

Pou Chen Corporation

**Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pou Chen Corporation

We have audited the accompanying balance sheets of Pou Chen Corporation (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its 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.

We have also audited the consolidated financial statements of the Company and its subsidiaries for the years ended December 31, 2010 and 2009 (not being accompanied herein) on which we have issued our reports with an unqualified opinion, respectively, thereon dated March 25, 2011.

March 25, 2011

Notice to Readers

The accompanying financial statements are intended only to present the 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 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 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 financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

POU CHEN CORPORATION

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 332,699	1	\$ 613,704	1	Short-term loans (Note 15)	\$ 3,839,000	5	\$ 4,441,000	6
Available-for-sale financial assets, current (Notes 2 and 5)	3,580,839	5	2,949,928	4	Notes payable	38,354	-	37,572	-
Notes receivable (Notes 2 and 6)	2,023	-	2,670	-	Notes payable to affiliates (Note 29)	48,791	-	58,253	-
Notes receivable from affiliates (Notes 2, 6 and 29)	5,771	-	-	-	Accounts payable	1,666,492	2	1,123,012	2
Accounts receivable (Notes 2 and 7)	94,507	-	67,099	-	Accounts payable to affiliates (Note 29)	203,443	-	177,579	1
Accounts receivable from affiliates (Notes 2, 7 and 29)	1,766,235	2	1,567,142	2	Income tax payable (Notes 2 and 25)	431,291	1	55,788	-
Other receivables	248,229	-	250,108	1	Hedging derivative liabilities, current (Notes 2 and 27)	20,017	-	33,310	-
Inventories (Notes 2 and 8)	313,971	1	174,777	-	Other payables (Note 16)	640,657	1	867,817	1
Other current assets	43,110	-	62,499	-	Current portion of long-term liabilities (Note 17)	1,750,000	3	-	-
Total current assets	<u>6,387,384</u>	<u>9</u>	<u>5,687,927</u>	<u>8</u>	Deferred income tax liabilities, current (Notes 2 and 25)	449,890	1	-	-
					Other current liabilities	25,166	-	22,252	-
					Total current liabilities	<u>9,113,101</u>	<u>13</u>	<u>6,816,583</u>	<u>10</u>
FUNDS AND LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Investments accounted for by the equity method (Notes 2 and 9)	60,272,544	82	58,838,850	82	Long-term debt (Note 17)	10,375,000	14	12,125,000	17
Investments in real estate (Notes 2 and 10)	187,371	-	187,371	1	Hedging derivative liabilities, noncurrent (Notes 2 and 27)	52,502	-	95,361	-
Available-for-sale financial assets, noncurrent (Notes 2 and 11)	9	-	-	-	Total long-term liabilities	<u>10,427,502</u>	<u>14</u>	<u>12,220,361</u>	<u>17</u>
Financial assets carried at cost, noncurrent (Notes 2 and 12)	-	-	-	-	RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)	<u>86,547</u>	<u>-</u>	<u>86,547</u>	<u>-</u>
Total funds and long-term investments	<u>60,459,924</u>	<u>82</u>	<u>59,026,221</u>	<u>83</u>	OTHER LIABILITIES				
					Accrued pension cost (Notes 2 and 18)	694,613	1	645,274	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 13)					Guarantee deposits received	3,452	-	2,288	-
Cost	5,442,993	8	5,381,340	8	Others (Notes 2 and 19)	33,904	-	100,935	-
Revaluation increment	279,008	-	279,008	-	Total other liabilities	<u>731,969</u>	<u>1</u>	<u>748,497</u>	<u>1</u>
	5,722,001	8	5,660,348	8	Total liabilities	<u>20,359,119</u>	<u>28</u>	<u>19,871,988</u>	<u>28</u>
Less accumulated depreciation	(2,109,364)	(3)	(1,919,833)	(3)	STOCKHOLDERS' EQUITY				
Prepayments for equipment	9	-	406	-	Capital stock (Note 20)	28,997,559	39	28,430,847	40
Property, plant and equipment	<u>3,612,646</u>	<u>5</u>	<u>3,740,921</u>	<u>5</u>	Capital surplus (Note 2)	8,063,112	11	7,453,437	10
					Retained earnings (Note 22)	20,569,705	28	17,433,768	24
OTHER ASSETS (Notes 2 and 14)	<u>3,004,334</u>	<u>4</u>	<u>3,095,187</u>	<u>4</u>	Cumulative translation adjustments (Note 2)	(4,563,813)	(6)	(127,367)	-
					Net loss not recognized as pension cost (Notes 2 and 18)	(57,341)	-	(40,706)	-
					Unrealized gain (loss) on financial instruments (Note 2)	1,202,722	2	(364,936)	-
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock (Notes 2 and 23)	(1,241,416)	(2)	(1,241,416)	(2)
					Total stockholders' equity	<u>53,105,169</u>	<u>72</u>	<u>51,678,268</u>	<u>72</u>
TOTAL	<u>\$ 73,464,288</u>	<u>100</u>	<u>\$ 71,550,256</u>	<u>100</u>	TOTAL	<u>\$ 73,464,288</u>	<u>100</u>	<u>\$ 71,550,256</u>	<u>100</u>

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

POU CHEN CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED (Notes 2 and 29)	\$ 14,045,133	100	\$ 10,903,599	100
LESS SALES RETURNS AND ALLOWANCES	<u>(14,854)</u>	<u>-</u>	<u>(14,975)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	14,030,279	100	10,888,624	100
COST OF GOODS SOLD (Note 29)	<u>10,836,277</u>	<u>77</u>	<u>8,214,995</u>	<u>75</u>
GROSS PROFIT	3,194,002	23	2,673,629	25
UNREALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS (Note 2)	<u>(2,413)</u>	<u>-</u>	<u>(807)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>3,191,589</u>	<u>23</u>	<u>2,672,822</u>	<u>25</u>
OPERATING EXPENSES				
Selling expenses	144,449	1	137,753	1
General and administrative expenses	1,650,567	12	1,544,085	14
Research and development expenses	<u>830,719</u>	<u>6</u>	<u>853,689</u>	<u>8</u>
Total operating expenses	<u>2,625,735</u>	<u>19</u>	<u>2,535,527</u>	<u>23</u>
INCOME FROM OPERATIONS	<u>565,854</u>	<u>4</u>	<u>137,295</u>	<u>2</u>
NON-OPERATING INCOME				
Interest income	232	-	5,525	-
Investment income recognized under equity method (Note 9)	8,041,447	57	7,011,220	64
Dividend income	158,930	1	39,938	-
Gain on disposal of property, plant and equipment	2,079	-	1,182	-
Gain on disposal of investments (Note 9)	302,503	2	3,583	-
Rental income (Note 29)	166,281	1	169,237	2
Others	<u>92,999</u>	<u>1</u>	<u>192,921</u>	<u>2</u>
Total non-operating income	<u>8,764,471</u>	<u>62</u>	<u>7,423,606</u>	<u>68</u>
NON-OPERATING EXPENSES				
Interest expense	225,032	2	316,263	3
Loss on disposal of property, plant and equipment	215	-	2,907	-
Foreign exchange loss, net	197,429	1	61,345	-
Others	<u>68,625</u>	<u>-</u>	<u>64,368</u>	<u>1</u>
Total non-operating expenses	<u>491,301</u>	<u>3</u>	<u>444,883</u>	<u>4</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 8,839,024	63	\$ 7,116,018	66
INCOME TAX EXPENSE (Notes 2 and 25)	<u>(943,410)</u>	<u>(7)</u>	<u>(90,000)</u>	<u>(1)</u>
NET INCOME	<u>\$ 7,895,614</u>	<u>56</u>	<u>\$ 7,026,018</u>	<u>65</u>

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 26)	<u>\$ 3.11</u>	<u>\$ 2.77</u>	<u>\$ 2.50</u>	<u>\$ 2.47</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 26)	<u>\$ 3.05</u>	<u>\$ 2.72</u>	<u>\$ 2.47</u>	<u>\$ 2.44</u>

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

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME		<u>\$ 7,910,661</u>		<u>\$ 7,030,794</u>

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 26)	<u>\$ 3.10</u>	<u>\$ 2.77</u>	<u>\$ 2.49</u>	<u>\$ 2.46</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 26)	<u>\$ 3.04</u>	<u>\$ 2.72</u>	<u>\$ 2.47</u>	<u>\$ 2.43</u>

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

(Concluded)

POU CHEN CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)**

	Capital Surplus					Retained Earnings			Other Equity					Total
	Capital Stock	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	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	
BALANCE, JANUARY 1, 2009	\$ 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)	\$ 43,620,101
Appropriation of 2008 earnings (Note 22)														
Legal reserve	-	-	-	-	-	498,719	-	(498,719)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	2,489,480	(2,489,480)	-	-	-	-	-	-
Stock dividends	1,331,134	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	(1,331,134)
Transfer of employee bonuses to common stock	41,049	29,309	-	-	-	-	-	-	-	-	-	-	-	70,358
Effect of changes of ownership interest in investees	-	-	-	-	344,220	-	-	-	-	-	-	-	-	344,220
Investee's unappropriated earnings	-	-	-	-	-	-	-	(4,778)	-	-	-	-	-	(4,778)
Cash dividends received by subsidiaries	-	-	-	4,776	-	-	-	-	-	-	-	-	-	4,776
Unrealized gain on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	60,645	-	-	60,645
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,128,090	-	-	1,128,090
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(40,706)	-	-	-	(40,706)
Execution of employee stock warrants (Note 21)	3,609	-	-	-	-	-	-	-	-	-	-	-	-	3,609
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	(1,544,226)	-	-	-	-	(1,544,226)
Investee's unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	2,597,463	-	-	2,597,463
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	-
Net income for 2009	-	-	-	-	-	-	-	7,026,018	-	-	-	-	-	7,026,018
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)	51,678,268
Appropriation of 2009 earnings (Note 22)														
Legal reserve	-	-	-	-	-	702,124	-	(702,124)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(2,201,265)	2,201,265	-	-	-	-	-	-
Stock dividends	559,962	-	-	-	-	-	-	(559,962)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(4,199,715)	-	-	-	-	-	(4,199,715)
Effect of changes of ownership interest in investees	-	-	-	-	594,628	-	-	-	-	-	-	-	-	594,628
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(16,635)	-	-	-	(16,635)
Cash dividends received by subsidiaries	-	-	-	15,047	-	-	-	-	-	-	-	-	-	15,047
Unrealized gain on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	56,153	-	-	56,153
Investee's unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	880,595	-	-	880,595
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	630,910	-	-	630,910
Execution of employee stock warrants (Note 21)	6,750	-	-	-	-	-	-	-	-	-	-	-	-	6,750
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	(4,436,446)	-	-	-	-	(4,436,446)
Net income for 2010	-	-	-	-	-	-	-	7,895,614	-	-	-	-	-	7,895,614
BALANCE, DECEMBER 31, 2010	\$ 28,997,559	\$ 812,890	\$ 1,447,492	\$ 1,453,564	\$ 4,349,166	\$ 5,950,686	\$ 398,368	\$ 14,220,651	\$ (4,563,813)	\$ (57,341)	\$ 1,202,722	\$ 134,641	\$ (1,241,416)	\$ 53,105,169

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

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,895,614	\$ 7,026,018
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	318,204	325,678
Gain on disposal of investments	(302,503)	(3,583)
(Reversal of) provision for doubtful accounts	(803)	1,907
Investment income recognized under equity method	(8,041,447)	(7,011,220)
Cash dividends received from investees under equity method	119,828	1,221,766
Unrealized gross profit from inter-affiliate transactions	2,413	807
Net (gain) loss on disposal of property, plant and equipment	(1,864)	1,725
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	830	103,582
Notes receivable	647	34,357
Notes receivable from affiliates	(5,771)	2,527
Accounts receivable	(26,605)	96,089
Accounts receivable from affiliates	(199,093)	(461,475)
Other receivables	1,879	204,111
Inventories	(139,194)	(25,973)
Deferred income tax asset, current	32,500	9,440
Other current assets	(17,826)	10,595
Deferred income tax asset, noncurrent	14,430	26,480
Income tax prepayment	(1,978)	-
Notes payable	782	1,527
Notes payable to affiliates	(9,462)	1,957
Accounts payable	543,480	474,691
Accounts payable to affiliates	25,864	54,822
Income tax payable	375,503	55,275
Other payables	(232,806)	216,997
Deferred income tax liabilities, current	449,890	-
Other current liabilities	2,914	(2,420)
Accrued pension cost	32,704	27,321
Net cash provided by operating activities	<u>838,130</u>	<u>2,393,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for by the equity method	(500,405)	(242,510)
Proceeds from disposal of investments accounted for by the equity method	4,224,408	-
Proceeds from of reduction of capital from investments accounted for by the equity method	50,000	120,000
Increase in investment in real estate	-	(187,371)
Acquisition of property, plant and equipment	(95,832)	(44,999)
Acquisition of leased assets	(399)	(153)

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POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Proceeds from disposal of property, plant and equipment	\$ 4,694	\$ 3,785
Proceeds from disposal of land and buildings for sale	119	-
Decrease in refundable deposits	962	292
Increase in deferred charges	<u>(8,881)</u>	<u>(52,794)</u>
Net cash provided by (used in) investing activities	<u>3,674,666</u>	<u>(403,750)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(602,000)	881,000
Decrease in long-term debt	-	(3,875,000)
Increase in guarantee deposits received	1,164	-
Execution of employee stock warrants	6,750	3,609
Cash dividends	(4,199,715)	(1,331,134)
Cash paid for acquisition of treasury stock	<u>-</u>	<u>(256,168)</u>
Net cash used in financing activities	<u>(4,793,801)</u>	<u>(4,577,693)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(281,005)	(2,588,442)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>613,704</u>	<u>3,202,146</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 332,699</u>	<u>\$ 613,704</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest (excluding interest capitalized)	<u>\$ 236,571</u>	<u>\$ 343,050</u>
Income tax	<u>\$ 73,536</u>	<u>\$ 561</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain on cash flow hedge financial liabilities	<u>\$ 56,153</u>	<u>\$ 60,645</u>
Unrealized gain on available-for-sale financial assets	<u>\$ 630,910</u>	<u>\$ 1,128,090</u>
Investee's unrealized gain on available-for-sale financial assets	<u>\$ 880,595</u>	<u>\$ 2,597,463</u>
Effect of changes in ownership interest in investees	<u>\$ 594,628</u>	<u>\$ 344,220</u>
Investee's unappropriated earnings	<u>\$ -</u>	<u>\$ (4,778)</u>
Cash dividend received by subsidiaries	<u>\$ 15,047</u>	<u>\$ 4,776</u>
Current portion of long-term liabilities	<u>\$ 1,750,000</u>	<u>\$ -</u>
Translation adjustments on foreign long-term equity investments	<u>\$ (4,436,446)</u>	<u>\$ (1,544,226)</u>
Retirement of treasury stock	<u>\$ -</u>	<u>\$ 514,392</u>
Property, plant and equipment was transferred from leased assets	<u>\$ 322</u>	<u>\$ -</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH PAID DURING THE YEAR FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Fair value of property, plant and equipment acquired	\$ 101,478	\$ 45,775
Add payables for acquisition of property, plant and equipment at beginning of year	5,682	4,906
Less payables for acquisition of property, plant and equipment at end of year	<u>(11,328)</u>	<u>(5,682)</u>
Cash paid during the year for acquisition of property, plant and equipment	<u>\$ 95,832</u>	<u>\$ 44,999</u>

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

(Concluded)

POU CHEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

Pou Chen Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in September 1969. The Company is located in Changhwa County, Taiwan, and currently has three factories and nine trade departments. The Company’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. The Company also invests significantly in shoes and electronic industries to diversify its business operation. As a result, investment income has become the Company’s major source of revenue.

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, a subsidiary of Yue Yuen, has listed on Hong Kong Exchange and Clearing Limited.

In January 1990, the Company started to trade its stocks on the Taiwan Stock Exchange.

As at December 31, 2010 and 2009, there were 3,000 and 2,971 employees of the Company, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC. Under these guidelines, law 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, income tax, pension expense, and the provision for bonuses to employees and supervisors, etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying 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 financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value plus transaction costs. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. 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.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

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 Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined 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 the same with those of financial assets at FVTPL.

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

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

Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process and merchandise, and 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.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

If an adjustment resulted from the changes in unrealized gain (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 investee over which the Company has significant influence 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.

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.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Property, Plant, Equipment and Leased Asset

Property, plant and equipment and leased assets are stated at cost plus revaluation increment, less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to the related assets are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on the straight-line basis over the following estimated useful lives of the related assets:

Items	Estimated Useful Lives
Buildings and improvements	15-55 years
Machinery and equipment	5-7 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	3-5 years
Other equipment	5 years

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of the assets are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Deferred Charges

Deferred charges are amortized on a straight-line basis over their estimated useful lives. 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.

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 the statement, 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

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

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

Deferred Credits

Deferred credits represent those unrealized profit resulting from transactions between the Company and its affiliated companies accounted for under the equity method.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders’ equity.

The Company accounts for its stock held by subsidiaries as treasury stock. The recorded cost of the stock is based on its carrying amount as of January 1, 2002.

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 income 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 income tax assets and liabilities.

If the Company can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred income tax liability or asset is not recognized. However, deferred income tax liability is recognized, if the overseas subsidiary plan to distribute their earnings.

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign Currency Transactions

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

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Shareholders' equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of. 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.

Revenue Recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. 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.

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 employee stock options from the date of issuance, and adopt the treasury stock method to calculate the stock warrants' dilutive potential common shares. However, if the employee stock options contain an anti-dilutive effect, they will be excluded from the calculation.

Hedging Derivative Financial Instruments

Financial instruments held for hedging are evaluated at fair value and changes in fair value shall be recognized in profit or loss or recognized as adjustments to stockholders' equity.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2010.

3. REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

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 financial statements for the year ended December 31, 2009.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Cash on hand	\$ 1,840	\$ 1,802
Checking accounts	74	3,819
Savings accounts	179,062	111,962
Foreign-currency savings deposit	<u>151,723</u>	<u>496,121</u>
	<u>\$ 332,699</u>	<u>\$ 613,704</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>			<u>2009</u>	
	Original Cost	Carrying Value	Percentage of Ownership	Carrying Value	Percentage of Ownership
Marketable equity securities					
Taiwan Paiho Limited	\$ 10,381	\$ 19,011	0.20	\$ 14,791	0.20
Mega Financial Holding Company	<u>3,165,188</u>	<u>3,561,828</u>	1.43	<u>2,935,137</u>	1.43
	<u>\$ 3,175,569</u>	<u>\$ 3,580,839</u>		<u>\$ 2,949,928</u>	

6. NOTES RECEIVABLE

Notes receivable as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Notes receivable	\$ 2,023	\$ 2,670
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>2,023</u>	<u>2,670</u>
Notes receivable from affiliates (Note 29)	5,771	-
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>5,771</u>	<u>-</u>
	<u>\$ 7,794</u>	<u>\$ 2,670</u>

7. ACCOUNTS RECEIVABLE

Accounts receivable as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Accounts receivable	\$ 96,893	\$ 70,950
Less allowance for doubtful accounts	<u>(2,386)</u>	<u>(3,851)</u>
	<u>94,507</u>	<u>67,099</u>
Accounts receivable from affiliates (Note 29)	1,766,235	1,567,142
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>1,766,235</u>	<u>1,567,142</u>
	<u><u>\$ 1,860,742</u></u>	<u><u>\$ 1,634,241</u></u>

8. INVENTORIES

Inventories as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Raw materials	\$ 197,537	\$ 111,299
Supplies	1,452	3,795
Work-in-process	11,538	9,860
Finished goods	96,520	46,716
Merchandise	<u>6,924</u>	<u>3,107</u>
	<u><u>\$ 313,971</u></u>	<u><u>\$ 174,777</u></u>

As of December 31, 2010 and 2009, the allowance for inventory devaluation was \$27,000 thousand and \$35,000 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2010 and 2009 was \$10,836,277 thousand and \$8,214,995 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2010 and 2009 both included the gain of \$8,000 thousand, which was due to the reversal of write-downs of inventories.

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as at December 31, 2010 and 2009 consisted of the following:

	2010			2009	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Wealthplus	\$ 295,429	\$ 46,086,533	100.00	\$ 42,508,167	100.00
Win Fortune	3,230	1,137,052	100.00	1,125,637	100.00
Ming Wang	427,291	932,103	100.00	709,718	100.00
Windsor Entertainment	500,000	90,458	100.00	99,042	100.00
Pou Shine	195,000	1,136,410	100.00	887,560	100.00

(Continued)

	2010			2009	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Pan Asia Insurance Services	\$ 3,000	\$ 4,554	100.00	\$ 4,112	100.00
Proshine Healthcare	110,000	42,274	100.00	142,005	100.00
Vistas Design	4,708	7,972	100.00	5,505	100.00
Barits Development	1,836,345	5,571,347	99.47	4,732,268	99.47
Pou Yuen Technology	962,719	121,447	97.41	81,382	97.40
Pro Arch International	2,443,485	162,219	96.32	250,363	96.32
Yun Yang	98,413	123,463	91.15	134,605	91.15
LNC Technology	512,470	491,863	85.41	467,802	85.41
Right and Great Asia-Pacific	420,000	401,060	70.00	416,045	70.00
Techview International	380,115	-	30.00	-	30.02
Ruen Chen	500,000	491,868	20.00	-	-
Pou Yii	40,320	96,781	15.00	71,375	15.00
Elitegroup Computer	4,618,697	3,367,915	12.12	3,531,806	12.12
Wang Yi	7,700	7,225	7.82	5,535	7.32
Global Brands Manufacture	-	-	-	3,665,923	35.53
	<u>\$ 13,358,922</u>	<u>\$ 60,272,544</u>		<u>\$ 58,838,850</u>	

(Concluded)

The Company's investment income (loss) recognized under equity method for the years ended December 31, 2010 and 2009 are summarized as follows:

	2010	2009
Wealthplus	\$ 7,404,396	\$ 6,533,677
Win Fortune	145,818	135,080
Ming Wang	45,299	4,382
Windsor Entertainment	(8,584)	(48,645)
Pou Shine	52,206	40,077
Pan Asia Insurance Services	750	342
Proshine Healthcare	(49,664)	306
Vistas Design	2,467	2,252
Barits Development	449,175	204,528
Pou Yuen Technology	(19,337)	(42,430)
Pro Arch International	(91,451)	(54,587)
Yun Yang	2,435	8,187
LNC Technology	28,112	7,008
Right and Great Asia-Pacific	(14,985)	(1,701)
Techview International	45,621	(167,843)
Ruen Chen	(8,132)	-
Pou Yii	5,619	1,659
Elitegroup Computer	20,940	98,447
Wang Yi	1,411	808
Global Brands Manufacture	<u>29,351</u>	<u>289,673</u>
	<u>\$ 8,041,447</u>	<u>\$ 7,011,220</u>

Wealthplus Holdings Limited ("Wealthplus") and Win Fortune Investments Limited ("Win Fortune"), 100%-owned subsidiaries of the Company, were incorporated in the British Virgin Islands. These two companies primarily invest in companies which are engaged in the manufacturing and sales of sports-footwear. Originally, Wealthplus and Win Fortune had their accounting year from October 1 of the preceding year to September 30 of the year. The two company had changed its accounting year to fiscal year in 2010. In 2010, the Company recognized investment income for the two companies from October 1, 2009 to December 31, 2010, accordingly.

The Company accounted for its investment income recognized under equity method for Wealthplus and Win Fortune in 2010 are summarized as follows:

	October 1, 2009 to September 30, 2010	October 1, 2010 to December 31, 2010	Total
Wealthplus	\$ 7,586,875	\$ (182,479)	\$ 7,404,396
Win Fortune	<u>146,913</u>	<u>(1,095)</u>	<u>145,818</u>
	<u>\$ 7,733,788</u>	<u>\$ (183,574)</u>	<u>\$ 7,550,214</u>

The primary income of Wealthplus and Win Fortune is the investment income recognized under equity method from Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”), a Hong Kong listed company. Yue Yuen has its accounting year from October 1 of the preceding year to September 30 of the year. The Company effectively holds 49.98% ownership in Yue Yuen through Wealthplus and Win Fortune. Therefore, Wealthplus and Win Fortune accounted for its investment income recognized under equity method from Yue Yuen based on the information of the period from October 1, 2009 to September 30, 2010 and October 1, 2008 to September 30, 2009, respectively.

The primary income of Wealthplus and Win Fortune in 2010 and 2009 are summarized as follows:

	<u>Wealthplus</u>		<u>Win Fortune</u>	
	2010	2009	2010	2009
Equity in earnings of Yue Yuen	\$ 7,346,749	\$ 7,552,121	\$ 144,643	\$ 145,571
Equity in earnings of other overseas investees	184,011	(768,312)	-	-
Others	<u>(126,364)</u>	<u>(250,132)</u>	<u>1,175</u>	<u>(10,491)</u>
	<u>\$ 7,404,396</u>	<u>\$ 6,533,677</u>	<u>\$ 145,818</u>	<u>\$ 135,080</u>

Ming Wang Investments Co., Ltd. (“Ming Wang”) was established in September 1996, with an outstanding common stock of \$681,192 thousand at December 31, 2010, and is primarily engaged in investing activities.

Windsor Entertainment Co., Ltd. (“Windsor Entertainment”) was established in July 2003, and is engaged in entertainment and resort operation. As at December 31, 2010, Windsor Entertainment has an outstanding common stock of \$210,000 thousand.

Pou Shine Investments Co., Ltd. (“Pou Shine”) was established in March 1990, with an outstanding common stock of \$709,594 thousand at December 31, 2010, and is primarily engaged in investing activities.

Pan Asia Insurance Services Co., Ltd. (“Pan Asia Insurance Services”) was established in May 1999, with an outstanding capital of \$3,000 thousand at December 31, 2010, and is primarily engaged in agency of property and casualty insurance.

Proshine Healthcare Co., Ltd. (“Proshine Healthcare”) was established in November 2007. Proshine Healthcare’s board of directors decided to decrease and return its capital, amounted \$120,000 thousand and \$50,000 thousand in August 2009 and October 2010, respectively. As at December 31, 2010, Proshine Healthcare has on outstanding common stock of \$110,000 thousand. It is primarily engaged in sale of medical devices.

Vistas Design Co., Ltd. (“Vistas Design”) was established in June 2008, with an outstanding common stock of \$5,000 thousand at December 31, 2010, and primarily engaged in interior decorating and design services, and consulting in artistry. In July 2009, the Company purchased 175 thousand shares for \$1,458 thousand from non-related parties. Accordingly, the Company’s ownership was increased from 65.00% to 100.00%.

Barits Development Corporation (“Barits Development”) was established in November 1985, with an outstanding common stock of \$1,528,727 thousand at December 31, 2010, and is primarily engaged in leather manufacturing and investing activities.

Pou Yuen Technology Co., Ltd. (“Pou Yuen Technology”) was established in December 1993, with an outstanding common stock of \$900,000 thousand at December 31, 2010. It is primarily engaged in tooling design software and information technology software service. In April 2010, the Company purchased 2 thousand shares for \$20 thousand from non-related parties.

Pro Arch International Development Enterprise Inc. (“Pro Arch International”) formerly known as Pro Arch Technology Inc., was established in June 1999. It is primarily engaged in real estate development business. In September 2009, Pro Arch International decided to rename as Pro Arch International Development Enterprise Inc. 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 at a price of \$10.00 per share, of which 24,102 thousand share for \$241,012 thousand, was subscribed by the Company. Accordingly, the Company’s ownership was increased from 96.01% to 96.32%. Pro Arch International decreased its capital to offset its accumulated deficit by \$56,415 thousand in June 2010, with an outstanding common stock of 257,004 thousand at December 31, 2010.

Yun Yang Investments Co., Ltd. (“Yun Yang”) was established in April 1997, with an outstanding common stock of \$92,792 thousand at December 31, 2010, and is primarily engaged in investing activities.

LNC Technology Co., Ltd. (“LNC Technology”) was established in August 2007, with an outstanding common stock of \$600,000 thousand at December 31, 2010, and is primarily engaged in manufacturing and sale of precision instruments and computer numerical controlled machine. In January 2009, the Company purchased 4 thousand shares for \$40 thousand from non-related parties.

The Right and Great Asia-Pacific Realty Development Co., Ltd. (“Right and Great Asia-Pacific”) was established in March 2008, with an outstanding common stock of \$600,000 thousand at December 31, 2010, and is primarily engaged in real estate development and investing activities.

Techview International Technology Inc. (“Techview International”) was established in November 2003, and is primarily engaged in development, sale and assembly of TFT-LCD display.

Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”) was established in November 2010, with an outstanding common stock of \$2,500,000 thousand at December 31, 2010, and is primarily engaged in investing activities. The Company is one of the original stockholders by investing \$500,000 thousand. As at December 31, the Company’s ownership was 20%.

Pou Yii Development Co., Ltd. (“Pou Yii”) was established in October 1996, with an outstanding common stock of \$525,000 thousand at December 31, 2010, and is primarily engaged in constructing buildings, selling and renting apartments, real estate investment analysis and consulting services.

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, 2010.

Wang Yi Construction Co., Ltd. (“Wang Yi”) was established in May 1984, with an outstanding common stock of \$77,000 thousand at December 31, 2010, and is primarily engaged in management of and investment in construction projects. In May 2010, the Company purchased 38.5 thousand shares for \$385 thousand from non-related parties.

Global Brands Manufacture Ltd. (“Global Brands Manufacture”) is engaged in manufacturing and selling of printed circuit boards. The shares of Global Brands Manufacture are listed on the Taiwan Stock Exchange Corporation. On March 24, 2010, the Company auctioned \$147,589 thousand at \$28.75 per share, total amounted to \$4,224,408 thousand with \$301,673 thousand profit, recognized as gain on disposal of investments. Moreover, Pou Shine, Barits Development and Pou Yuen Technology, the subsidiaries of the Company also sold 13,167 thousand shares, 2,900 thousand shares and 2,844 thousand shares, respectively, added the sold shares by the Company, total 40% ownership was sold. The Company lost controlling power and significant influence over Global Brands Manufacture after the transaction, and ceased accounted for by the equity method on March 24, 2010. The Company reclassified unsold shares to available-for-sale financial asset, noncurrent, based on the book value on the trading day. Please see Note 10 to the financial statements for the further information.

10. INVESTMENT IN REAL ESTATE

	2010	2009
Land	<u>\$ 187,371</u>	<u>\$ 187,371</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, amounted to \$187,309 thousand, is based on the amount Barits Development paid plus cost of capital. Please see Note 29 to the financial statements for the relevant information.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

Available-for-sale financial assets, noncurrent as at December 31, 2010 and 2009 consisted of the follows:

	2010	2009
Marketable equity securities	<u>\$ 9</u>	<u>\$ -</u>

12. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

Financial assets carried at cost, noncurrent as at December 31, 2010 and 2009 consisted of the follows:

	2010	2009
DTE Technology Corp.	<u>\$ -</u>	<u>\$ -</u>

The stocks mentioned above do not have public offering price and reliable fair values, thus they are carried at cost. Due to the operation loss of DTE Technology Corp., the Company had assessed the unrecoverable amount of investment cost, and recognized its impairment loss \$50,000 thousand equal to the carrying amount.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, 2010 and 2009 consist of the following:

	2010			2009	
	Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 976,670	\$ 238,754	\$ -	\$ 1,215,424	\$ 1,215,424
Buildings and improvements	3,268,205	40,254	1,183,978	2,124,481	2,234,210
Machinery equipment	533,926	-	401,901	132,025	138,643
Transportation equipment	222,298	-	166,412	55,886	45,467
Furniture, fixtures and office equipment	359,556	-	292,512	67,044	81,522
Other equipment	82,338	-	64,561	17,777	25,249
Prepayments for equipment	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>406</u>
	<u>\$ 5,443,002</u>	<u>\$ 279,008</u>	<u>\$ 2,109,364</u>	<u>\$ 3,612,646</u>	<u>\$ 3,740,921</u>

The Company 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, the Company 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 before capitalization for the year ended December 31, 2009 amounted to \$316,272 thousand. Interest costs capitalized as part of the costs of property, plant and equipment for the year ended December 31, 2009 amounted to \$9 thousand. The rate of capitalized interest for the year was 2.29%.

14. OTHER ASSETS

Other assets as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Leased assets		
Cost and revaluation increment	\$ 3,146,331	\$ 3,146,282
Less accumulated depreciation	<u>(391,374)</u>	<u>(328,724)</u>
	<u>2,754,957</u>	<u>2,817,558</u>
Refundable deposits	9,874	10,836
Deferred charges	38,253	52,961
Deferred income tax assets -noncurrent(Note 25)	118,770	133,200
Land held by trustee	73,713	73,713
Others - land and buildings for sale	5,300	5,430
Temporary tax payments (Note 25)	<u>3,467</u>	<u>1,489</u>
	<u>\$ 3,004,334</u>	<u>\$ 3,095,187</u>

The Company leased its building to related party - Pou Chien Chemical Co., Ltd., Global Brands Manufacture Ltd. (related party before March 24, 2010), and non-related party - Taiwan McDonald's, etc. Additionally, the Company rented part of Pou Chen International Building to related party - Windsor Entertainment. Rent income is determined by the rental space and local leasing market price.

Three parcels of land located in Changhwa County were purchased by the Company 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, 2010, are included in "other assets - land held by trustee".

Land and buildings for sale were acquired from the Company's investee - Hung Fu Construction Co., Ltd., as distribution of liquidation dividend.

15. SHORT-TERM LOANS

Short-term loans as at December 31, 2010 and 2009 consisted of the following:

	2010		2009	
	Annual Interest Rate %	Balance	Annual Interest Rate %	Balance
Unsecured loans	0.75-1.24	<u>\$ 3,839,000</u>	0.75-0.85	<u>\$ 4,441,000</u>

16. OTHER PAYABLES

	2010	2009
Salary and wages payable	\$ 202,359	\$ 245,954
Employee bonus payable (Note 22)	141,575	251,777
Compensation due to directors and supervisors (Note 22)	63,309	127,805
Interest payable	13,463	25,002
Payables on machinery and equipment	11,328	5,682
Other accrued expenses	<u>208,623</u>	<u>211,597</u>
	<u>\$ 640,657</u>	<u>\$ 867,817</u>

17. LONG-TERM DEBT

Long-term debt as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Citibank (lead lender) Syndication Loan Long-term debt, \$6,500,000 thousand, due in semiannual repayments commencing April 25, 2009 and maturing October 25, 2010. The principal was fully repaid in October 2010.	\$ -	\$ 3,250,000
China Trust Commercial Bank (lead lender) Syndication Loan Long-term debt, \$2,500,000 thousand, due in semiannual repayments commencing December 2, 2009 and maturing June 9, 2011. Interest rate is 1.05%.	625,000	1,875,000

(Continued)

	2010	2009
China Trust Commercial Bank (lead lender) Syndication Loan Long-term debt, \$7,000,000 thousand, due in semiannual repayments commencing November 16, 2011 and maturing May 16, 2013. Interest rate is 1.12%.	\$ 7,000,000	\$ 7,000,000
China Trust Commercial Bank (lead lender) Syndication Loan Long-term debt, \$10,000,000 thousand, due in semiannual repayments commencing June 2013 and maturing December 2, 2014. Interest rate is between 1.28%-1.32%.	<u>4,500,000</u>	<u>-</u>
	12,125,000	12,125,000
Less current portion	<u>(1,750,000)</u>	<u>-</u>
	<u>\$ 10,375,000</u>	<u>\$ 12,125,000</u>
		(Concluded)

China Trust Commercial Bank syndication loan of which balances was \$625,000 thousand, the Company had refinanced, and was recorded as long-term debt.

18. PENSION PLAN

The Company 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 years 2010 and 2009 consisted of the following:

	2010	2009
Service cost	\$ 28,030	\$ 27,532
Interest cost	27,404	33,760
Expected return on plan assets	(8,072)	(10,993)
Amortization of net transition asset	(1,875)	(1,875)
Amortization of pension loss	<u>16,299</u>	<u>8,307</u>
	<u>\$ 61,786</u>	<u>\$ 56,731</u>

The following sets forth the actuarial assumptions as at December 31, 2010 and 2009:

	2010	2009
Weighted-average discount rate	2.00%	2.00%
Assumed rate of increase in salary	2.25%	2.50%
Expected rate of return on plan assets	2.00%	2.00%

The pension plan's status as at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Actuarial present value of benefit obligation		
Vested benefits	\$ (399,474)	\$ (295,244)
Nonvested benefits	<u>(703,058)</u>	<u>(738,767)</u>
Accumulated benefit obligation	(1,102,532)	(1,034,011)
Additional benefits at future salaries	<u>(284,278)</u>	<u>(336,180)</u>
Projected benefit obligation	(1,386,810)	(1,370,191)
Plan assets at fair value	<u>407,919</u>	<u>388,737</u>
Projected benefit obligation in excess of plan assets	(978,891)	(981,454)
Net transition asset not yet recognized	(2,749)	(4,624)
Net pension loss not yet recognized	344,368	381,510
Additional pension liability	<u>(57,341)</u>	<u>(40,706)</u>
Accrued pension cost	<u>\$ (694,613)</u>	<u>\$ (645,274)</u>

As at December 31, 2010 and 2009, the vested benefit was \$489,215 thousand and \$364,454 thousand, respectively.

In 2010 and 2009, the Company recognized the pension cost expense of \$100,176 thousand and \$92,385 thousand, respectively, based on 6% of the employees' monthly salaries and wages, under the Labor Pension Act.

19. OTHER LIABILITIES, OTHER

	2010	2009
Unrealized gross profit from inter-affiliate transactions	\$ 33,904	\$ 31,526
Others	<u>-</u>	<u>69,409</u>
	<u>\$ 33,904</u>	<u>\$ 100,935</u>

20. CAPITAL STOCK

	2010	2009
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>2,899,756</u>	<u>2,843,085</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 28,997,559</u>	<u>\$ 28,430,847</u>

The Company's outstanding capital stock was \$28,430,847 thousand as at January 1, 2010. As at June 17, 2010, the stockholders' meeting approved to issue additional capital stock of \$559,962 thousand through unappropriated earnings. Furthermore, employee stock warrants were exercised for 675 thousand shares (amounted to \$6,750 thousand) during 2010. As a result, the Company's outstanding capital stock was \$28,997,559 thousand, divided into 2,899,756 thousand common shares, with a par value of \$10.00 per share, as at December 31, 2010.

The weighted average number of shares outstanding for the year ended December 31, 2009 has been retroactively adjusted for the stock dividends issued in 2010.

21. EMPLOYEE STOCK OPTION PLANS

As at July 15, 2002, the board of directors of the Company 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 the Company'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. As of August 6, 2002, and July 24, 2003, the Company 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 2010 has been retroactively restated as \$10.00 dollars and \$16.00 per share, respectively, due to the stock dividends issued.

Additionally, as at November 6, 2007, the Company 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 the Company 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 granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee stock warrants were \$22.30 and 149,392,469 shares, respectively.

As at December 31, 2010, the employee stock warrants issued in 2002 were executed for 23,872 thousand shares of common stock.

Information about the Company's outstanding stock warrants for the years ended December 31, 2010 and 2009 was as follows:

	2010		2009	
	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	190,910	\$ 20.86	184,200	\$ 22.09
Adjustment from ownership dilution	2,886	22.30	7,071	24.10
Stock warrants exercised	<u>(675)</u>	10.00	<u>(361)</u>	10.00
Balance, end of year	<u>193,121</u>	19.55	<u>190,910</u>	20.86
Exercisable stock warrants, end of year	<u>92,563</u>		<u>93,238</u>	

As at December 31, 2010 and 2009, information about the Company'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>2010</u>					
\$10.00-\$22.30	<u>193,121</u>	<u>5.66</u>	<u>\$ 19.55</u>	<u>92,563</u>	<u>\$ 16.55</u>
<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>

If the compensation cost based on the fair value method is accounted for as expenses, the pro-forma results of the Company for the years ended December 31, 2010 and 2009 would have been as follows:

	2010	2009
Income before income tax	<u>\$ 8,572,966</u>	<u>\$ 6,612,958</u>
Net income	<u>\$ 7,629,556</u>	<u>\$ 6,522,958</u>
Basic earnings per share (in dollars)	<u>\$ 2.68</u>	<u>\$ 2.29</u>

In the aforementioned employee stock warrant plan, the Company 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	125,500
Weighted average fair value (in dollars)	\$10.70	\$18.87	\$11.93

22. RETAINED EARNINGS

Under the Company Law of the ROC and the Company'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 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 years ended December 31, 2010 and 2009, the bonus to employees was \$124,720 thousand and \$251,777 thousand, respectively, and the remuneration to directors and supervisors was \$63,309 thousand and \$127,805 thousand, respectively. The bonus to employees and remuneration to directors and supervisors both depended on the base amount determined 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 2009 and 2008 had been approved in the shareholders' meetings on June 17, 2010 and June 16, 2009, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	For Year 2009	For Year 2008	For Year 2009	For Year 2008
Legal reserve	\$ 702,124	\$ 498,719	\$ -	\$ -
Cash dividends	4,199,715	1,331,134	1.50	0.50
Stock dividends	559,962	1,331,134	0.20	0.50

The bonus to employees of \$251,777 thousand and the remuneration to directors and supervisors of \$127,805 thousand for 2009 were approved in the stockholders' meeting on June 17, 2010. The resolved amounts of the bonus to employees and the remuneration to directors and supervisors were as same as the accrual amounts, which were reflected in the financial statements for the year ended December 31, 2009.

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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, in 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.

23. TREASURY STOCK

The changes in treasury stock in 2010 and 2009 are summarized as follows (in shares):

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
<u>Year ended December 31, 2010</u>				
For transfer to employees	43,300,000	-	-	43,300,000
Common shares held by subsidiaries	<u>10,032,712</u>	<u>200,816</u>	<u>-</u>	<u>10,233,528</u>
	<u>53,332,712</u>	<u>200,816</u>	<u>-</u>	<u>53,533,528</u>
<u>Year ended December 31, 2009</u>				
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 the Company for the years ended December 31, 2010 and 2009.

The Company wrote off 27,500 thousand and 7,000 thousand shares in March and April 2009, respectively, and got the approval of the Ministry of Economic Affairs with a document No. 09801074100 on April 14 and No. 09801098500 on May 19, 2009 and finished registering in capital reduction.

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 2010 and 2009, after the stock dividends were received by the subsidiaries, 200,816 shares and 477,747 shares, respectively, were added to treasury stock. As at December 31, 2010 and 2009, the subsidiaries held 10,233,528 shares and 10,032,712 shares, respectively, 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.

24. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2010 and 2009 are summarized as follows:

Function Category	2010				2009			
	Operating Cost	Operating Expenses	Non-operating Expenses	Total	Operating Cost	Operating Expenses	Non-operating Expenses	Total
Personnel expense								
Salaries	\$ 141,283	\$ 1,613,744	\$ -	\$ 1,755,027	\$ 137,350	\$ 1,828,200	\$ -	\$ 1,965,550
Labor insurance and health insurance	11,387	118,455	-	129,842	11,032	62,822	-	73,854
Pension cost	6,118	155,844	-	161,962	5,566	143,550	-	149,116
Others	3,832	49,447	-	53,279	3,169	36,687	-	39,856
Depreciation expenses	17,479	209,695	62,726	289,900	15,130	213,360	62,727	291,217
Amortization expenses	2,381	25,923	-	28,304	8,553	25,908	-	34,461

25. INCOME TAX

The Company's income tax expense for the year ended December 31, 2010 is as follows:

10% additional income tax on undistributed earnings of 2009	\$ 376,550
Income tax expense, current	509,869
Basic tax payable	16,860
Effect of tax law changes on deferred income tax	24,855
Adjustment of prior year's income tax expense	<u>15,276</u>
Income tax expense	<u>\$ 943,410</u>

During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

- a. 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. In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010. The Company recalculated its deferred income tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.
- b. Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

The components of deferred income tax assets (liabilities) as at December 31, 2010 are as follows:

Deferred income tax assets (liabilities)	
Unrealized pension expenses	\$ 109,940
Unrealized exchange losses	8,910
Unrealized impairment losses	8,500
Unrealized inventory devaluation losses	4,590
Unrealized bad debt losses	4,310
Others	1,720
Unrealized investment income under equity method from foreign subsidiaries	<u>(469,090)</u>
Deferred income tax assets (liabilities), net	(331,120)
Deferred income tax assets, noncurrent	<u>118,770</u>
Deferred income tax liabilities, current	<u>\$ (449,890)</u>

The Company's current income tax for the year ended December 31, 2010 and income tax payable as at December 31, 2010 were reconciled as follows:

Income tax expense at statutory rate of 17%	\$ 1,502,634
Investments income recognized under equity method	(897,951)
Gain on disposal of investments	(51,498)
Dividend income - tax free	(27,018)
Others	<u>(16,298)</u>
Income tax payable	509,869
Recognized deferred income tax assets (liabilities)	
Investment income recognized under equity method from foreign subsidiaries	(469,090)
Others	<u>(2,875)</u>
Income tax payable	37,904
Add basic tax payable	16,860
Add 10% additional income tax on undistributed earnings of 2009	376,550
Less temporary tax payment	<u>(23)</u>
Income tax payable as at December 31, 2010	<u>\$ 431,291</u>

The income tax payment amounted to \$3,467 thousand (recording under "other assets" account) for the year ended December 31, 2010, and is previous withholding tax.

The income tax returns for the years through 2007 have been examined and approved by the tax authority.

The information of the integrated income tax system as at December 31, 2010 is as follows:

Balance of Imputation Credit Account	<u>\$ 276,993</u>
Undistributed earnings for the years of 1997 and before	<u>\$ 310,501</u>
Undistributed earnings for the years of 1998 and thereafter	<u>\$ 13,910,150</u>
Expected IC ratio on distributed earnings for the year of 2010	<u>5.09%</u>
Actual IC ratio of earnings distribution for the year of 2009	<u>2.52%</u>

The expected IC ratio on distributed earnings for the year of 2010 has considered income tax payable as at December 31, 2010.

26. EARNINGS PER SHARE

For the years ended December 31, 2010 and 2009, earnings per share (EPS) before income tax and after income tax are as follows:

	2010				
	Amounts		Shares (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	\$ 8,839,024	\$ 7,895,614	2,845,728	<u>\$ 3.11</u>	<u>\$ 2.77</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	4,628		
Employee stock warrants	<u>-</u>	<u>-</u>	<u>49,258</u>		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	<u>\$ 8,839,024</u>	<u>\$ 7,895,614</u>	<u>2,899,614</u>	<u>\$ 3.05</u>	<u>\$ 2.72</u>
	2009				
	Amounts		Shares (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	\$ 7,116,018	\$ 7,026,018	2,846,173	<u>\$ 2.50</u>	<u>\$ 2.47</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	9,912		
Employee stock warrants	<u>-</u>	<u>-</u>	<u>22,376</u>		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	<u>\$ 7,116,018</u>	<u>\$ 7,026,018</u>	<u>2,878,461</u>	<u>\$ 2.47</u>	<u>\$ 2.44</u>

The Company presumes that the entire amount of the bonus will be settled in shares and the potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

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, 2010 and 2009 are as follows:

	2010				
	Amounts		Shares (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	\$ 8,854,071	\$ 7,910,661	2,855,962	<u>\$ 3.10</u>	<u>\$ 2.77</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	4,628		
Employee stock warrants	<u>-</u>	<u>-</u>	<u>49,258</u>		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	<u>\$ 8,854,071</u>	<u>\$ 7,910,661</u>	<u>2,909,848</u>	<u>\$ 3.04</u>	<u>\$ 2.72</u>
	2009				
	Amounts		Shares (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	\$ 7,120,794	\$ 7,030,794	2,856,206	<u>\$ 2.49</u>	<u>\$ 2.46</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	9,912		
Employee stock warrants	<u>-</u>	<u>-</u>	<u>22,376</u>		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	<u>\$ 7,120,794</u>	<u>\$ 7,030,794</u>	<u>2,888,494</u>	<u>\$ 2.47</u>	<u>\$ 2.43</u>

27. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The fair value of nonderivative and derivative financial instruments as at December 31, 2010 and 2009 is summarized as follows:

Nonderivative Financial Instruments	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$ 332,699	\$ 332,699	\$ 613,704	\$ 613,704
Available-for-sale financial assets, current	3,580,839	3,580,839	2,949,928	2,949,928
Notes and accounts receivable	96,530	96,530	69,769	69,769
Note and accounts receivable from affiliates	1,772,006	1,772,006	1,567,142	1,567,142

(Continued)

Nonderivative Financial Instruments	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other receivables	\$ 248,229	\$ 248,229	\$ 250,108	\$ 250,108
Investments accounted for by the equity method	60,272,544	59,071,528	58,835,850	58,806,710
Available-for-sale financial assets, noncurrent	9	9	-	-
Financial assets carried at cost, noncurrent	-	-	-	-
Refundable deposits	9,874	9,874	10,836	10,836
Liabilities				
Short-term loans	3,839,000	3,839,000	4,441,000	4,441,000
Notes and accounts payable	1,704,846	1,704,846	1,160,584	1,160,584
Notes and accounts payable to affiliates	252,234	252,234	235,832	235,832
Other payables	640,657	640,657	867,817	867,817
Current portion of long-term liabilities	1,750,000	1,750,000	-	-
Long-term debt	10,375,000	10,375,000	12,125,000	12,125,000
Guarantee deposits received	3,452	3,452	2,288	2,288
				(Concluded)

Derivative Financial Instruments	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Interest rate swap contracts (hedging derivative liabilities, current)	\$ 20,017	\$ 20,017	\$ 33,310	\$ 33,310
Interest rate swap contracts (hedging derivative liabilities, noncurrent)	52,502	52,502	95,361	95,361

The information about derivative financial instruments as at December 31, 2010 and 2009 is summarized as follows:

December 31, 2010

Bank	Derivative Financial Instruments	Principal	Maturity Date	Pay Rate (Fixed Rate)	Received Rate (Floating Rate)	Fair Value
China Trust Commercial Bank	Interest rate swap	\$ 325,000	2011.06.09	2.24%	0.622%	\$ (2,516)
China Trust Commercial Bank	"	500,000	2013.05.16	2.48%	0.624%	(12,925)
China Trust Commercial Bank	"	500,000	2013.05.16	2.28%	0.624%	(11,250)
Citibank	"	500,000	2013.05.16	2.48%	0.624%	(12,341)
Citibank	"	500,000	2013.05.16	2.26%	0.624%	(10,573)
Citibank	"	500,000	2013.05.16	2.46%	0.624%	(12,180)
Citibank	"	<u>500,000</u>	2013.05.16	2.28%	0.624%	<u>(10,734)</u>
		3,325,000				(72,519)
Less current portion		<u>(1,075,000)</u>				<u>20,017</u>
		<u>\$ 2,250,000</u>				<u>\$ (52,502)</u>

December 31, 2009

Bank	Derivative Financial Instruments	Principal	Maturity Date	Pay Rate (Fixed Rate)	Received Rate (Floating Rate)	Fair Value
Citibank	Interest rate swap	\$ 475,000	2010.10.25	2.07%	0.494%	\$ (5,330)
ANZ Bank	"	650,000	2010.10.25	2.0475%	0.494%	(7,094)
Standard Chartered Bank	"	500,000	2010.10.25	2.07%	0.494%	(5,555)
Deutsche Bank	"	500,000	2010.10.25	2.005%	0.494%	(5,356)
China Trust Commercial Bank	"	975,000	2011.06.09	2.24%	0.49%	(14,962)
Citibank	"	2,000,000	2013.05.16	2.26%, 2.28%, 2.46% and 2.48%	0.49%	(59,922)
China Trust Commercial Bank	"	1,000,000	2013.05.16	2.28% and 2.48%	0.49%	(30,452)
		<u>6,100,000</u>				<u>(128,671)</u>
Less current portion		<u>(2,775,000)</u>				<u>33,310</u>
		<u>\$ 3,325,000</u>				<u>\$ (95,361)</u>

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

- a. The fair value of cash and cash equivalents, receivable, payable, short-term loans, refundable deposits, and guarantee deposits received, approximates their carrying value due to the short-term maturities of these financial instruments.
- b. Available-for-sale or held-to-maturity financial assets are based on their quoted prices in an active market.

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 values of investments accounted for by the equity method are based on their quoted prices in the active market. For those investments with no quoted market prices, their fair values are based on the net equity value in the financial report verified and certified by an independent accountant issued as at December 31, 2010.
- 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 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 following:

	Quoted Market Price in Active Market		Other Method of Valuation	
	2010	2009	2010	2009
Assets				
Available-for-sale financial assets, current	\$ 3,580,839	\$ 2,949,928	\$ -	\$ -
Available-for-sale financial assets, noncurrent	9	-	-	-
Liabilities				
Hedging derivative liabilities, current	-	-	20,017	33,310
Hedging derivative liabilities, noncurrent	-	-	52,502	95,361

As at December 31, 2010 and 2009, financial liabilities exposed to cash flow interest rate risk were \$15,964,000 thousand and \$16,566,000 thousand, respectively.

Financial Risk Information

a. Market risk

The risk that the Company engaged in portfolios of marketable equity securities comes from changes of market price. One percentage decline in market rate will cause the fair value of financial instruments to decline by \$52,700 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 of guarantee 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 \$159,640 thousand.

28. OTHERS

For the years ended December 31, 2010 and 2009, significant foreign currency financial assets and liabilities are as follows:

Unit: In Dollars of Foreign Currencies/In thousand of New Taiwan Dollars

	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 63,046,916	29.13	\$ 1,836,557	\$ 61,798,460	31.99	\$ 1,976,933
HKD	22,202	3.75	83	-	4.13	-
Investments accounted for by the equity method						
USD	1,620,912,066	29.13	47,217,168	1,417,685,725	31.99	45,351,766
<u>Financial liabilities</u>						
Monetary items						
USD	3,738,780	29.13	108,911	6,044,847	31.99	193,375
HKD	54,233	3.75	203	1,460	4.13	6
JPY	4,895,917	0.36	1,763	4,359,600	0.35	1,526
GBP	-	45.19	-	12,489	51.60	644
EUR	-	38.92	-	2,358	46.10	109

29. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are as follows:

Name	Relationship
Wealthplus Holdings Limited (“Wealthplus”)	The Company holds a 100% ownership interest
Pou Shine Investments Co., Ltd. (“Pou Shine”)	The Company holds a 100% ownership interest
Ming Wang Investments Co., Ltd. (“Ming Wang”)	The Company holds a 100% ownership interest
Windsor Entertainment Co., Ltd. (“Windsor Entertainment”)	The Company holds a 100% ownership interest
Pou Yuen Technology Co., Ltd. (“Pou Yuen Technology”)	The Company holds a 97.41% ownership interest
Barits Development Corporation (“Barits Development”)	The Company holds a 99.47% ownership interest
Pou Yii Development Co., Ltd. (“Pou Yii”)	The Company and Song Ming hold a 89.69% ownership interest
LNC Technology Co., Ltd. (“LNC Technology”)	The Company holds a 85.41% ownership interest
Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”)	The Company indirectly holds a 49.98% ownership interest
Ming Chi Investments Co., Ltd. (“Ming Chi”)	Barits Development holds a 100% ownership interest
Pou Chien Chemical Co., Ltd. (“Pou Chien Chemical”)	Yue Yuen indirectly holds a 100% ownership interest
Pou Yu Biotechnology Co., Ltd. (“Pou Yu Biotechnology”)	Wealthplus indirectly holds a 69.18% ownership interest
Yue Dean Technology Corp. (“Yue Dean”)	Yue Yuen indirectly holds a 100% ownership interest
San Fang Chemical Industry Co., Ltd. (“San Fang”)	Pou Chien and Yue Dean are its directors
Platinum Long John Co., Ltd. (“Platinum Long John”)	Yue Yuen indirectly holds a 48.76% ownership interest

(Continued)

Name	Relationship
Sheachang Enterprise Corp. (“Sheachang”)	Related party in substance
Digital Decade Limited (“Digital Decade”)	Wealthplus indirectly holds a 100% ownership interest
Maple Star Investments Ltd. (“Maple Star”)	Wealthplus indirectly holds a 79.60% ownership interest
Vantage Capital Investments Ltd. (“Vantage Capital”)	Pou Yuen Technology indirectly holds a 100% ownership interest

(Concluded)

The Company’s major transactions with the related parties are summarized as following:

Sales and Technical Service Income

Sales to related parties for the years ended December 31, 2010 and 2009 are as following:

	2010		2009	
	Amount	Percentage	Amount	Percentage
Yue Yuen	\$ 13,077,890	93	\$ 9,724,121	90
Sheachang	105,904	1	86,865	-
Others	<u>64,587</u>	<u>-</u>	<u>39,716</u>	<u>-</u>
	<u>\$ 13,248,381</u>	<u>94</u>	<u>\$ 9,850,702</u>	<u>90</u>

The price and collection terms for both related parties and unrelated parties are similar.

In April 1997, the Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

- a. For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.
- b. For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier’s invoice amounts.
- c. For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier’s invoice amounts.

Cost of Sales - Purchases and Cost of Processing

Purchases and cost of processing from related parties for the years ended December 31, 2010 and 2009 are summarized as following:

	2010		2009	
	Amount	Percentage	Amount	Percentage
San Fang	\$ 680,103	6	\$ 552,346	7
Yue Yuen	632,453	6	490,739	6
Platinum Long John	466,214	5	513,246	6
Others	<u>1,795</u>	<u>-</u>	<u>1,031</u>	<u>-</u>
	<u>\$ 1,780,565</u>	<u>17</u>	<u>\$ 1,557,362</u>	<u>19</u>

The purchase price and payment terms for both related parties and unrelated parties are similar.

Rent Revenue

Rent revenue from related parties for the years ended December 31, 2010 and 2009 are summarized as following:

	2010		2009	
	Amount	Percentage	Amount	Percentage
Windsor Entertainment	\$ 107,789	65	\$ 106,968	63
Pou Chien Chemical	14,554	9	14,554	9
Others	<u>26,838</u>	<u>16</u>	<u>34,951</u>	<u>21</u>
	<u>\$ 149,181</u>	<u>90</u>	<u>\$ 156,473</u>	<u>93</u>

Notes and Accounts Receivable

Notes and accounts receivable from affiliates as at December 31, 2010 and 2009 are summarized as following:

	2010		2009	
	Amount	Percentage	Amount	Percentage
Notes receivable				
Sheachang	\$ 5,685	73	\$ -	-
Others	<u>86</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>5,771</u>	<u>74</u>	<u>-</u>	<u>-</u>
Accounts receivable				
Yue Yuen	1,706,223	92	1,526,835	93
Sheachang	48,671	2	33,668	2
Others	<u>11,341</u>	<u>1</u>	<u>6,639</u>	<u>-</u>
	<u>1,766,235</u>	<u>95</u>	<u>1,567,142</u>	<u>95</u>
	<u>\$ 1,772,006</u>		<u>\$ 1,567,142</u>	

Notes and Accounts Payable

Notes and accounts payable to related parties as at December 31, 2010 and 2009 are summarized as follows:

	2010		2009	
	Amount	Percentage	Amount	Percentage
Notes payable				
San Fang	\$ 48,791	56	\$ 58,253	61
Accounts payable				
Yue Yuen	109,888	6	69,709	5
San Fang	45,036	2	49,425	4
Platinum Long John	33,715	2	58,175	5
Others	<u>14,804</u>	<u>1</u>	<u>270</u>	<u>-</u>
	<u>203,443</u>	<u>11</u>	<u>177,579</u>	<u>14</u>
	<u>\$ 252,234</u>		<u>\$ 235,832</u>	

Compensation of Directors, Supervisors and Management Personnel

Compensation of Directors, Supervisors and Management Personnel for the years ended December 31, 2010 and 2009 are as following:

	2010	2009
Salaries	\$ 17,045	\$ 19,850
Incentives	63,309	127,805
Bonus	7,200	10,630
Other	<u>7,414</u>	<u>5,296</u>
	<u>\$ 94,968</u>	<u>\$ 163,581</u>

Acquisition of Individual Real Estate

The Company purchased the part of land at Guangshun section, Situn District, Taichung from Barits Development. The price of \$187,309 is based on the amount Barits Development paid formerly plus cost of capital. It is recorded as investment in real estate.

Credit Guarantees

See Note 30.

30. COMMITMENTS AND CONTINGENCIES

Letters of Credit

Outstanding letters of credit as at December 31, 2010 are as follows:

U.S. Dollars (in dollars) \$ 415,399

Outstanding letters of guarantee for raw materials purchasing as at December 31, 2010 are \$30,000 thousand.

At December 31, 2010 the Company has guaranteed the payments of credit of related parties as follows:

Related Party	Amount
Wealthplus	\$ 13,178,412
Barits Development	6,401,515
Pou Shine	1,050,000
Pou Yuen Technology	1,525,259
Ming Wang	650,000
LNC Technology	49,760
Windsor Entertainment	100,000
Ming Chi	200,000
Pou Yii	400,000
Pou Yu Biotechnology	5,525
Digital Decade	2,767,350
Maple Star	378,690
Vantage Capital	<u>37,869</u>
	<u>\$ 26,744,380</u>

31. SUBSEQUENT EVENTS

On January 21, 2011, the Company's board of directors decided to transfer 43,300 thousand share of treasury stocks to the employees by \$21.73 per share, amounted to \$940,909 thousand in total. The grant date was February 21, 2011. The Company recognized the expenses for the transaction, amounting to \$257,635 thousand, according to the SFAS No. 39, "Accounting for Share-based Payment".

On March 2, 2011, Pou Chen's board of directors decided to participate the acquisition of Nan Shan Life Insurance Company, Ltd. ("Nan Shan"), through investment in Ruen Chen Investment Holding Co., Ltd. ("Ruen Chen"), for a consideration of US\$2.16 billion (the price will be adjusted subject to the contract). Pou Chen owns 20% interest in Ruen Chen. Pou Chen will invest approximately US\$432 million in Ruen Chen in proportion to its shareholdings.