
Buildings and improvements	15-55 years
Machinery and equipment	5-12 years
Transportation equipment	3-5 years
Furniture, fixtures and office equipment	3-7 years
Other equipment	3-10 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 initially prescribed useful life. Depreciation is computed using the straight-line method.

When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts. Any resulting gain or loss is credited to non-operating income or charged to non-operating expense.

Goodwill

Goodwill on consolidated subsidiaries is amortized over five to ten years. Effective January 1, 2006, goodwill is not amortized but evaluated periodically for impairment.

Deferred Charges

Deferred charges are amortized on a straight-line basis over three to five years. However, the deferred financial fee of the long-term debt is amortized over the loan term.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, leased 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 first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

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 first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

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

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

Convertible Bonds

The face value of convertible bonds issued by consolidated subsidiaries is calculated by subtracting (1) the fair value of the embedded financial derivative, and (2) the cost of any other non-derivative liability elements from the issuing price. Related interest and gain or loss at redemption are recognized in the income statement. If the convertible bond holders were to exercise their options, the common stocks received would be recorded by the Company at current book value as of the date of conversion.

Under the new amended Financial Accounting Standards, the issue costs of convertible bonds issued after January 1, 2006 are allocated to liability according to its original listed ratio.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, “Accounting for Share-based Payment”. Under SFAS No. 39, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation (“ARDF”). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Pension Cost

Pou Chen, Barits Development, Pou Yuen Technology, Pro Arch International, and Global Brands Manufacture each has retirement plan covering all eligible employees. The benefits are primarily based upon an employee’s years of service and average compensation for the last six months before retirement. Pou Chen and its subsidiaries each has defined contribution pension plan under the Labor Pension Act. Pension costs are recorded based on actual contributions made to employees’ individual pension accounts in amounts equal to 6% of monthly salaries and wages after July 1, 2005.

Pou Chen, Barits Development, Pou Yuen Technology, Pro Arch International, and Global Brands Manufacture, adopted the provisions of SFAS No. 18, “Accounting for Pensions”, which require that pension expense shall be computed on actuarial basis.

The subsidiaries in overseas have a defined contribution plan and recognize net periodic pension costs at monthly contribution in compliance with local laws.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

Cumulative Translation Adjustments

For consolidated subsidiaries and equity method investees denominated in foreign currency, 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 by the translated amount of the preceding period. Dividends are translated at the spot rate of the declared date. Income statement accounts are translated at the current rate or weighted-average rate of the current period.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Treasury Stock

Treasury stock is the Company's own stocks acquired according to the Stock Exchange Law. Treasury stock is recorded at purchasing cost, while fair value is adopted when stocks are received from donation. When the Company does not dispose or write off these stocks, their cost is listed as a deduction of stockholders' equity.

Common shares of the Company held by its subsidiaries are treated in compliance with the provisions of SFAS No. 30, "Accounting for Treasury Stock".

When treasury stock is retired, the book value of the treasury stock and the proportionate part of capital surplus - stock issuance premium are written-off. If the book value of the treasury stock is more than the total of the par value and related stock issuance premium, the difference is charged to the capital surplus of the same class of stock. If the capital surplus is not sufficient, debit is made to retained earnings for the remaining amount. If the book value of the treasury stock is less than the total of the par value and related stock issuance premium, the difference is credited to the capital surplus of the same class of stock.

When treasury stock is disposed, if the disposal value is more than the book value of the treasury stock, the difference is credited to the capital surplus - treasury stock, while capital surplus - treasury stock is debited if the disposal value is less than the book value. If the capital surplus is not sufficient, debit is made to retained earnings for the remaining amount.

Revenue Recognition

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

Service revenue is recognized when service is rendered and the collection is reasonably assured.

The Company undertakes long-term construction contract. When the duration of the contract is more than one year or one accounting period, and project profit or loss can be reasonably estimated, adopt the percentage-of-completion method, otherwise, the completed-contract method. Debit “construction in progress” when cost occurred, and “advance construction receipts” when the project payment is paid in advance. At the end of each accounting period, the accumulated construction profit not calculated based on the percentage-of-completion subtracts which at the beginning of the year, and the difference is recognized as construction profit or loss. If the construction contract is estimated to have loss, the loss should be recognized right in the period. If the amount of loss is estimated to reduce in the future, then the difference should be recognized as profit of that year. Construction contract within one year should adopt the completed-contract method. The percentage of completion is calculated based on the construction cost incurred this year as a percentage of the total estimated cost. Sales revenue and cost of goods sold are estimated by gross price method.

Income Tax

The Company adopted the provisions of SFAS No. 22, “Accounting for Income Tax”, which requires an asset and liability approach to account for income tax. Deferred income tax assets and liabilities are computed for differences between the financial statement 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 allowances are provided for deferred tax assets with uncertain realizability. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Under the Amended Income Tax Law of the ROC, undistributed earnings of the Company from 1998 onward are subject to 10% additional income tax which will be shown as income tax expense in the following year when the decision to retain the earnings is made by the shareholders 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, employee stock options and stock bonus to employees from the date of issuance, and adopt the treasury stock method to calculate the stock warrants’ dilutive potential common shares. However, if the convertible bonds, employee stock and stock bonus to employees options contain an anti-dilutive effect, they will be excluded from the calculation.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders’ equity, depending on the nature of the hedging relationship.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2009.

3. REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Accounting for Bonuses to Employees, Directors and Supervisors

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors", which requires that earnings distribution to employees, directors and supervisors should be accounted for as expenses. This change in accounting principle decreased the consolidated net income before income tax by \$154,811 thousand, consolidated net income by \$116,109 thousand and basic earnings per share by \$0.04.

Accounting for Share-based Payment

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment". There was no effect to the consolidated financial statements of the Company as of and for the year ended December 31, 2008.

Accounting for Financial Instruments

On July 1, 2008, the Company adopted the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The amendments to SFAS 34 mainly deal with reclassifications of financial assets at fair value through profit or loss that are held for trading. Please see Note 27 to the consolidated financial statements for relevant information.

The effects resulted from this accounting change were as follows:

	Year Ended December 31, 2008
Increase in consolidated net income from continuing operations	<u>\$ 3,886,608</u>
Increase in net consolidated income	<u>\$ 3,886,608</u>
Increase in basic earnings per share (after income tax)	<u>\$1.35</u>

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption did not result in significant effect in the consolidated financial statements of the Company as of and for the year ended December 31, 2009. The Company also reclassified provision for loss on inventories \$192,768 thousand to cost of goods sold for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Cash on hand	\$ 40,734	\$ 112,747
Checking accounts	24,945	33,975
Savings accounts	1,834,147	2,661,234
Foreign-currency savings deposit	43,698,245	20,971,836
Time deposits	1,905,872	2,630,593
Commercial papers	<u>135,521</u>	<u>1,126,162</u>
	<u>\$ 47,639,464</u>	<u>\$ 27,536,547</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as at December 31, 2009 and 2008 were summarized as follows:

	2009	2008
Financial assets at fair value through profit or loss, current		
Open-ended mutual funds	\$ 485,972	\$ 448,953
HKD Call Option	388,567	426,910
Marketable bonds	-	99,999
Forward exchange contracts	46,928	50,924
Foreign mutual funds	36,251	213,680
Structured deposit	<u>10,775</u>	<u>-</u>
	<u>\$ 968,493</u>	<u>\$ 1,240,466</u>
Financial assets at fair value through profit or loss, noncurrent		
JV call option	<u>\$ 1,769,719</u>	<u>\$ 1,959,600</u>
Financial liabilities at fair value through profit or loss, current		
Euro convertible bonds with options	\$ 338,070	\$ 1,294,223
Forward exchange contracts	<u>23,481</u>	<u>88,144</u>
	<u>\$ 361,551</u>	<u>\$ 1,382,367</u>

In October 2007, Pou Sheng entered into call option agreements with the shareholders, (the "Relevant Partners") of certain associates, jointly controlled entities and subsidiaries (the "Relevant Companies"), in return for a premium to each of the Relevant Partners (the "Option Premium"). Pou Sheng has the right but not the obligation exercisable at its discretion to acquire from each of the Relevant Partners their respective equity interests, in the Relevant Companies (the "JV Call Options").

- a. Term: The JV Call Option is exercisable within five years commencing from the expiry of the first six months after the dealing of the shares of Pou Sheng on the Stock Exchange had commenced.
- b. The Option Premium: The Option Premium was determined with reference to 15% of the agreed estimated consideration for the acquisition of the Relevant Equity Interests on the date of the JV Call Option agreements.

- c. Settlement: The Option Premium was settled by the issue of shares of Pou Sheng and the number of shares issued was determined with reference to the offering price upon the global offering of Pou Sheng's shares on the Stock Exchange.

Each of the Relevant Partners has agreed not to transfer or sell the Relevant Equity Interests during the Call Options exercisable period without Pou Shen's prior written consent.

On March 10, 2008, Yue Yuen entered into a derivative contract with an independent third party to acquire the cash-settled call option for the notional amount of approximately HK\$2,100,000 thousand (equivalent to US\$269,231 thousand). Yue Yuen paid a premium of US\$27,994 thousand included in financial assets at fair value through profit or loss on the HKD Call Option.

- a. Term: Yue Yuen has the right but not the obligation, from time to time on or after March 14, 2008 up to November 7, 2011.
- b. Settlement price: Yue Yuen will settle the net difference between the market value of one share of Yue Yuen, and the agreed price of HK\$26.75 per share for each option exercised in United States dollars.
- c. Total amount: The total number of HKD Call Option that can be exercised by Yue Yuen is equivalent to 78,504,672 ordinary shares at HK\$0.25 each.
- d. The HKD Call Option is not an option to acquire or dispose of shares of Yue Yuen. The option will be automatically exercised if the share price of Yue Yuen rises and remains above certain agreed levels for 30 consecutive days from May 17, 2008 to November 17, 2011; the range of share price level is from HK\$33.319 to HK\$36.346.

The Company's strategy for forward exchange contracts is to hedge exposures to fluctuations of foreign exchange rate. The Company's financial risk management objective is to hedge most of the market price risk and cash flow risk.

Major terms of foreign currency forward contracts as at December 31, 2009 were as below:

Aggregate Notional Amount	Maturity	Forward Exchange Rates
US\$ 44,000,000	October 2009 - December 2009	Sell USD/buy RMB at 6.7790 to 7.2980

At December 31, 2009, the fair values of the above forward contracts were determined based on valuations provided by counterparty bank using valuation techniques.

The net gain (loss) from financial instruments at fair value through profit or loss, for the years ended December 31, 2009 and 2008 amounted to \$828,813 thousand and \$(749,597) thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

	2009	2008
Marketable equity securities	<u>\$ 8,519,459</u>	<u>\$ 5,259,939</u>

Effective July 1, 2008, the Company adopted the amendments of Statement of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement". On August 29, 2008, the Company reclassified the interests in Mega Financial Holding Company and Taiwan Paiho Limited from held for trading financial assets to available-for-sale financial assets, based on the closing price on that date. Please see Note 27 to the consolidated financial statements for the relevant information.

7. NOTES RECEIVABLE

Notes receivable as at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Notes receivable	\$ 23,128	\$ 58,200
Less allowance for doubtful accounts	<u> -</u>	<u> -</u>
	<u>\$ 23,128</u>	<u>\$ 58,200</u>

8. ACCOUNTS RECEIVABLE

Accounts receivable as at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Accounts receivable	\$ 23,192,907	\$ 28,403,788
Less allowance for doubtful accounts	<u>(779,207)</u>	<u>(813,537)</u>
	<u>22,413,700</u>	<u>27,590,251</u>
Accounts receivable from affiliates (Note 28)	945,179	1,472,203
Less allowance for doubtful accounts	<u> -</u>	<u> -</u>
	<u>945,179</u>	<u>1,472,203</u>
	<u>\$ 23,358,879</u>	<u>\$ 29,062,454</u>

The Company 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 the Company for any account not paid in full because of due for any reason other than credit risk.

Factored accounts receivable were as follows:

Counter-parties	Receivables Sold at Year-Beginning	Receivables Sold	Amounts Collected	Receivables Sold at Year-End	Credit Line	Pledge
<u>Year ended December 31, 2009</u>						
Taishin Commercial Bank	\$ 78,327	\$ 278,214	\$ 326,950	\$ 29,591		Promissory note
	US\$ 2,388,021	US\$ 8,381,904	US\$ 9,844,924	US\$ 925,001	US\$ 8,500,000	US\$ 8,500,000
<u>Year ended December 31, 2008</u>						
Taishin Commercial Bank	\$ 199,479	\$ 300,675	\$ 421,827	\$ 78,327		Promissory note
	US\$ 6,239,684	US\$ 9,526,936	US\$ 13,378,599	US\$ 2,388,021	US\$8,500,000	US\$ 8,500,000

The above credit lines are allowed to be used on a revolving basis, and for the years ended December 31, 2009 and 2008, the above credit lines were unused.

9. INVENTORIES

- a. Inventories - manufacturing as at December 31, 2009 and 2008 consist of the following:

	2009	2008
Raw materials and supplies	\$ 7,290,647	\$ 9,822,062
Work-in-process	3,340,000	3,968,929
Finished goods	14,053,235	14,246,135
Merchandises	9,752	30,450
Goods in transit	<u>22,528</u>	<u>151,819</u>
	<u>\$ 24,716,162</u>	<u>\$ 28,219,395</u>

- 1) As of December 31, 2009 and 2008, the allowance for manufacturing inventory devaluation was \$1,050,977 thousand and \$895,487 thousand, respectively.
- 2) The cost of manufacturing inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 was \$155,448,279 thousand and \$160,556,420 thousand, respectively, which included \$250,451 thousand and \$165,659 thousand, respectively, due to write-downs of inventories.

- b. Inventories - construction as at December 31, 2009 and 2008 consist of the following:

	2009	2008
Land and buildings for development	\$ 3,659,283	\$ 2,902,282
Land, buildings and improvements for sale	63,562	75,618
Construction site	<u>132,067</u>	<u>132,066</u>
	<u>\$ 3,854,912</u>	<u>\$ 3,109,966</u>

- 1) As of December 31, 2009 and 2008, the allowance for construction inventory devaluation was \$24,987 thousand and \$27,109 thousand, respectively.
- 2) The cost of construction inventories as cost of goods sold in the years ended December 31, 2009 and 2008 was \$296,179 thousand and \$0, respectively, which included \$0 and \$27,109 thousand, respectively, due to write-downs of inventories.
- 3) Land and buildings for development as at December 31, 2009 and 2008 consist of the following:

	2009			2008
	Land	Building	Carrying Value	Carrying Value
Barits Development Right and Great	\$ 1,998,008	\$ 24,462	\$ 2,022,470	\$ 1,457,296
Asia-Pacific	1,426,222	-	1,426,222	1,404,981
Pou Chin Development	<u>210,591</u>	<u>-</u>	<u>210,591</u>	<u>40,005</u>
	<u>\$ 3,634,821</u>	<u>\$ 24,462</u>	<u>\$ 3,659,283</u>	<u>\$ 2,902,282</u>

- 4) At December 31, 2009, according to the loan agreement, the secured borrowings were secured by the land and buildings for development of the Company. Please see Note 29 to the consolidated financial statements.

5) Land, buildings and improvements for sale and construction site are inventories of Pou Yii Development Co., Ltd.

6) Net amount of construction in process and progressive billings were as follows:

Company	Name of Construction	Construction in Process	Progressive Billings	Net Amount
Wang Yi Construction Co., Ltd.	Construction for demarcation of real estate in Anhe district, Taichung city	<u>\$ 310,985</u>	<u>\$ 367,831</u>	<u>\$ (56,846)</u>

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as at December 31, 2009 and 2008 are comprised of the following:

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Shoes, shoe materials and athletic products companies</u>					
All Saints Enterprises Limited	\$ -	\$ -	-	\$ 171,698	37.00
Best Focus Holdings Ltd.	324,300	626,242	50.00	581,878	50.00
Bigfoot Limited	138,772	152,889	48.76	150,937	48.76
Blessland Enterprises Limited	26,196	76,390	50.00	89,008	50.00
Central Honour Limited	5,189	13,358	50.00	12,068	50.00
China Ocean Resources Limited	821,131	446,471	50.00	468,465	50.00
Cohen Enterprises Inc.	156,820	570,493	50.00	500,586	50.00
Din Tsun Holding Co., Ltd.	251,211	668,408	50.00	475,581	50.00
Eagle Nice (International) Holdings Limited	1,325,223	1,928,481	38.42	1,811,413	38.42
Enthroned Group Limited	158	156	48.76	160	48.76
Farsighted International Limited	-	-	-	681,538	30.00
Full Pearl International Ltd.	242,784	226,462	47.90	236,553	47.90
Fuzhou Fubao Paper Packaging Co., Ltd.	118,574	144,875	50.00	142,078	50.00
Good Assets Management Limited	8,200	7,987	50.00	8,189	50.00
Great Skill Industrial Limited	34,149	60,372	50.00	69,068	50.00
Guiyang Baoshang Sports Goods Company Limited	47,776	61,910	50.00	53,639	50.00
Hangzhou Baohong Sports Goods Company Limited	58,445	54,763	50.00	35,731	50.00
Harbin Shenge Sports Chain Company Limited	381,932	562,756	45.00	477,704	45.00
Hebei Zhanxin Sports Development Company Limited	312,396	409,792	45.00	363,951	45.00
Heifei Tengrei Sports Goods Company Limited.	208,696	305,260	50.00	356,833	50.00
High Style Investments Limited	19,458	17,343	50.00	29,547	50.00
Hua Jian Industrial Holding Co., Limited	771,201	2,300,436	50.00	2,277,636	50.00
Hubei Jiezhixing Clothing and Accessories Company Limited	413,682	552,609	50.00	548,540	50.00
Intelligent Plus Limited	48,989	48,452	45.90	-	-
i-Tech Enterprises Ltd.	10,134	6,782	50.00	7,973	50.00
Jilin Lingpao Sports Goods Company Limited	277,086	583,949	50.00	438,783	50.00
Jilin Xinfangwei Sports Goods Company Limited	588,098	641,787	50.00	636,831	50.00

(Continued)

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Pine Wood Industries Limited	\$ 92,393	\$ 79,942	37.00	\$ 81,966	37.00
Jumbo Power Enterprises Limited	414,870	560,380	50.00	412,329	50.00
Just Lucky Investments Limited	44,234	65,883	38.30	57,266	38.30
Ka Yuen Rubber Factory Limited	32,727	537,961	50.00	620,043	50.00
Keen Idea Group Limited	82,656	56,692	40.00	62,039	40.00
Liberty Bell Investments Limited	318,234	162,279	49.00	135,001	49.00
Luen Thai Holdings Limited	394,437	462,823	8.98	488,252	8.98
Natural Options Limited	11,144	5,655	38.30	5,652	38.30
New Peak Services Limited	-	-	-	249,922	50.00
Oftenrich Holdings Limited	1,368,875	2,106,077	45.00	2,104,555	45.00
Original Designs Developments Limited	40,156	141,595	49.47	163,262	47.00
Precise Zone Investments Limited	41,662	50,517	47.65	56,298	47.65
Profit Land Limited	-	-	-	69,166	35.00
Prosperous Industrial (Holdings) Ltd.	583,740	986,880	30.00	840,296	30.00
PT. GF Indonesia	-	-	-	42,640	45.00
PYGF Co., Ltd.	32,430	72,585	50.00	58,006	50.00
Rise Mount Limited	5,518	4,204	26.00	5,501	26.00
Shaanxi Jixian Longyue Sports Goods Company Limited	139,007	210,115	50.00	171,296	50.00
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	199,188	246,252	40.00	69,986	40.00
Smart Shine Industries Limited	-	93,315	50.00	246,396	50.00
Suzhou Xinjun Trading Development Company Limited	187,412	246,365	49.00	206,953	49.00
Texas Clothing Holdings Corp.	3,425,070	1,089,476	39.80	1,148,000	39.80
Topmost Industries Limited	26,438	97,148	50.00	103,836	50.00
Twinways Investments Limited	88,232	226,506	50.00	217,283	50.00
Up Front Technology Ltd.	-	-	-	70,393	50.00
Wenzhou Baofeng Trading Company Limited	41,335	66,970	50.00	51,133	50.00
Willpower Industries Limited	103,776	190,244	40.00	153,009	40.00
Yuen Thai Industrial Company Limited	85,745	95,019	50.00	64,351	50.00
Zhejiang Baohong Sports Goods Company Limited	211,362	252,123	49.00	155,744	49.00
Zhejiang Jinguan Enterprise Development Company Limited	253,821	269,705	50.00	494,851	50.00
Zhejiang Yichuan Sports Goods Chain Company Limited	599,268	877,510	50.00	782,355	50.00
San Fang Chemical Industry Co., Ltd.	2,677,576	3,291,171	44.72	3,024,903	44.72
Evermore Chemical Industry Co., Ltd.	253,333	293,754	20.75	290,667	20.75
Nan Pao Resins Chemical Co., Ltd.	539,797	575,590	22.15	-	-
<u>Electronic companies</u>					
Digital Sun Investments Ltd.	788,061	331,902	41.67	330,900	41.67
Haicheng Information Technology Co., Ltd.	194,580	137,758	50.00	144,066	50.00
Kleine Developments Ltd.	335,317	146,111	50.00	275,136	50.00
Silver Island Trading Ltd.	129,720	50,522	50.00	51,920	50.00
Venture Well Holdings Ltd.	332,638	358,616	30.21	375,794	28.52
Techview International Technology Inc.	676,760	-	48.31	163,180	48.31
Elitegroup Computer Systems Co., Ltd.	6,036,594	5,024,448	18.59	4,850,754	17.92
<u>Investment holding and other companies</u>					
Ace Top Group Limited	1,574	47,914	40.00	42,689	40.00
Asia Air Tech Industrial (Pte) Ltd.	82,697	55,232	30.00	63,524	30.00
Coprospects Holdings Ltd.	8,117	26,108	50.00	28,979	50.00
Mega Atlas International Ltd.	3,041	595	40.00	-	-
Most Honour International Limited	1,640	3,760	50.00	2,960	50.00

(Continued)

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Partner Alliance Limited	\$ 3,237	\$ 6,288	50.00	\$ 7,524	50.00
Pou Lik Properties Management Co., Ltd.	-	548	30.00	561	30.00
Prosperlink Ltd.	6,078	6,078	38.00	-	-
Rise Bloom International Ltd.	24,312	24,312	47.00	-	-
Rising Developments Ltd.	5,028	34,514	50.00	85,559	50.00
Supplyline Logistics Ltd.	195,498	23,352	49.00	17,483	46.12
Talent Pool Management Ltd.	-	5,026	30.00	4,468	30.00
Well Success Investments Limited	198,731	1,004,034	40.00	1,190,619	40.00
Zhuhai Pou Lik Properties Management Co., Ltd.	4,952	38,843	40.00	32,310	40.00
Zhong Ao Multiplex Management Limited	<u>1,002,200</u>	<u>1,136,202</u>	47.50	<u>688,570</u>	47.50
	<u>\$ 28,915,811</u>	<u>\$ 32,345,322</u>		<u>\$ 31,686,734</u>	

(Concluded)

The Company's investment income (loss) recognized under equity method for the years ended December 31, 2009 and 2008 is summarized as follows:

	2009	2008
<u>Shoes, shoe materials and athletic products companies</u>		
All Saints Enterprises Limited	\$ (648)	\$ 7,732
Best Focus Holdings Ltd.	67,267	127,216
Bigfoot Limited	33,435	16,911
Blessland Enterprises Limited	12,430	21,755
Central Honour Limited	1,648	2,574
China Ocean Resources Limited	(219,330)	(62,291)
Cohen Enterprises Inc.	135,222	107,230
Din Tsun Holding Co., Ltd.	245,361	139,496
Eagle Nice (International) Holdings Limited	325,818	253,147
Farsighted International Limited	47,239	217,097
Full Pearl International Ltd.	(4,705)	(10,700)
Fuzhou Fubao Paper Packaging Co., Ltd.	6,216	14,906
Good Assets Management Limited	-	(10)
Great Skill Industrial Limited	9,348	22,584
Guiyang Baoshang Sports Goods Company Limited	9,797	3,221
Hangzhou Baohong Sports Goods Company Limited	(3,739)	1,573
Harbin Shenge Sports Chain Company Limited	99,044	42,107
Hebei Zhanxin Sports Development Company Limited	55,813	33,398
Heifei Tengrei Sports Goods Company Limited.	62,965	35,409
High Style Investments Limited	(1,949)	(438)
Hua Jian Industrial Holdings Co., Limited	76,145	265,142
Hubei Jiezhixing Clothing And Accessories Company Limited	102,871	102,089
Intelligent Plus Limited	(557)	-
I-TECH ENTERPRISE LTD.	(1,001)	(446)
Jilin Lingpao Sports Goods Company Limited	160,465	129,553
Jilin Xingfangwei Sports Goods Company Limited	19,686	35,512
Jumbo Power Enterprises Limited	167,132	13,468
Just Lucky Investments Limited	13,246	6,712
Ka Yuen Rubber Factory Limited	224,592	127,149
Keen Idea Group Limited	(3,960)	(19,731)

(Continued)

	2009	2008
Liberty Bell Investments Limited	\$ (33,312)	\$ (56,313)
Luen Thai Holdings Limited	34,614	44,318
Nan Pao Resins (Holdings) Limited	-	37,830
Natural Options Limited	148	(351)
New Peak Services Limited	-	(2,061)
Oftenrich Holdings Limited	204,979	206,387
Original Designs Developments Limited	25,886	30,053
Precise Zone Investments Limited	3,462	12,388
Profit Land Limited	(449)	(7,287)
Prosperous Industrial (Holdings) Ltd.	156,338	60,700
Pt. GF Indonesia	-	(25,466)
PYGF Co., Ltd.	16,623	9,589
Rise Mount Limited	(1,205)	(16)
Rising Sun Associates Limited	-	4,780
Shaanxi Jixian Longyue Sports Goods Company Limited	44,143	24,106
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	26,065	19,872
Smart Shine Industries Limited	(58,059)	(79,611)
Suzhou Xinjun Trading Development Company Limited	45,573	9,601
Texas Clothing Holdings Corp.	(365,653)	(681,343)
Topmost Industries Limited	12,324	7,031
Twinways Investments Limited	40,359	24,930
Wenzhou Baofeng Trading Company Limited	17,581	7,377
Willpower Industries Limited	44,111	27,806
Yuen Thai Industrial Company Limited	33,487	61,585
Zhejiang Baohong Sports Goods Co., Ltd.	16,037	13,728
Zhejiang Jinguan Enterprise Development Company Limited	147,758	175,231
Zhejiang Yichuan Sports Goods Chain Company Limited	157,470	132,340
San Fang Chemical Industry Co., Ltd.	398,800	306,353
Evermore Chemical Industry Co., Ltd.	17,222	8,745
Nan Pao Resins Chemical Co., Ltd.	107,279	-
 <u>Electronic companies</u>		
Digital Sun Investments Ltd.	9,475	(136,661)
Haicheng Information Technology Co., Ltd.	(2,512)	(14,503)
Kleine Developments Limited	(126,936)	(161,558)
Prime World International Ltd.	-	296
Silver Island Trading Ltd.	(121)	12
Venture Well Holdings Ltd.	(3,835)	52,123
Techview International Technology Inc.	(271,058)	(430,131)
Elitegroup Computer Systems Co., Ltd.	167,989	93,384
 <u>Investment holding and other companies</u>		
Ace Top Group Limited	6,353	23,161
Asia Air Tech Industrial (Pte) Ltd.	(7,159)	(8,450)
Coprospets Holdings Ltd.	(2,238)	16,964
Mega Atlas International Limited	(2,540)	-
Most Honour International Limited	863	1,001
Partner Alliance Limited	646	822
Pou Lik Properties Management Co., Ltd.	-	(13)
Rising Developments Ltd.	7,318	5,767

(Continued)

	2009	2008
Talent Pool Management Ltd.	\$ 2,574	\$ 1,993
Well Success Investments Limited	(160,168)	(20,455)
Zhuhai Pou Lik Properties Management Co., Ltd.	7,522	310
Zhong Ao Multiplex Management Limited	(16,224)	67,656
Yusong Chateau Enterprise Co., Ltd.	<u>-</u>	<u>(129)</u>
	<u>\$ 2,341,381</u>	<u>\$ 1,496,256</u>
		(Concluded)

The names, main businesses, and place of incorporation of the equity-accounted investees are as follows:

Name	Core Operating Item	Location of Incorporation
Ace Top Group Limited	Investment holding	British Virgin Islands
All Saints Enterprises Limited	Manufacture and sale of paint	British Virgin Islands
Asia Air Tech Industrial (Pte) Ltd.	Manufacture and sale of air conditioner	Singapore
Best Focus Holdings Ltd.	Manufacture and sale of paper cartons	British Virgin Islands
Bigfoot Limited	Cloth product trading/cloth dyeing and processing cloth shoe material binding	British Virgin Islands
Blessland Enterprises Limited	Manufacture and sale of shoe pads	British Virgin Islands
Central Honour Limited	Shoe injection	British Virgin Islands
China Ocean Resources Limited	Retailing of sportswear	British Virgin Islands
Cohen Enterprises Inc.	Manufacture and sales of leather products for shoes	British Virgin Islands
Coprosects Holdings Ltd.	Investment holding	British Virgin Islands
Digital Sun Investments Ltd.	Sale of PCB	British Virgin Islands
Din Tsun Holding Co., Ltd.	Manufacture and sale of apparel	British Virgin Islands
Eagle Nice (International) Holdings Limited	Manufacture and trading sportswear and garments	Cayman Islands
Enthroned Group Limited	Investment holding	British Virgin Islands
Full Pearl International Ltd.	Investment holding	British Virgin Islands
Fuzhou Fubao Paper Packaging Co., Ltd.	Print and manufacture of paper	PRC
Good assets Management Limited	Investment holding	British Virgin Islands
Great Skill Industrial Limited	Manufacture and sale of plastic shoe injection	British Virgin Islands
Guiyang Baoshang Sports Goods Company Limited	Retailing of sportswear	PRC
Haicheng Information Technology Co., Ltd.	Developing and manufacture of software and electronic parts	PRC
Hangzhou Baohong Sports Goods Company Limited	Retailing of sportswear	PRC
Hebei Zhanxin Sports Development Company Limited	Retailing of sportswear	PRC
Harbin Shenge Sports Chain Company Limited	Retailing of sportswear	PRC
Heifei Tengrei Sports Goods Company Limited	Retailing of sportswear	PRC
High Style Investments Limited	Manufacture halftone, printing ink	British Virgin Islands
Hua Jian Industrial Holding Co., Ltd.	Manufacture and sale of ladies shoes	British Virgin Islands
Hubei Jiezhixing Clothing and Accessories Company Limited	Retailing of sportswear	PRC
Intelligent Plus Ltd.	Manufacturing and trading chemical materials	British Virgin Islands
i-Tech Enterprises Ltd.	Sale of plastic grain	British Virgin Islands

(Continued)

Name	Core Operating Item	Location of Incorporation
Jilin Lingpao Sports Goods Company Limited	Retailing of sportswear	PRC
Jilin Xingfangwei Sports Goods Company Limited	Retailing of sportswear	PRC
Jumbo Power Enterprises Ltd.	Manufacture and sale of shoes	British Virgin Islands
Just Lucky Investments Limited	Manufacture and sale of shoes material	British Virgin Islands
Ka Yuen Rubber Factory Limited	Manufacture and sale of rubber soles	British Virgin Islands
Keen Idea Group Limited	Manufacture and sale of hats	British Virgin Islands
Kleine Developments Ltd.	Manufacturing and trading of computer peripheral equipment and investment holding	British Virgin Islands
Liberty Bell Investments Limited	Manufacture and sale of chemical for leather use	British Virgin Islands
Luen Thai Holdings Ltd.	Manufacturing and trading of apparel	Hong Kong
Mega Atlas International Ltd.	Investment Holding	British Virgin Islands
Most Honour International Limited	Investment holding	British Virgin Islands
Natural Options Limited	Manufacture of foamed cotton	British Virgin Islands
Oftenrich Holdings Limited	Manufacture and sale of safety and casual shoes	Bermuda
Original Designs Developments Limited	Manufacture of shoe lasts	British Virgin Islands
Partner Alliance Limited	Sale of tobacco and liquor	British Virgin Islands
Pine Wood Industries Limited	Manufacture and sale of cloth	British Virgin Islands
Poulik Properties Management Co., Ltd.	Properties management	British Virgin Islands
Precise Zone Investments Limited	Manufacture and processing of ironware and plastic products	British Virgin Islands
Prime World International Ltd.	Sale of electronic parts	British Virgin Islands
Profit Land Limited	Manufacture and sale of paint	British Virgin Islands
Prosperlink Ltd.	Investment Holding	Independent State of Samoa
Prosperous Industrial (Holdings) Ltd.	Manufacture and sale of sports bags	Cayman Islands
PYGF Co., Ltd.	Processing rubber	British Virgin Islands
Rise Mount Limited	Investment holding	British Virgin Islands
Rise Bloom International Ltd.	Investment Holding	Hong Kong
Rising Developments Ltd.	Trading of diesel/petroleum	British Virgin Islands
Rising Sun Associates Limited	Manufacture and sale of paint	British Virgin Islands
Shaanxi Jixian Longyue Sports Goods Company Limited	Retailing of sportswear	PRC
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	Retailing of sportswear	PRC
Silver Island Trading Ltd.	Sale of electronic parts	British Virgin Islands
Smart Shine Industries Limited	Manufacture and sales of shoes and apparel	British Virgin Islands
Supplyline Logistics Ltd.	Provision of logistic service	Hong Kong
Suzhou Xinjun Trading Development Company Limited	Retailing of sportswear	PRC
Talent Pool Management Ltd.	Provision of Pre-k education	British Virgin Islands
Texas Clothing Holdings Corp.	Manufacture and sale of apparel	British Virgin Islands
Topmost Industries Limited	Manufacture of counters for shoes	British Virgin Islands
Twinways Investments Limited	Manufacture and sales of injection moulds for shoe components	British Virgin Islands
Up Front Technology Ltd.	Shoe injection	British Virgin Islands
Venture Well Holdings Ltd.	Sale of electronic parts	British Virgin Islands
Well Success Investments Limited	Investment holding	British Virgin Islands
Wenzhou Baofeng Trading Co., Ltd.	Retailing of sportswear	PRC
Willpower Industries Limited	Manufacture and sale of cartons	British Virgin Islands

(Continued)

<u>Name</u>	<u>Core Operating Item</u>	<u>Location of Incorporation</u>
Yuen Thai Industrial Company Limited	Manufacture and trading of sports and active wear	Hong Kong
Zhejiang Baohong Sports Goods Co., Ltd.	Retailing of sportswear	PRC
Zhejiang Jinguan Enterprise Development Company Limited	Retailing of sportswear	PRC
Zhejiang Yichuan Sports Goods Chain Company Limited	Retailing of sportswear	PRC
Zhuhai Poulik Properties Management Co., Ltd.	Properties management	British Virgin Islands
Zhong Ao Multiplex Management Limited	Properties management	PRC

(Concluded)

Except Venture Well Holdings Ltd. and Kleine Developments, Ltd., the fiscal year end of the above-listed companies is September 30. The Company accounted for the investment income (loss) from these companies based on these companies' financial results for the years ended September 30, 2009 and 2008 as permitted under the accounting principles generally accepted in the ROC.

Techview International Technology Inc. ("Techview International") was established in November 2003, and is primarily engaged in development, sale and assembly of TFT-LCD display. In July 2009, Techview International decreased its capital to offset its accumulated deficit by 1,213,000 thousand. As at December 31, 2009. Techview International has an outstanding common stock of \$124,622 thousand. Because the book value of the investment as at December 31, 2009 is negative, the Company reclassified \$118,126 thousand to other liabilities.

Elitegroup Computer Systems Co., Ltd. ("Elitegroup Computer") is engaged in designing, manufacturing and sale of computer peripheral equipment. The shares of Elitegroup Computer are listed on the Taiwan Stock Exchange Corporation. It has an outstanding common stock of \$12,331,937 thousand as at December 31, 2009.

San Fang Chemical Industry Co., Ltd. ("San Fang") is engaged in manufacturing and marketing leather. The shares of San Fang are listed on the Taiwan Stock Exchange Corporation. It has an outstanding capital of \$2,971,094 thousand as at December 31, 2009.

Evermore Chemical Industry Co., Ltd. ("Evermore Chemical") is engaged in manufacturing and selling of melamine resin and phthali anhydride resin. The shares of Evermore Chemical are listed on the Taiwan Stock Exchange Corporation. It has an outstanding capital of \$932,880 thousand as at December 31, 2009.

Nan Pao Resins Chemical Co., Ltd. commenced its operations in October 1963. It is engaged in manufacturing chemical materials. It has an outstanding common stock of \$370,092 thousand as at December 31, 2009.

Luen Thai Holdings Ltd. ("Luen Thai") is engaged in manufacturing ready-made garments. The shares of Luen Thai are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of US\$9,925 thousand as at December 31, 2009.

Eagle Nice (International) Holdings Ltd. ("Eagle Nice") is engaged in manufacturing and sale of apparel. The shares of Eagle Nice are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of HK\$4,997 thousand as at December 31, 2009.

11. INVESTMENTS IN REAL ESTATE

Investments in real estate as at December 31, 2009 and 2008 are comprised of the following:

	2009	2008
Land	<u>\$ 186,123</u>	<u>\$ -</u>

For urban redevelopment of Taichung, the Company purchased the land located on Guangshun section, Xitun District, Taichung from Barits Development in September 2009. The consideration of land is based on the amount Barits Development paid plus cost of capital.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

Available-for-sale financial assets, noncurrent as at December 31, 2009 and 2008 are comprised of the following:

	2009			2008	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Taiwan marketable equity securities</u>					
Asia Vital Components Co., Ltd.	\$ 221,568	\$ 663,206	6.10	\$ 205,717	5.91
Taiwan Paiho Limited	142,259	148,059	2.97	119,303	2.99
<u>Taiwan mutual funds</u>					
Taishin Lucky Fund	159,310	156,704	-	84,192	-
<u>Foreign marketable equity securities</u>					
Symphony Holdings Ltd.	298,501	117,894	4.82	83,682	4.82
<u>Foreign mutual funds</u>					
Fund-bank of china	-	-	-	39,191	-
	<u>\$ 821,638</u>	<u>\$ 1,085,863</u>		<u>\$ 532,085</u>	

Asia Vital Components Co., Ltd. is engaged in manufacturing and selling of semiconductors electronic connectors, computer connectors and communication products. The shares of Asia Vital Components are listed on the Taiwan Stock Exchange Corporation. It has an outstanding common stock of \$2,716,201 thousand as at December 31, 2009.

Taiwan Paiho Limited is engaged in manufacturing and selling of touch fasteners and webbings. The shares of Taiwan Paiho Limited are listed on the Taiwan Stock Exchange Corporation. It has an outstanding common stock of \$2,794,961 thousand as at December 31, 2009.

Symphony Holdings Ltd. is engaged in manufacturing and sales of footwear. The shares of Symphony Holdings Ltd. are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of HK\$436,011 thousand as at December 31, 2009.

13. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

Financial assets carried at cost, noncurrent as at December 31, 2009 and 2008 are comprised of the following:

	2009	2008
Chiang Yei Precision Industrial Co., Ltd.	\$ 8,153	\$ 8,153
Golden Brands Developments Ltd.	218,620	224,155
L&C Aluminium Corp.	831	831
Shey Yu Co., Ltd.	320	320
Nan Pao Resins Chemical Co., Ltd.	-	352,291
View Sonic Corporation	96,231	96,231
Taichung International Entertainment Corporation	1,905	1,905
Bizlink Holding Inc.	106,883	109,589
Great Team Backend Foundry Inc.	77,554	79,518
First Dynamic International Ltd.	40,601	-
Ryco Investment Ltd.	31,990	-
DTE Technologies Corp.	-	-
Eic Enterprise Ltd. - preferred stock	-	389
Asia Pacific Genesis Venture Capital Fund	132,784	147,600
CID Greater China Venture Capital Fund	210,643	196,800
Prodigy Strategic Investment Fund XXII Segregated Portfolio	96,375	98,815
Prodigy Fund Strategic Investment Fund II	252,892	193,695
Uis - Trusted Money Fund	-	279,672
	<u>\$ 1,275,782</u>	<u>\$ 1,789,964</u>

The stocks and mutual funds mentioned above do not have public offering price and reliable fair values, thus they are carried at cost. The impairment loss recognized in the year ended December 31, 2009 and 2008 was \$283,182 thousand and \$130,000 thousand, respectively, which are included in "nonoperating expenses - impairment loss".

The Company increased investments in Nan Pao Resins Chemical Co., Ltd. in 2009. Therefore, the Company has accounted for the investee by the equity method.

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, 2009 and 2008 consisted of the following:

	2009					2008
	Cost	Reassessed Value Increment	Accumulated Depreciation	Accumulated Impairment	Carrying Value	Carrying Value
Land	\$ 2,530,094	\$ 248,261	\$ -	\$ 159,159	\$ 2,619,196	\$ 2,566,297
Buildings and improvements	53,448,610	45,062	14,549,431	55,129	38,889,112	35,257,433
Machinery and equipment	45,813,025	-	26,362,016	27,573	19,423,436	21,604,347
Transportation equipment	1,168,852	-	837,963	-	330,889	369,938
Furniture, fixtures and office equipment	5,812,411	-	3,735,053	456	2,076,902	2,043,635
Other equipment	756,136	-	492,564	2,215	261,357	273,941
Construction in progress and prepayments for equipment	3,791,114	-	-	-	3,791,114	5,073,762
	<u>\$ 113,320,242</u>	<u>\$ 293,323</u>	<u>\$ 45,977,027</u>	<u>\$ 244,532</u>	<u>\$ 67,392,006</u>	<u>\$ 67,189,353</u>

Pou Chen recorded land value increment in 1987 and 1991 to reflect the value appraised and published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under long-term liabilities. Furthermore, in accordance with the amended Land Tax Law, Pou Chen decreased its reserve for land value increment tax by \$49,652 thousand with a corresponding increase in adjustments of stockholders' equity for the year ended December 31, 2005.

The interest expense for the years ended December 31, 2009 and 2008 amounted to \$2,677,273 thousand and \$3,495,135 thousand, respectively. Interest costs capitalized as part of the costs of property, plant and equipment for the years ended December 31, 2009 and 2008 amounted to \$17,271 thousand and \$243 thousand, respectively. Interest rate for capitalization was 1.11% to 2.29% and 2.60% for 2009 and 2008, respectively.

15. OTHER ASSETS

Other assets as at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Leased-out assets		
Cost and revaluation increment	\$ 1,773,839	\$ 1,799,045
Less accumulated depreciation	(35,566)	(33,276)
Less allowance for valuation loss of leased-out assets	<u>(2,230)</u>	<u>(109)</u>
	<u>1,736,043</u>	<u>1,765,660</u>
Idle asset	85,389	85,677
Less accumulated depreciation	(78,697)	(63,207)
Less allowance for valuation loss of idle asset	<u>(6,692)</u>	<u>(22,470)</u>
	<u>-</u>	<u>-</u>
Refundable deposits	1,790,525	2,761,707
Deferred charges	7,978,262	4,480,498
Deferred tax assets (Note 25)	189,969	254,251
Land held by trustee	73,713	73,713
Prepaid pension cost (Note 21)	95,784	73,107
Land and building for sale	5,430	5,478
Temporary tax payments	4,265	4,366
Others	<u>44,064</u>	<u>-</u>
	<u>\$ 11,918,055</u>	<u>\$ 9,418,780</u>

Three parcels of land located in Changhwa County were purchased by Pou Chen for \$22,187 thousand in June 1990, for \$33,668 thousand in April 1997, and for \$17,858 thousand in July 2007. According to related laws, the ownership for these three parcels of land should be changed to the Company. However, due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property. Consequently, the three parcels of land amounted to \$73,713 thousand at December 31, 2009, are included in "other assets - land held by trustee".

16. SHORT-TERM LOANS

Short-term loans as at December 31, 2009 and 2008 consisted of the following:

	2009		2008	
	Annual Interest Rate %	Balance	Annual Interest Rate %	Balance
Procurement loans	0.75-1.60	\$ 2,590,794	1.96-5.81	\$ 2,668,040
Unsecured loans	0.74-11.39	<u>22,819,701</u>	1.43-9.36	<u>26,215,852</u>
		<u>\$ 25,410,495</u>		<u>\$ 28,883,892</u>

17. SHORT-TERM BILLS PAYABLE

Short-term bills payable as at December 31, 2009 and 2008 consisted of the following:

	2009		2008	
	Annual Interest Rate %	Balance	Annual Interest Rate %	Balance
Commercial paper, credit	0.30-0.75	\$ 1,780,000	1.50-2.11	\$ 855,000
Less discount on commercial paper		<u>(926)</u>		<u>(2,461)</u>
		<u>\$ 1,779,074</u>		<u>\$ 852,539</u>

18. CURRENT PORTION OF LONG-TERM LIABILITIES

Current portion of long-term liabilities as at December 31, 2009 and 2008 consists of the following:

	2009	2008
Euro convertible bonds (see Note 19)	\$ 559,701	\$ 8,681,514
Long-term debt (see Note 20)	<u>10,874,913</u>	<u>5,390,097</u>
	<u>\$ 11,434,614</u>	<u>\$ 14,071,611</u>

19. BONDS PAYABLE

Bonds payable as at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Euro convertible bonds	\$ 8,680,070	\$ 17,061,225
Less current portion (Note 18)	<u>(559,701)</u>	<u>(8,681,514)</u>
	<u>\$ 8,120,369</u>	<u>\$ 8,379,711</u>

The Euro convertible bonds issued by Pou Chen in 2003 with par value of US\$50 thousand were redeemed in 2008. As at December 31, 2008, the Euro convertible bonds were fully redeemed by the Company.

The euro-dollar convertible bonds first issued by Yue Yuen on December 23, 2003 have been redeemed according to the covenant in December 2008.

The covenants of overseas unsecured convertible bonds second issued by Yu Yuen 2007 are as followed:

- a. Date of issuance: November 17, 2006
- b. Par value: HK\$10,000
- c. Location of issuance: Hong Kong
- d. Price of issuance: 100%
- e. Total amount: HK\$2,100,000 thousand issued.
- f. Interest rate: 0%
- g. Date of maturity: November 17, 2011
- h. Conversion price:

HK\$26.75 dollars per share which will be subject to adjustment for, among other things, subdivision or consolidation of shares, capital distributions, bonus issues, rights issues and other dilutive events.

- i. Redemption at maturity:

Unless previously redeemed, repurchased and cancelled, or converted, the bonds will be redeemed on November 17, 2011 at a price equal to 113.227% of the unpaid principal amount.

- j. Redemption at the option of Yue Yuen:

On or at any time after November 17, 2007 (in the case of (i) below) and at any time (in the case of (ii) and (iii) below) and (in either case) prior to November 17, 2011, Yue Yuen may redeem all of the bonds at the Early Redemption Amount on the Redemption Date if (i) the closing price of the Share (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for each of the 30 consecutive Trading Day prior to the date upon which notice of such redemption is given, was at least 120 per cent, of the Conversion Price in effect on each such Trading Day or (ii) at least 90 per cent, in principal amount of the bonds has already been converted, redeemed or purchased and cancelled or (iii) in the event of certain changes relating to Bermuda or Hong Kong taxation law (each holder may, after Yue Yuen exercised such redemption option, elect to refuse all or a portion of its Bonds shall not be redeemed by Yue Yuen).

- k. Repurchase at the option of holders:

- 1) Each holder has the put option to require Yue Yuen to repurchase all or any portion of such holder's bonds on November 17, 2009 at a price equal to 107.738% of the unpaid principal amount thereof. This portion of bonds holders required to repurchase on November 17, 2009, amounted to \$559,701 thousand (US\$17,496 thousand), transferred to current portion of long-term loans.
- 2) If the common shares of Yue Yuen cease to be listed or admitted to trading on the Hong Kong Stock Exchange, each holder has the right to require Yue Yuen to repurchase all of such holder's bonds.
- 3) Upon the occurrence of a change of control, each holder has the right to require Yue Yuen to repurchase all of such holder's bonds.

20. LONG-TERM DEBT

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

	2009	2008
Bank of China		
Long-term debt, US\$420,000 thousand. The period is from June 1, 2005 to June 1, 2010. Interest rate is 1.48%. Interest is paid quarterly. The principal will be fully repaid upon maturity.	\$ 8,964,029	\$ 9,217,192
Taipei Fubon Bank		
Long-term debt, US\$150,000 thousand. The principal due in semiannual installments commencing from May 2012. Interest rate is 1.28%. Interest is paid quarterly.	4,798,500	-
Bank of China		
Long-term debt, US\$500,000 thousand. The period is from April 21, 2009 to April 20, 2012. Interest rate is 1.96%. Interest is paid quarterly. The principal will be fully repaid upon maturity.	16,021,159	-
Cathay United Bank		
Long-term debt, US\$9,750 thousand, due in 84 monthly repayments commencing from May 20, 2006 and maturing May 19, 2013. Interest rate is 6.25%. Interest is paid monthly.	286,475	306,718
Ta Chong Bank (Lead Lender) Syndication Loan		
Long-term debt, US\$30,000 thousand, due in 5 semiannual installments commencing September 2, 2008 and maturing September 2, 2010. Interest rate is 1-month (2, 3 or 6-month) LIBOR rate plus 0.90%.	383,880	787,200
Standard Chartered Bank Syndication Loan		
Long-term debt, US\$30,000 thousand. The term is from August 24, 2005 to August 24, 2010. Interest rate is USD 1-month (2, 3 or 6-month) LIBOR rate plus 0.90%. The principal is due in semiannual installments commencing from August 24, 2008.	383,880	787,200
Ta Chong Bank (Lead Lender) Syndication Loan		
Long-term debt, US\$14,000 thousand. The term is from November 14, 2005 to November 14, 2010. The principal is due in semiannual installments commencing from November 14, 2008. Interest rate is USD 1-month (2, 3 or 6-month) LIBOR rate plus 1%.	179,144	367,360
DBS Bank		
Long-term debt, RMB130,000 thousand. The term is from August 26, 2009 to September 15, 2012. Due in semiannual installment commencing September 15, 2010. Interest rate is 5.67%. Interest is paid semiannually.	609,110	-
KBC (Shanghai) Bank (Lead Lender) Syndication Loan		
Long-term debt, US\$36,000 thousand. The term is from December 3, 2007 to December 2, 2010. The principal is due in semiannual installments commencing from November 18, 2009. Interest rate is USD 1-month (2, 3 or 6-month) LIBOR rate plus 0.85%.	806,148	1,180,800
Citibank (Lead Lender) Syndication Loan		
Long-term debt, US\$350,000 thousand, due in semiannual installments commencing January 11, 2011 and maturing July 11, 2012. Interest rate is 0.546%.	10,908,590	11,184,800

(Continued)

	2009	2008
The Hong Kong and Shanghai Banking Corporation Limited Mid-term debt, RMB40,000 thousand. The term is from March 31, 2007 to March 31, 2012. The principal is due in semiannual installments commencing from March 2010. Interest rate is 6.08%. Interest is paid quarterly.	\$ 187,419	\$ 191,645
Bank of Kaohsiung Secured Mid-term debt, NT\$300,000 thousand. The term is from September 26, 2008 to September 26, 2015. The principal is due in quarterly installments commencing from September 26, 2010. Interest is paid monthly. Interest rate is 1.53% as at December 31, 2009.	300,000	300,000
Land Bank of Taiwan Unsecured Mid-term debt, NT\$1,000,000 thousand. Interest is paid monthly. The principal had been fully prepaid in December 2009.	-	25,257
Cathay United Bank Secured long-term debt, NT\$1,050,000 thousand. The term is from May 9, 2008 to May 9, 2011. Interest rate is 1.90% as at December 31, 2009. Interest is paid monthly. The principal was prepaid NT\$218,800 thousand in July 2009.	831,200	1,050,000
Citibank (Lead Lender) Syndication Loan Long-term debt, NT\$6,500,000 thousand, due in semiannual repayments commencing October 25, 2009 and maturing October 25, 2010. Interest rate ranges from 0.890% to 0.919% as at December 31, 2009.	3,250,000	6,500,000
China Trust Commercial Bank (Lead Lender) Syndication Loan Long-term debt, NT\$2,500,000 thousand, due in semiannual repayments commencing December 9, 2009 and maturing June 9, 2011. Interest rate is 0.9144% as at December 31, 2009.	1,875,000	2,500,000
China Trust Commercial Bank (Lead Lender) Syndication Loan Long-term debt, NT\$7,000,000 thousand, due in semiannual repayments commencing November 16, 2011 and maturing May 16, 2013. Interest rate is 0.9778% as at December 31, 2009.	<u>7,000,000</u>	<u>7,000,000</u>
	56,784,534	41,398,172
Less current portion (see Note 18)	<u>(10,874,913)</u>	<u>(5,390,097)</u>
	<u>\$ 45,909,621</u>	<u>\$ 36,008,075</u>

The current portion of Citibank and China Trust Commercial Bank Syndication loan of which balances were \$3,250,000 thousand and \$1,875,000 thousand, respectively had been refinanced and was recorded as long-term debt.

21. PENSION PLAN

Pou Chen, Barits Development, Pou Yuen Technology, Pro Arch International and Global Brands Manufacture each has a defined benefit pension plan covering all employees. The benefits are primarily based upon an employee's years of service and average compensation for the last six months before retirement.

Net pension cost for the year 2009 consists of the following:

	Pou Chen	Barits Development	Pou Yuen Technology	Pro Arch International	Global Brands Manufacture	Total
Service cost	\$ 27,532	\$ 1,704	\$ 28	\$ -	\$ 780	\$ 30,044
Interest cost	33,760	1,501	132	16	1,462	36,871
Expected return on plan assets	(10,993)	(2,789)	(1,122)	(443)	(228)	(15,575)
Amortization of net transition (asset) obligation	(1,875)	646	-	-	657	(572)
Amortization of unrecognized prior service cost	-	-	204	-	-	204
Amortization of pension loss (gain)	8,307	(859)	-	-	861	8,309
Gain on curtailment of pension cost	<u>-</u>	<u>(19,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,270)</u>
	<u>\$ 56,731</u>	<u>\$ (19,067)</u>	<u>\$ (758)</u>	<u>\$ (427)</u>	<u>\$ 3,532</u>	<u>\$ 40,011</u>

The following table sets forth the actuarial assumptions and plan's status as at December 31, 2009:

	Pou Chen	Barits Development	Pou Yuen International	Pro Arch International	Global Brands Manufacture
Weighted-average discount rate	2.00%	2.00%	2.00%	2.00%	2.50%
Assumed rate of increase in salaries	2.50%	2.00%	3.25%	2.25%	2.50%
Expected rate of return on plan assets	2.00%	2.00%	2.00%	2.00%	3.50%

The following is pension fund distribution table as at December 31, 2009:

	Pou Chen	Barits Development	Pou Yuen Technology	Pro Arch Technology	Global Brands Manufacture	Total
Actuarial present value of benefit obligation:						
Vested benefits	\$ (295,244)	\$ (1,876)	\$ (850)	\$ -	\$ (1,634)	\$ (299,604)
Nonvested benefits	<u>(738,767)</u>	<u>(34,293)</u>	<u>(2,242)</u>	<u>(567)</u>	<u>(26,624)</u>	<u>(802,493)</u>
Accumulated benefit obligation	(1,034,011)	(36,169)	(3,092)	(567)	(28,258)	(1,102,097)
Additional benefits at future salaries	<u>(336,180)</u>	<u>(10,906)</u>	<u>(2,516)</u>	<u>(146)</u>	<u>(21,930)</u>	<u>(371,678)</u>
Projected benefit obligation	(1,370,191)	(47,075)	(5,608)	(713)	(50,188)	(1,473,775)
Plan assets at fair value	<u>388,737</u>	<u>100,888</u>	<u>41,423</u>	<u>16,215</u>	<u>7,913</u>	<u>555,176</u>
Projected benefit obligation in excess of plan assets	(981,454)	53,813	35,815	15,502	(42,275)	(918,599)
Net transition (asset) obligation not yet recognized	(4,624)	1,000	-	-	657	(2,967)
Unrecognized prior service costs	-	-	761	-	-	761
Unrecognized pension loss (gain)	381,510	(10,904)	(660)	457	20,639	391,042
Net pension gain not yet recognized	<u>(40,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,706)</u>
Prepaid pension cost (accrued pension cost)	<u>\$ (645,274)</u>	<u>\$ 43,909</u>	<u>\$ 35,916</u>	<u>\$ 15,959</u>	<u>\$ (20,979)</u>	<u>\$ (570,469)</u>

As at December 31, 2009, the amount of accrued pension cost of \$570,469 thousand was the net of prepaid pension cost of \$95,784 thousand, and accrued pension cost of \$666,253 thousand.

22. CAPITAL STOCK AND RETAINED EARNINGS

Pou Chen's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>
Issued capital		
Shares (in thousands)	<u>2,843,085</u>	<u>2,740,006</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 28,430,847</u>	<u>\$ 27,400,055</u>

Pou Chen outstanding capital stock was \$27,400,055 thousand as at January 1, 2009. As at June 16, 2009, the stockholders' meeting approved to issue additional capital stock of \$1,372,183 thousand through unappropriated earnings of \$1,331,134 thousand and bonuses to employees of \$41,049 thousand. The employee stock bonus of 4,105 thousand shares amounted to \$70,357 thousand were determined by dividing the amount of bonuses to employees resolved in the shareholders' meeting by the closing price of the shares on the day preceding the shareholders' meeting. Furthermore, employee stock warrants were exercised for 361 thousand shares (amounted to \$3,609 thousand) during 2009. Additionally, Pou Chen retired the treasury stock of 34,500 thousand shares (amounted \$345,000 thousand) and decreased the capital in 2009. As a result, Pou Chen's outstanding capital stock was \$28,430,847 thousand, divided into 2,843,085 thousand common shares with a par value of \$10 dollars per share as at December 31, 2009.

Earnings per share are based upon the weighted average number of shares of common stock outstanding during the year. For the year ended December 31, 2008, the weighted average number of shares used in the calculation of earnings per share has been restated for the retroactive effect of the stock dividends issued in 2009.

As at July 15, 2002, the board of directors of Pou Chen resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28-3 within the quantity of 67,600 units. Each individual employee stock warrant is granted the right to purchase new issued common share for 1,000 shares. The exercise price is the closing price of Pou Chen's common shares at the employee stock warrants' issuance date. The warrant holder can exercise the right up to one-third of the granted warrant units no earlier than two years from the granted date. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. As of August 6, 2002, and July 24, 2003, Pou Chen has issued 66,600 units, and 1,000 units of employee stock warrants, respectively, to the employees with an exercise price of \$23.30 dollars, and \$41.20 dollars per share, respectively. The exercise price of the warrant in 2009 has been retroactively restated as \$10.00 dollars and \$17.80 dollars per share, respectively, due to the stock dividends issued.

Additionally, as at November 6, 2007, Pou Chen has issued 125,500,000 units of employee stock warrants to the employees with an exercise price of \$29.80 dollars per share. Each of the aforementioned individual employee stock warrant is granted the right to purchase one newly issued common share.

If Pou Chen resolved to increase additional capital stock through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee stock warrant is granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee stock warrants were \$24.10 dollars and 146,506,295 shares, respectively.

As at December 31, 2009, the employee stock warrants issued in 2002 were executed for 23,197 thousand shares of common stocks.

Information about Pou Chen's outstanding stock warrants for the years ended December 31, 2009 and 2008 was as follows:

	2009		2008	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)
Employee Stock Warrants				
Balance, beginning of year	184,200	\$ 22.09	173,984	\$ 24.35
Stock warrants granted	-	-	-	-
Adjustment from ownership dilution	7,071	24.10	13,936	25.90
Stock warrants exercised	<u>(361)</u>	10.00	<u>(3,720)</u>	10.00
Balance, end of year	<u>190,910</u>	20.86	<u>184,200</u>	22.09
Exercisable stock warrants, end of year	<u>93,238</u>		<u>44,764</u>	

As at December 31, 2009 and 2008, information about Pou Chen's outstanding and exercisable stock warrants was as follows:

Range of Exercise Price (NT\$)	Stock Warrants Outstanding			Stock Warrants Exercisable	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)
<u>2009</u>					
\$10.00-\$24.10	<u>190,910</u>	<u>6.63</u>	<u>\$ 20.86</u>	<u>93,238</u>	<u>\$ 17.47</u>
<u>2008</u>					
\$10.00-\$25.90	<u>184,200</u>	<u>7.58</u>	<u>\$ 22.09</u>	<u>44,764</u>	<u>\$ 10.21</u>

If the compensation cost based on the fair value method is accounted for as expenses, the pro-forma results of Pou Chen for the year ended December 31, 2009 and 2008 would have been as follows:

	2009	2008
Income from continuing operations before income tax - attributed to shareholders of Parent Company	<u>\$ 6,612,958</u>	<u>\$ 4,504,297</u>
Net income - attributed to shareholders of Parent Company	<u>\$ 6,522,958</u>	<u>\$ 4,530,827</u>
Basic earnings per share (in dollars)	<u>\$ 2.34</u>	<u>\$ 1.57</u>

In the aforementioned employee stock warrant plan, Pou Chen adopted the Black-Scholes options pricing model to estimate the fair value of warrants on the grant dates, and the factors were as follows:

	Grant Dates		
	August 6, 2002	July 24, 2003	November 6, 2007
Dividend rate	-	-	-
Expected volatility of price	42.16%	44.17%	34.83%
Risk-free interest rate	2.61%	1.68%	2.70%
Expected life	6.5 years	6.5 years	6.5 years
Stock warrants issued (thousand shares)	66,600	1,000	139,436
Weighted average fair value (in dollars)	\$10.70	\$18.87	\$11.93

Under the Company Law of the ROC and Pou Chen's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. Less than 3% as bonus to directors and supervisors after the three above are appropriated,
- e. 1%-5% as bonus to employees after the four above are appropriated,
- f. As special reserve or being retained partially, and
- g. Dividends to stockholders as proposed according to stock ownership proportion.
- h. For share bonus to qualified requirements of employees, including the employees of subsidiaries of the company meeting specific requirements. Regarding the terms and proportion, the board of directors of the Company is authorized to resolve.

For the year ended December 31, 2009 and 2008, the bonus to employees was \$251,777 thousand and \$70,357 thousand, respectively, and the remuneration to directors and supervisors was \$127,805 thousand and \$59,970 thousand, respectively. The bonus to employees and remuneration to directors and supervisors both according to the articles of incorporation (net of the bonus to employees and bonus to directors and supervisors). The amounts were estimated based on past experience. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

The appropriations of earnings for 2008 and 2007 had been approved in the shareholders' meetings on June 16, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2008	For Year 2007	For Year 2008	For Year 2007
Legal reserve	\$ 498,719	\$ 480,025	\$ -	\$ -
Cash dividends	1,331,134	2,471,099	0.50	1.00
Stock dividends	1,331,134	2,471,099	0.50	1.00
Bonus to employees - stock	-	273,216	-	-
Bonus to directors and supervisors - cash	-	169,000	-	-

The bonus to employees of \$70,357 thousand and the remuneration to directors and supervisors of \$59,970 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009. The number of shares of 4,105 thousand was determined by dividing the amount of bonus to employees by the closing price of shares on the day preceding the stockholders' meeting. The approved amounts of the bonus to employees and the remuneration to directors and supervisors were not different from the accrual amounts, reflected in the financial statements for the year ended December 31, 2008.

In accordance with the Approval Documents (95) Jin-Guan-Tseng (1) No. 0950000507 of Financial Supervisory Commission, Executive Yuan public listed companies have to appropriate earnings for special reserve according to Article 41-1 of Securities Transaction Act, in addition to the appropriation for legal reserve, an amount equal to debit balances, if any, in stockholders' equity (such as unrealized loss on financial assets and cumulative translation adjustments). The special reserve can be reversed and distributed as retained earnings if such deduction of stockholders' equity reversed.

Wealthplus's outstanding capital stock as at September 30, 2007 amounted to US\$169,222 thousand. In March 2008, Wealthplus decided to decrease its capital US\$60,000 thousand (NT\$1,922,115 thousand dollars) and return to shareholder. Accordingly, Wealthplus's outstanding capital stock as at September 30, 2008 amounted to US\$109,222 thousand with a par value of US\$1 dollar each, 109,222 thousand shares. Additional, Wealthplus decided to decrease and return its capital US\$100,000 thousand (NT\$3,203,525 thousand) in December 2008. Wealthplus's outstanding capital stock as at September 30, 2009 amounted to \$9,222 thousand with a par value of US\$1 dollars each, 9,222 thousand shares.

Win Fortune's outstanding capital stock as at September 30, 2009 and 2008 both amounted to US\$100 thousand, with a par value of US\$1 dollar each, 100 thousand shares.

Ming Wang's registered and issued capital as at December 31, 2009 and 2008 both amounted to \$681,192 thousand, divided into 68,119 thousand common shares, with a par value of \$10.00 dollars each.

According to the Company Law of the ROC and Ming Wang's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above-mentioned are appropriated,
- e. 1% as bonus to employees after the four above-mentioned are appropriated,
- f. As special reserve or being retained partially by Ming Wang, and
- g. Dividends to stockholders as proposed according to stock proportion.

Windsor Entertainment's registered and issued capital as at December 31, 2009 and 2008 both amounted to \$210,000 thousand, divided into 21,000 thousand common shares with a par value of \$10.00 dollars each.

According to the Company Law of the ROC and Windsor Entertainment's Articles of Incorporation, 10% of Windsor Entertainment's annual earnings, after paying tax and offsetting deficit, if any, should first be appropriated as legal reserve. From the remaining balance, if any, 0.01% should be appropriated as bonuses to employees. The final remaining balance shall then be distributed in accordance with the resolution in the stockholders' meeting.

Yun Yang's registered and issued capital as at December 31, 2009 and 2008 both amounted to \$92,792 thousand, divided into 9,279 thousand common shares, with a par value of \$10.00 dollars each.

According to the Company Law of the ROC and Yun Yang's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above-mentioned are appropriated,
- e. 1% as bonus to employees after the four above-mentioned are appropriated,
- f. As special reserve or being retained partially by Yun Yang, and
- g. Dividends to stockholders as proposed according to stock proportion.

Pou Shine's registered and issued capital as at December 31, 2009 and 2008 both amounted to \$709,594 thousand, divided into 70,959 thousand common shares, with a par value of \$10.00 dollars each.

According to the Company Law of the ROC and Pou Shine's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above-mentioned are appropriated,
- e. 1% as bonus to employees after the four above-mentioned are appropriated,
- f. As special reserve or being retained partially by Pou Shine, and
- g. Dividends to stockholders as proposed according to stock proportion.

Pan Asia Insurance Services' issued capital as at December 31, 2009 and 2008 both amounted to \$3,000 thousand.

According to the Company Law of the ROC and Pan Asia Insurance Services' Articles of Incorporation, 10% of Pan Asia Insurance Services' annual earnings, after paying tax and offsetting deficit, if any, should first be appropriated as legal reserve. From the remaining balance, if any, at least 0.1% should be appropriated as bonuses to employees. The final remaining balance shall then be distributed in accordance with the resolution in the stockholders' meeting.

Proshine Healthcare's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>50,000</u>	<u>50,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Issued capital		
Shares (in thousands)	<u>16,000</u>	<u>28,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capita	<u>\$ 160,000</u>	<u>\$ 280,000</u>

Proshine Healthcare's outstanding capital stock as at December 31, 2008 amounted to \$280,000 thousand, Proshine Healthcare's board of directors decided to decrease its capital \$120,000 thousand at a par value of NT\$10. As at December 31, 2009, Proshine Healthcare has an outstanding common stock of \$160,000 thousand.

Under the Company Law of the ROC and Proshine Healthcare's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above - mentioned are appropriated,
- e. 1% as bonus to employees after the four above - mentioned are appropriated,
- f. As special reserve or being retained partially by Proshine Healthcare, and
- g. Dividends to stockholders as proposed according to stock proportion.

Pro Arch International's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>185,000</u>	<u>185,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 1,850,000</u>	<u>\$ 1,850,000</u>
Issued capital		
Shares (in thousands)	<u>31,342</u>	<u>30,100</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 313,419</u>	<u>\$ 301,000</u>

Pro Arch Technology's outstanding capital stock as at January 1, 2008 amounted to \$301,000 thousand. In November 2008, Pro Arch Technology decreased its capital to offset its accumulated deficit of \$300,000 thousand, and issued additional capital stock for \$300,000 thousand at a price of \$10.00 dollars per share. As at December 31, 2008, Pro Arch Technology has an outstanding common stock of \$301,000 thousand, with a par value of \$10.00 dollars each.

Pro Arch International's outstanding capital stock as at January 1, 2009 amounted to \$301,000 thousand. In July 2009, Pro Arch International decreased its capital to offset its accumulated deficit of \$237,581 thousand, and issued additional capital stock for \$250,000 thousand at a price of \$10.00 dollars per share. As at December 31, 2009, Pro Arch International has an outstanding common stock of \$313,419 thousand, with a par value of \$10.00 dollars each.

According to the Company Law of the ROC and Pro Arch Technology's Articles of Incorporation, 10% of Pro Arch Technology's annual earnings, after paying tax and offsetting deficit, if any, should first be appropriated as legal reserve. From the remaining balance, if any, less than 10% should be appropriated as bonuses to employees, and more than 1% should be appropriated as bonuses to directors and supervisors. The final remainder shall then be distributed in accordance with the resolution in the stockholders' meeting.

Barits Development's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Issued capital		
Shares (in thousands)	<u>132,933</u>	<u>118,690</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capita	<u>\$ 1,329,328</u>	<u>\$ 1,186,900</u>

Barits Development issued capital as at January 1, 2009 amounted to \$1,186,900 thousand, divided into 118,690 thousand common shares with a par value of \$10.00 dollars each. In June 2009, Barits Development's stockholder in their meeting resolved to issue additional capital stock of \$142,428 thousand through stock dividends. As a result, Barits Development's registered and issued capital stock as at December 31, 2009 was \$1,329,328 thousand, divided into 132,933 thousand common shares, with a par value of \$10.00 dollars each.

According to the Company Law of the ROC and Barits Development's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above-mentioned are appropriated,
- e. 1% as bonus to employees after the four above-mentioned are appropriated,
- f. As special reserve or being retained partially by Barits Development, and
- g. Dividends to stockholders as proposed according to stock proportion.

Pou Yuen Technology's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>120,000</u>	<u>190,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 1,200,000</u>	<u>\$ 1,900,000</u>
Issued capital		
Shares (in thousands)	<u>90,000</u>	<u>90,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>

According to the Company Law of the ROC and Pou Yuen Technology's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above - mentioned are appropriated,
- e. 1% as bonus to employees after the four above - mentioned are appropriated,
- f. As special reserve or being retained partially by Pou Yuen Technology, and
- g. Dividends to stockholders as proposed according to stock proportion.

LNC Technology's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>80,000</u>	<u>80,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Issued capital		
Shares (in thousands)	<u>60,000</u>	<u>60,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capita	<u>\$ 600,000</u>	<u>\$ 600,000</u>

Under the Company Law of the ROC and LNC Technology's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,

- d. 3% as bonus to directors and supervisors after the three above - mentioned are appropriated,
- e. 1% as bonus to employees after the four above - mentioned are appropriated,
- f. As special reserve or being retained partially by LNC Technology, and
- g. Dividends to stockholders as proposed according to stock proportion.

Right and Great Asia-Pacific's registered and issued capital as at December 31, 2009 and 2008 both amounted to \$600,000 thousand, divided into 60,000 thousand common shares with a par value of \$10.00 dollars each.

Under the Company Law of the ROC and Right and Great Asia-Pacific's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above-mentioned are appropriated,
- e. 1% as bonus to employees after the four above-mentioned are appropriated,
- f. As special reserve or being retained partially by Right and Great Asia-Pacific, and
- g. Dividends to stockholders as proposed according to stock proportion.

Vistas Design's registered and issued capital as at December 31, 2009 and 2008 both amounted to \$5,000 thousand, divided into 500 thousand common shares with a par value of \$10.00 dollars each.

Under the Company Law of the ROC and Vistas Design's Articles of Incorporation, the annual earnings should be appropriated as follows:

- a. For paying tax,
- b. For offsetting deficit,
- c. 10% of the annual earnings as legal reserve,
- d. 3% as bonus to directors and supervisors after the three above-mentioned are appropriated,
- e. 1% as bonus to employees after the four above-mentioned are appropriated,
- f. As special reserve or being retained partially by Vistas Design, and
- g. Dividends to stockholders as proposed according to stock proportion.

Global Brands Manufacture's registered and issued capital as at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Authorized capital		
Share (in thousands)	<u>500,000</u>	<u>500,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued capital		
Share (in thousands)	<u>415,341</u>	<u>377,892</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 4,153,407</u>	<u>\$ 3,778,923</u>

Global Brands Manufacture's outstanding capital was \$3,778,923 thousand divided into 377,892 thousand common shares with a par value of \$10.00 dollars each as at January 1, 2009. As at June 19, 2009, Global Brands Manufacture's shareholders in their meeting resolved to issue additional capital stock of \$374,484 thousand through stock dividends of \$367,942 thousand and bonuses to employees of \$6,542 thousand. Accordingly, Global Brands Manufacture's outstanding capital stock was amounted to \$4,153,407 thousand divided into 415,341 thousand common shares with a par value of \$10 dollars per share as at December 31, 2009.

Global Brands Manufacture's outstanding capital was \$3,094,008 thousand divided into 309,400 thousand common shares with a par value of \$10.00 dollars each as at January 1, 2008. As at May 30, 2008, Global Brands Manufacture's shareholders in their meeting resolved to issue additional capital stock of \$684,915 thousand through stock dividends of \$618,802 thousand and bonuses to employees of \$66,113 thousand. Accordingly, Global Brands Manufacture's outstanding capital stock was amounted to \$3,778,923 thousand divided into 377,892 thousand common shares with a par value of \$10 dollars per share as at December 31, 2008.

At the meeting on October 15, 2002, the board of directors of Global Brands Manufacture resolved to issue employee stock warrants in accordance with the Securities and Exchange Law Article 28-3 within the quantity of 5,672 units. Each stock warrant is granted the right to purchase 1,000 new issued common shares. The exercise price is the closing price of Global Brands Manufacture's common shares at the employee stock warrants' issuance date. The warrant holders can exercise the right up to one-third of the granted warrant units no earlier than two years from the granted date. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. On December 13, 2002 and September 22, 2003, Global Brands Manufacture issued 5,662 units and 10 units, respectively, of employee stock warrants to the employees with an exercise price of \$29.50 dollars and \$64 dollars per unit. The exercise price will be adjusted according to calculating formula subject to stock and cash dividends and issuance of capital stock. In 2007, the warrants exercised were 4,350 units and 10 units, respectively. As at December 31, 2009, the outstanding warrants were 1,312 units, and the exercise price was \$10 dollars per unit.

At the meeting on September 22, 2003, the board of directors of Global Brands Manufacture resolved to issue another employee stock warrants with the quantity of 10,672 units. The issuing rules are the same as the first issuance mentioned above. Global Brands Manufacture issued all the employee stock warrants with an exercise price of \$50.50 dollars per unit on November 12, 2003. The exercise price will be adjusted according to calculating formula subject to stock and cash distributions and issuance of capital stock. As at December 31, 2009, the exercise price was \$18.20 dollars per unit and total unsubscribed shares available for sale were 18,244 thousand shares.

At the meeting on December 5, 2007, the board of directors of Global Brands Manufacture resolved to issue another employee stock warrants with the quantity of 15,000 units. Each of the employee stock warrant is granted the right to purchase one new issued common share. The issuing rules are the same as the first issuance mentioned above. Global Brands Manufacture issued all the employee stock warrants with an exercise price of \$41.55 dollars per unit on December 24, 2007. The exercise price will be adjusted according to calculating formula subject to stock and cash distributions and issuance of capital stock. As at December 31, 2009, the exercise price was \$29.40 dollars per unit and total unsubscribed shares available for sale were 20,136 thousand shares.

Information about employee stock option plans in 2009 and 2008 was as follows:

	2009		2008	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)
Employee Stock Warrants				
Balance, beginning of year	36,232	\$ 25.87	29,903	\$ 33.23
Stock warrants granted	-	-	-	-
Stock warrants exercised	-	-	-	-
Adjustment from ownership dilution	<u>3,460</u>	-	<u>6,329</u>	-
Balance, end of year	<u>39,692</u>	23.61	<u>36,232</u>	25.87
Exercisable stock warrants, end of year	<u>26,268</u>	20.65	<u>17,911</u>	19.29

Information about outstanding and exercisable options as of December 31, 2009 and 2008 was as follows:

Range of Exercise Price (NT\$)	Stock Warrants Outstanding			Stock Warrants Exercisable	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)
<u>2009</u>					
\$10.30-\$32.30	<u>39,692</u>	<u>6.00</u>	<u>\$ 23.61</u>	<u>26,268</u>	<u>\$ 20.65</u>
<u>2008</u>					
\$10.30-\$32.30	<u>36,232</u>	<u>6.99</u>	<u>\$ 25.87</u>	<u>17,911</u>	<u>\$ 19.29</u>

If the compensation cost based on the fair value method is accounted for as expenses, the pro-forma results of Global Brands Manufacturing for the year ended December 31, 2009 would have been as follows:

Assumptions	
Risk-free interest rate	2.5%
Expected life	6.5 years
Expected volatility	38.07%
Dividend rate	-
Net income	
As reported	\$ 815,401
Pro-forma	\$ 719,959
Basic earnings per share (in dollar)	
As reported	\$2.01
Pro-forma	\$1.78
Diluted earnings per share (in dollar)	
As reported	\$2.01
Pro-forma	\$1.77

Under the Company Law of the ROC and Global Brands Manufacture's Articles of Incorporation, 10% of Global Brands Manufacture's annual earnings, after paying tax and offsetting deficit, if any, should first be appropriated as legal reserve until such reserve equals to the amount of Global Brands Manufacture's capital, and then appropriate necessary special reserve and return the amount of capital surplus from revaluation increment on property, plant and equipment previously used to offset accumulated deficit in prior years, if any, as regulated by laws or local authorities. Any remaining balance, unless to be retained partially by Global Brands Manufacture or resolved otherwise by the stockholders, shall then be appropriated as follows:

- a. 2%-10% as bonuses to employees,
- b. 1% bonuses to directors and supervisors, and
- c. Dividends to stockholders as proposed and approved by Global Brands Manufacture's board of directors and stockholders; nevertheless, cash dividends shall not be more than 90% of the proposed dividends.

On May 14, 2008, Pou Sheng adopted a 5 years and a 10 years pre-IPO share subscription plans. The warrants of plans issued to the eligible persons are 71,001 thousand and 53,251 thousand, respectively. Each warrant is granted to have the right to purchase one common share. The warrants holder could subscribe for 20% and 10% over 5 years and 10 years, respectively, after each anniversary of the date of issuance. Pou Sheng has issued the aforementioned subscription on May 23, 2008. On September 4, 2009, Pou Sheng and all warrants holder agreed to terminate this plan. Pou Sheng had recognized the compensation cost of termination in 2009.

Information about Pou Sheng's pre-IPO subscription plan for the year ended September 30, 2009 was as follows:

Employee Stock Warrants	Five Years Plan		Ten Years Plan	
	Number of Stock Purchasable (Thousand Shares)	Weighted -average Exercise Price (HK\$)	Number of Stock Purchasable (Thousand Shares)	Weighted -average Exercise Price (HK\$)
Balance, beginning of period	71,001	\$ 2.14	53,251	\$ 2.14
Stock warrants terminated	<u>(71,001)</u>	-	<u>(53,251)</u>	-
Balance, end of period	<u>-</u>	-	<u>-</u>	-
Exercisable stock warrants, end of period	<u>-</u>	-	<u>-</u>	-

In the aforementioned subscription plans, Pou Sheng adopted the Binomial options pricing model to estimate the fair value of warrants on the grant dates, and the factors were as follows:

	Five Years Plan	Ten Years Plan
Dividend rate	0%-2%	0%-2%
Expected volatility of price	48%	48%
Risk-free interest rate	1.22%-2.92%	1.22%-2.92%
Expected life	5 years	10 years
Weighted average fair value	HK\$3.05	HK\$3.05

Compensation cost recognized was NT\$415,822 thousand (US\$12,521 thousand) for the year ended September 30, 2009.

23. TREASURY STOCK

The changes in treasury stock in 2009 are summarized as follows (in shares):

Reason	2009.01.01	Increase	Decrease	2009.12.31
For transfer to employees	43,300,000	-	-	43,300,000
To maintain the Company's credibility and shareholders' interest	17,200,000	17,300,000	34,500,000	-
Common shares held by subsidiaries	<u>9,554,965</u>	<u>477,747</u>	<u>-</u>	<u>10,032,712</u>
	<u>70,054,965</u>	<u>17,777,747</u>	<u>34,500,000</u>	<u>53,332,712</u>

Article 28-2 of the Securities and Exchange Law stipulates that the number of treasury shares held by the Company should not exceed 10% of the number of shares issued and that the cost for acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. Treasury stock of \$1,086,041 thousand (43,300 thousand common shares) was purchased by Pou Chen.

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

In 2009, after the stock dividends were received by the subsidiaries, 477,747 shares were added to treasury stock. As at December 31, 2009, the subsidiaries held 10,032,712 shares of the Company's common stock at cost of \$155,375 thousand in total. The Company had adjusted the carrying value according to the percentage of the subsidiaries holding shares.

The information on the subsidiaries' holdings of Pou Chen's common stock is summarized as follows:

Company's Name	Shares	Amount
Wealthplus	141,362	\$ 3,181
Pou Shine	2,009,787	40,919
Ming Wang	1,506,251	27,242
Barits Development	4,732,903	96,361
Top Score	153,124	3,311
Ming Chi	89,308	1,818
Pou Yii	1,583,641	25,415

24. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2009 and 2008 are summarized as follows:

Function	2009			2008		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Personnel expense						
Salaries	\$ 25,059,661	\$ 10,893,828	\$ 35,953,489	\$ 24,327,237	\$ 10,246,272	\$ 34,573,509
Labor insurance and health insurance	890,751	358,159	1,248,910	765,624	339,315	1,104,939
Pension cost	424,896	717,816	1,142,712	295,903	654,013	949,916
Others	152,610	85,778	238,388	107,142	122,028	229,170
Depreciation expenses	5,337,584	2,519,670	7,857,254	4,661,701	2,135,589	6,797,290
Amortization expenses	20,271	103,595	123,866	18,016	114,631	132,647

25. INCOME TAX

The Company's income tax expense for the year ended December 31, 2009 is as follows:

Income tax expense, current	\$ 442,880
Basic tax payable	54,088
10% additional income tax on undistributed earnings of 2008	9,849
Adjustment of deferred tax asset and valuation allowance	(145,366)
Adjustment of prior year's income tax expense	(22,115)
Effect of tax law change on deferred income tax	<u>170,870</u>
Income tax expense	<u>\$ 510,206</u>

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

The components of deferred tax assets (liabilities) as at December 31, 2009 are as follows:

Unrealized inventory devaluation losses	\$ 18,819
Unrealized losses on disposal of property, plant and equipment	110
Unrealized bad debt losses	108,690
Unrealized impairment loss	26,000
Unrealized maintenance and repairs expense	290
Unrealized pension expense	126,910
Unrealized gross profit	1,150
Unrealized loss on decline in market value of long-term investments	2,840
Unrealized net exchange gain	(14,090)
Losses carryforward	514,030
Investment tax credits	12,528
Others	(801,997)
Less valuation allowance	<u>(611,171)</u>
 Deferred tax liabilities, noncurrent	 <u>\$ (615,891)</u>

The detail is as follows:

Deferred tax assets, current	\$ 43,788
Deferred tax assets, noncurrent	189,969
Deferred tax liabilities, current	(14,933)
Deferred tax liabilities, noncurrent	<u>(834,715)</u>
	<u>\$ (615,891)</u>

The Company's income tax expense for the year ended December 31, 2009 and income tax payable as at December 31, 2009 were reconciled as follows:

Income tax expense at statutory rate of 25%	\$ 2,369,221
Income from valuation on financial instruments at fair value through profit or loss	(493)
Investment income recognized under equity method	(1,864,095)
Gain on sale of investments	(1,097)
Amortization of operating expense for disposal of land and securities	6,243
Dividend income - tax free	(27,132)
Investees decreased capital to offset its accumulated deficit	(208,759)
Others	<u>168,992</u>
Current income tax expense	442,880
Provision for (reversal of) deferred income tax asset	
Unrealized bad debt losses	16,570
Unrealized inventory devaluation losses	(4,616)
Unrealized sales allowance	(2,900)
Unrealized pension expense	40
Unrealized net exchange loss	(2,408)
Losses carryforward	(45,606)
Investment tax credits	(11,491)
Others	<u>274,166</u>
Income tax payable	666,635
Add 10% additional income tax on unappropriated earnings of 2008	9,849
Add basic tax payable	54,088
Add prior year's income tax payable	7,683
Less temporary tax payment	<u>(72,598)</u>
 Income tax payable as at December 31, 2009	 <u>\$ 665,657</u>

The information about Pou Chen's integrated income tax system as at December 31, 2009 is as follows:

IC Balance of Imputation Credit Account	<u>\$ 180,160</u>
Undistributed earnings for the years of 1997 and before	<u>\$ 310,501</u>
Undistributed earnings for the years of 1998 and thereafter	<u>\$ 9,275,072</u>
Expected IC ratio on distributed earnings for the year of 2009	<u>2.53%</u>
Actual IC ratio of earnings distribution for the year of 2008	<u>4.51%</u>

In the balance of imputation credit account as at December 31, 2009, the income tax payable for 2009 has been taken into account.

As at December 31, 2009, the amount and year of expiration of investment tax credits by Pou Yuen Technology and LNC Technology are as follows:

Expiry Year	Amount
2012	<u>\$ 12,528</u>

As at December 31, 2009, the amount and year of expiration of deductible loss carryforward by Pro Arch International, Windsor Entertainment, Proshine Healthcare, Wang Yi Construction, Right and Great Asia-Pacific, Vistas Design, Pou Chin Development, Dynamic Skyline and Solar Link are as follows:

Expiry Year	Amount
2010	\$ 3,519
2011	959
2013	92,240
2014	115,970
2015	124,770
2016	43,260
2017	24,590
2018	25,380
2019	10,468
2028	<u>72,874</u>
	<u>\$ 514,030</u>

The income tax returns of Pou Chen for the years through 2006 have been examined and approved by the tax authority. The income tax returns of Pou Yuen Technology, Barits Development, Pro Arch International, Global Brands Manufacture, Cheng Cheng, Ming Wang, Pou Shine, Yun Yang, Song Ming, Ming Shun, Windsor Entertainment, Pou Yui, Ming Chi, Wang Yi, LNC Technology and Pan Asia Insurance Services for the years through 2007 have been examined and approved by the tax authority.

From March 2004 to March 2008, the Hong Kong Inland Revenue Department (the "HKIRD") issued protective profits tax assessments, in aggregate, of approximately HK\$1,051,943 thousand (equivalent to approximately US\$135,729 thousand) relating to the years of assessment 1997/1998 to 2001/2002, that is, for the financial years ended September 30, 1997 to 2001, against certain wholly-owned subsidiaries of Yue Yuen Industrial (Holdings) Limited. Yue Yuen Industrial (Holdings) Limited lodged with the HKIRD objections against the protective assessments. The HKIRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing the Tax Reserve Certificate ("TRC") of HK\$314,526,000 (equivalent to approximately US\$40,582,000) for those five years of assessment. These TRC were purchased.

In March 2009, the HKIRD further issued protective profits tax assessments of approximately HK\$236,793 thousand (equivalent to approximately US\$30,553 thousand) relating to the year of assessment 2002/2003, that is for the financial year ended September 30, 2002. Yue Yuen Industrial (Holdings) Limited lodged with HKIRD objections against the protective assessments. The HKIRD agreed to hold over the tax claim subject to the purchasing of TRC of HK\$118,389 thousand (equivalent to approximately US\$15,275 thousand). Yue Yuen Industrial (Holdings) Limited has not purchased the TRC and, in May 2009, has filed an application to High Court for a judicial review of the years of assessment 1997/1998 to 2002/2003. The directors of Yue Yuen Industrial (Holdings) Limited consider that the judicial review is in the best interest of the Group.

The directors of Yue Yuen Industrial (Holdings) Limited believe that no profits tax is in fact payable by Yue Yuen Industrial (Holdings) Limited for these years of assessment or for any other years and no provision for Hong Kong Profits Tax in respect of the protective assessments is considered necessary.

26. EARNINGS PER SHARE

For the years ended December 31, 2009 and 2008, earnings per share before income tax and earnings per share after income tax are as follows:

	2009						
	Amount			Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)		Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	\$ 15,404,184	\$ 14,893,978	\$ 7,026,018	2,790,177	<u>\$ 5.52</u>	<u>\$ 5.34</u>	<u>\$ 2.52</u>
Effect of dilutive potential common shares							
Bonus to employee	-	-	-	9,912			
Employee stock warrants	-	-	-	22,376			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 15,404,184</u>	<u>\$ 14,893,978</u>	<u>\$ 7,026,018</u>	<u>2,822,465</u>	<u>\$ 5.46</u>	<u>\$ 5.28</u>	<u>\$ 2.49</u>
	2008						
	Amount			Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)		Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	\$ 12,108,609	\$ 11,163,267	\$ 5,071,488	2,876,825	<u>\$ 4.21</u>	<u>\$ 3.88</u>	<u>\$ 1.76</u>
Effect of dilutive potential common shares							
Bonus to employee	-	-	-	4,380			
Employee stock warrants	-	-	-	26,638			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 12,108,609</u>	<u>\$ 11,163,267</u>	<u>\$ 5,071,488</u>	<u>2,907,843</u>	<u>\$ 4.16</u>	<u>\$ 3.84</u>	<u>\$ 1.74</u>

If the Company's common shares held by its subsidiaries were not accounted for as treasury stock, the pro-forma earnings per share for the years ended December 31, 2009 and 2008 are as follows:

	2009						
	Amount			Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)		Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	\$ 15,408,960	\$ 14,898,754	\$ 7,030,794	2,800,210	<u>\$ 5.50</u>	<u>\$ 5.32</u>	<u>\$ 2.51</u>
Effect of dilutive potential common shares							
Bonus to employee	-	-	-	9,912			
Employee stock warrants	-	-	-	22,376			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 15,408,960</u>	<u>\$ 14,898,754</u>	<u>\$ 7,030,794</u>	<u>2,832,498</u>	<u>\$ 5.44</u>	<u>\$ 5.26</u>	<u>\$ 2.48</u>
	2008						
	Amount			Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)		Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	\$ 12,117,293	\$ 11,171,951	\$ 5,080,172	2,886,858	<u>\$ 4.20</u>	<u>\$ 3.87</u>	<u>\$ 1.76</u>
Effect of dilutive potential common shares							
Bonus to employee	-	-	-	4,380			
Employee stock warrants	-	-	-	26,638			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 12,117,293</u>	<u>\$ 11,171,951</u>	<u>\$ 5,080,172</u>	<u>2,917,876</u>	<u>\$ 4.15</u>	<u>\$ 3.83</u>	<u>\$ 1.74</u>

27. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The fair value of nonderivative and derivative financial instruments as at December 31, 2009 and 2008 is summarized as follows:

Nondervative Financial Instruments	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$ 47,639,464	\$ 47,639,464	\$ 27,536,547	\$ 27,536,547
Financial assets at fair value through profit of loss, current	522,223	522,223	762,632	762,632
Available-for-sale financial assets, current	8,519,459	8,519,459	5,259,939	5,259,939
Notes and accounts receivable	22,436,828	22,436,828	27,648,451	27,648,451
Accounts receivable from affiliates	945,179	945,179	1,472,203	1,472,203
Other receivables	6,236,861	6,236,861	4,606,608	4,606,608
Investments accounted for by the equity method	32,345,322	32,894,597	31,686,734	25,985,396

(Continued)

Nonderivative Financial Instruments	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Available-for-sale financial assets, noncurrent	\$ 1,085,862	\$ 1,085,863	\$ 532,085	\$ 532,085
Financial assets carried at cost, noncurrent	1,275,782	-	1,789,964	-
Refundable deposits	1,834,589	1,834,589	2,761,707	2,761,707
Liabilities				
Short-term loans	25,410,495	25,410,495	28,883,892	28,883,892
Short-term bills payable	1,779,074	1,779,074	852,539	852,539
Notes and accounts payable	14,282,049	14,282,049	14,319,713	14,319,713
Notes and accounts payable to affiliates	1,230,143	1,230,143	976,703	976,703
Other payables	14,581,896	14,581,896	13,519,401	13,519,401
Current portion of long-term liabilities	11,434,614	11,434,614	14,071,611	14,071,611
Bonds payable	8,120,369	8,120,369	8,379,711	8,379,711
Long-term debt	45,909,621	45,909,621	36,008,075	36,008,075
Guarantee deposits received	5,834	5,834	3,873	3,873
				(Concluded)

Derivative Financial Instruments	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
HKD Call option (financial assets at fair value through profit or loss, current)	\$ 388,567	\$ 388,567	\$ 426,910	\$ 426,910
Forward exchange contracts (financial assets at fair value through profit or loss, current)	46,928	46,928	50,924	50,924
Structured bank deposits (financial assets at fair value through profit or loss, current)	10,775	10,775	-	-
JV Call option (financial assets at fair value through profit or loss, noncurrent)	1,769,719	1,769,719	1,959,600	1,959,600
Euro convertible bonds with options (financial liabilities at fair value through profit or loss, current)	338,070	338,070	1,294,223	1,294,223
Forward exchange contracts (financial liabilities at fair value through profit or loss, current)	23,481	23,481	88,144	88,144
Interest rate swap contracts (hedging financial liabilities, current)	33,310	33,310	25,822	25,822
Interest rate swap contracts (hedging financial liabilities, noncurrent)	95,362	95,362	163,495	163,495

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

- a. The fair value of cash and cash equivalents, notes and accounts receivable, short-term loans, short-term bills payable, notes and accounts payable, refundable deposits, and guarantee deposits receivable, approximates their carrying value due to the short-term maturities of these financial instruments.
- b. The fair values of financial assets at fair value through profit or loss, and available-for-sale financial assets are quoted by market price. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

- c. The fair value of investments accounted for by the equity method are based on their quoted prices in an active market. For those investments with no quoted market prices, their fair values are based on the net price per share in the financial report verified and certified by a certifying accountant issued as at December 31, 2009.
- d. Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- e. The fair value of long-term debt and bond payables is estimated based on the net present value of expected cash flows.

The fair value of financial instruments that used the quoted market price in active market or other method of valuation is summarized as follows:

	Quoted Market Price in Active Market		Other Method of Valuation	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss, current	\$ 522,223	\$ 762,632	\$ 446,270	\$ 477,834
Financial assets at fair value through profit or loss, noncurrent	-	-	1,769,719	1,959,600
Available-for-sale financial assets, current	8,519,459	5,259,939	-	-
Available-for-sale financial assets, noncurrent	1,085,863	532,085	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	361,551	1,382,367
Hedging derivative financial liabilities, current	-	-	33,310	25,822
Hedging derivative financial liabilities, noncurrent	-	-	95,362	163,495

As at December 31, 2009 and 2008, financial liabilities exposed to cash flow interest rate risk were \$83,974,105 thousand and \$71,134,603 thousand, respectively.

The Company recognized an unrealized adjustment of \$3,725,553 thousand and \$(3,880,256) thousand, respectively, in equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2009 and 2008.

Financial Risk Information

a. Market risk

The risk that the Company engaged in portfolios of marketable equity securities and open-ended mutual fund comes from changes of market price. One percentage decline in market rate will cause the fair value of financial instruments to decline by \$221,703 thousand.

b. Credit risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. The risk includes centralization of credit risk, components, contract figure, and its accounts receivable. Besides, the Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

c. Liquidity risk

The Company has the ability to meet its financial obligations; thus, liquidity risks virtually do not exist.

Financial assets at fair value through profit or loss and available-for-sale financial assets of the Company are saleable in active market; thus, they can be quickly and easily sold with price close to fair value.

d. Cash flow interest rate risk

The Company engaged in floating-interest-rate short-term and long-term borrowings. Therefore, cash flows are expected to fluctuate due to changes in market interest rates. One percentage increase in market rate will cause the Company to increase its cash-out by \$839,741 thousand.

e. Reclassifications

On August 29, 2008, the Company reclassified its financial assets in accordance with the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The fair values at the reclassification date were as follows:

	Before Reclassifications	After Reclassifications
Financial assets at fair value through profit or loss - held for trading	\$ 9,200,548	\$ -
Available-for-sale financial assets	<u>-</u>	<u>9,200,548</u>
	<u>\$ 9,200,548</u>	<u>\$ 9,200,548</u>

In view of the Company's intention of not selling the above mentioned financial assets held for trading within a short period of time as a result of the economic instability and deterioration of the world's financial markets that has occurred during 2008, the Company reclassified these held for trading financial assets to available-for-sale financial assets.

The carrying amounts and fair values of the reclassified financial assets as at December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets	\$ 8,519,459	\$ 8,519,459	\$ 5,259,939	\$ 5,259,939

The changes in fair value recognized in profit and loss or shareholders' equity from the reclassification for the years ended December 31, 2009 and 2008 and pro-forma information assuming no reclassifications were made were as follows:

	2009		2008	
	Gain (Losses) Recorded	Pro Forma Gains (Losses)	Gain (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	\$ -	\$ 3,235,950	\$ (25,301)	\$ (3,911,909)

28. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are as follows:

Name	Relationship
CMKC (HK) Limited ("CMKC")	CMK Corporation (the director of CMK Global Brands Manufacture Ltd.) holds a 100.00% ownership interest
Ka Yuen Rubber Factory Limited ("Ka Yuen")	The Company holds a 50.00% ownership interest
Digital Sun Investments Ltd. ("Digital Sun")	The Company holds a 41.67% ownership interest
Twinways Investments Ltd. ("Twinways")	The Company holds a 50.00% ownership interest
Best Focus Holdings Ltd. ("Best Focus")	The Company holds a 50.00% ownership interest
Hua Jian Industrial Holding Co., Ltd. ("Hua Jian")	The Company holds a 50.00% ownership interest
Cohen Enterprises Inc. ("Cohen")	The Company holds a 50.00% ownership interest
Bandwidth Trading Ltd. ("Bandwidth")	Ka Yuen Rubber Factory Limited holds a 50.00% ownership interest
Vietnam Tiong Liong Industrial Co., Ltd. ("Vietnam Tiong Liong")	Pine Wood Industries Limited holds a 37.00% ownership interest
Pine Wood Industries Limited ("Pine Wood")	The Company holds a 37.00% ownership interest
Yuen Thai Industrial Company Limited ("Yuen Thai")	The Company holds a 50.00% ownership interest
Liberty Bell Investments Limited ("Liberty Bell")	The Company holds a 49.00% ownership interest
Oftenrich Holdings Ltd. ("Oftenrich")	The Company holds a 45.00% ownership interest
San Fang Chemical Industry Co., Ltd. ("San Fang")	The Company holds a 44.72% ownership interest
Hubei Jiezhixing Clothing and Accessories Company Limited ("Hubei Jiezhixing")	The Company holds a 50.00% ownership interest
Harbin Shenge Sports Chain Company Limited ("Harbin Shenge")	The Company holds a 45.00% ownership interest
Zhejiang Yichuan Sports Goods Chain Company Limited ("Zhejiang Yichuan")	The Company holds a 50.00% ownership interest
Jilin Lingpao Sports Goods Company Limited ("Jilin Lingpao")	The Company holds a 50.00% ownership interest

(Continued)

Name	Relationship
Shaanxi Jixian Longyue Sports Goods Company Limited("Shaanxi Jixian")	The Company holds a 50.00% ownership interest
Full Pearl International Ltd.("Full Pearl")	The Company holds a 47.90% ownership interest
i-Tech Enterprises Ltd.("i-Tech")	The Company holds a 50.00% ownership interest
Topmost Industries Limited ("Topmost")	The Company holds a 50.00% ownership interest
Din Tsun Holding Co., Ltd. ("Din Tsun")	The Company holds a 50.00% ownership interest
Hebei Zhanxin Sports Development Company Limited ("Hebei Zhanxin")	The Company holds a 45.00% ownership interest
Zhejiang Jinguan Enterprise Development Company Limited ("Zhejiang Jinguan")	The Company holds a 50.00% ownership interest
Willpower Industries Limited ("Willpower")	The Company holds a 40.00% ownership interest
Yuen Foong Yu Paper (Dong Nai)Co., Ltd.("Yuen Foong Yu")	Willpower Industries Limited holds a 44.84% ownership interest
PT KA Yuen Indonesia ("PT KA Yuen")	Ka Yuen Rubber Factory Limited holds a 50.00% ownership interest
Hefei Tengjieau Sports Goods Company Limited ("Hefei Tengjieau")	The Company holds a 50.00% ownership interest
Intelligent Plus Ltd. ("Intelligent Plus")	The Company holds a 45.90% ownership interest (Concluded)

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

Sales

Sales to related parties for the years ended December 31, 2009 and 2008 are summarized as follows:

	2009		2008	
	Amount	Percentage to Net Sales	Amount	Percentage to Net Sales
CMKC	\$ 2,596,493	1	\$ 3,753,040	2
Others	<u>1,903,443</u>	<u>1</u>	<u>1,737,075</u>	<u>1</u>
	<u>\$ 4,499,936</u>	<u>2</u>	<u>\$ 5,490,115</u>	<u>3</u>

Cost of Sales - Purchases

Purchases from related parties for the years ended December 31, 2009 and 2008 are summarized as follows:

	2009		2008	
	Amount	Percentage to Net Purchases	Amount	Percentage to Net Purchases
Ka Yuen	\$ 2,014,817	1	\$ 1,923,108	1
San Fang	1,313,087	1	1,332,125	1
Digital Sun	1,081,492	1	1,436,001	1
Twinways	702,823	-	771,974	-
CMKC	421,590	-	728,884	-
Others	<u>3,154,558</u>	<u>3</u>	<u>4,826,483</u>	<u>4</u>
	<u>\$ 8,688,367</u>	<u>6</u>	<u>\$ 11,018,575</u>	<u>7</u>

Accounts Receivable

Accounts receivable from affiliates as at December 31, 2009 and 2008 are summarized as follows:

	2009		2008	
	Amount	Percentage to Accounts Receivable	Amount	Percentage to Accounts Receivable
CMKC	\$ 601,009	3	\$ 893,095	3
Others	<u>344,170</u>	<u>1</u>	<u>579,108</u>	<u>2</u>
	<u>\$ 945,179</u>	<u>4</u>	<u>\$ 1,472,203</u>	<u>5</u>

Notes and Accounts Payable

Notes and accounts payable to affiliates as at December 31, 2009 and 2008 are summarized as follows:

	2009		2008	
	Amount	Percentage to Notes and Accounts Payable	Amount	Percentage to Notes and Accounts Payable
Notes payable				
San Fang	<u>\$ 58,253</u>	<u>56</u>	<u>\$ 56,296</u>	<u>44</u>
Accounts payable				
Ka Yuen	\$ 414,341	3	\$ 332,192	2
San Fang	194,028	1	34,479	-
Twinways	129,629	1	152,752	1
Digital Sun	126,437	1	61,433	-
Others	<u>307,455</u>	<u>2</u>	<u>339,551</u>	<u>3</u>
	<u>\$ 1,171,890</u>	<u>8</u>	<u>\$ 920,407</u>	<u>6</u>

Credit Guarantees

See Note 30.

Compensation of Directors, Supervisors and Management Personnel

	2009	2008
Salaries	\$ 172,977	\$ 165,801
Incentives	127,805	59,970
Bonus	10,630	20,102
Others	<u>5,376</u>	<u>5,741</u>
	<u>\$ 316,788</u>	<u>\$ 251,614</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2009 and 2008 included the bonuses appropriated from earnings for 2009 and 2008 proposed to or approved by shareholders in their annual meeting is going to hold or held in 2010 and 2009.

29. MORTGAGED PLEDGED ASSETS

	2009	2008
Land for development	<u>\$ 1,802,811</u>	<u>\$ 1,781,570</u>

Under the long-term loan agreement, the above mentioned assets had been mortgaged as collateral.

30. COMMITMENTS AND CONTINGENCIES

Letters of Credit

Outstanding letters of credit as at December 31, 2009 are as follows:

U.S. Dollars	\$4,078,250 (dollars)
Japanese Yen	¥64,034,158 (dollars)
NT Dollars	\$25,735 thousand

Pou Chen has a letter of guarantee for purchasing materials amounted to \$30,000 thousand as at December 31, 2009.

Chuan Yi and CMK Global Brands Manufacture Ltd. have signed construction contracts amounted to \$348,036 thousand and \$42,475 thousand, respectively. As of December 31, 2009, Chuan Yi and CMK Global Brands Manufacture Ltd. had paid \$54,123 thousand and \$28,309 thousand, respectively.

Lease agreements of land, factories and dormitories which Chuan Yi Computer (Shenzhen) Co., Ltd. has signed will expire between 2009 and 2024. Chuan Yi Computer (Shenzhen) Co., Ltd. will be able to renew the contracts as contracts expire. As of December 31, 2009, future lease payments were as follows:

	Amount	Present Value
2009	\$ 36,524	\$ -
2010	62,952	-
2011	167,885	-
2012	63,564	-
2013	59,589	-
2014 to 2018	273,894	169,184
2019 to 2023	110,929	48,098
After 2024	<u>6,924</u>	<u>2,321</u>
	<u>\$ 782,261</u>	<u>\$ 219,603</u>

On October 19, 2009, Global Brands Manufacture's board of directors decided to increase investment of US\$32,576 thousand in its subsidiary's - Up First Investments Ltd., in which US\$12,576 thousand was used to purchase Digital Sun Investments Ltd. 58.33% ownership from related party - Keyplus Investments Ltd. As at December 31, 2009, Global Brand Manufacture has not completed this transaction.

On December 25, 2009, Global Brand Manufacture's board of directors decided to increase investment of US\$7,326 thousand in its subsidiary's - Up First Investments Ltd., in which US\$2,326 thousand was used to purchase Effort Growth Developments Ltd. 100% ownership from related party - Keyplus Investments Ltd. As at December 31, 2009, Global Brand Manufacture has not completed this transaction.

As at December 31, 2009, the Company has guaranteed the payments of credit of related parties amounted to \$42,972,631 thousand as follows:

Related Parties	Amount
Wealthplus	\$ 11,468,415
Barits Development	6,746,560
Pou Shine	1,050,000
Pou Yuen Technology	1,502,368
Ming Wang	650,000
Pro Arch International	528,000
Ming Chi	211,000
Pou Yii	400,000
Tetor Ventures	612,289
Digital Decade	6,250,846
Maple Stare	1,166,355
Vantage	41,587
Mindtech	447,860
LNC Technology	57,243
Windsor Entertainment	100,000
Pou Yu Biotechnology Co., Ltd.	5,525
Best Focus	291,054
Hua Jian	905,501
Cohen	695,295
Ka Yuen	62,191
Bandwidth	40,424
Yuen Thai	373,146
i-Tech	16,170
Topmost	16,170
Vietnam Tiong Liong	24,529
Oftenrich	385,647
Pine Wood	114,643
Liberty Bell	253,540
Yuen Foong Yu	129,357
Hubei Jiezhixing	306,346
Harbin Shenge	254,503
Zhejiang Yichuan	357,619
Hebei Zhanxin	127,251
Jilin Lingpao	120,984
Shaanxi Jixian Longyue	70,695
PT Ka Yuen	32,339
Din Tsun	16,170
Full Pearl	77,453
Intelligent Plus	47,862
Hefei Tengjieau	94,100
Pou Chin Development	835,452
Up First	1,383,955
Dynamic Skyline	1,219,770
Kunshan Yuangsong	811,062
Chuan Yi	1,126,475
Solar Link	482,775
Dong Guan Xiangcheng	643,700
Centralian	257,480
Always Up Investments	<u>160,925</u>
	<u>\$ 42,972,631</u>

31. SUBSEQUENT EVENTS

On March 16, 2010, Pou Chen's board of directors decided to dispose common shares of Global Brands Manufacture Ltd. held by the Company and its subsidiaries', - Pou Shine Investments Co., Ltd., Barits Development Corporation and Pou Yuen Technology Co., Ltd., etc. On March 24, 2010, the Pou Chen's 147,589 thousand shares, Pou Shine Investments Co., Ltd's. 13,167 thousand shares, Barits Development Corporation's 2,900 thousand shares and Pou Yuen Technology Co., Ltd.'s 2,844 thousand shares were sold by \$28.75 per share. The disposal gain was \$333,931 thousand approximately.