

**POU CHEN CORPORATION AND
SUBSIDIARIES**

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Pou Chen Corporation and subsidiaries

We have reviewed the accompanying consolidated balance sheets of Pou Chen Corporation and subsidiaries (collectively, the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the consolidated financial statements, effective January 1, 2008, the Company adopted Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors", which provides that earnings distribution to employees, directors and supervisors should be accounted for as expenses, and also adopted the related amendments to other Statement of Financial Accounting Standards.

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

August 11, 2009

Notice to Readers

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

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

POU CHEN CORPORATION AND SUBSIDIARIES

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

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 29,658,516	13	\$ 23,374,675	11	Short-term loans (Note 15)	\$ 26,834,154	12	\$ 31,816,858	15
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	3,288,167	2	15,687,315	7	Short-term bills payable (Note 16)	1,691,339	1	1,116,232	1
Available-for-sale financial assets - current (Notes 2, 3 and 6)	6,946,952	3	-	-	Notes payable	60,125	-	119,276	-
Notes receivable (Notes 2 and 7)	52,870	-	82,689	-	Notes payable to affiliates (Note 26)	37,219	-	46,667	-
Accounts receivable (Notes 2 and 8)	24,430,314	11	29,213,682	14	Accounts payable	12,930,152	6	15,468,130	7
Accounts receivable from affiliates (Notes 2, 8 and 26)	945,234	-	1,354,646	1	Accounts payable to affiliates (Note 26)	1,134,318	-	1,005,190	1
Other receivables	6,419,575	3	3,576,029	2	Income tax payable (Notes 2 and 23)	621,307	-	630,325	-
Inventories					Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	573,256	-	2,956,636	1
Inventories - manufacturing (Notes 2 and 9)	24,454,521	11	23,195,647	11	Hedging derivative liabilities, current (Notes 2 and 25)	41,268	-	-	-
Inventories construction (Notes 2 and 9)	3,694,363	1	1,745,128	1	Other payables	13,470,893	6	12,781,774	6
Other current assets (Notes 2 and 23)	7,316,777	3	9,822,230	4	Progressive billings in excess of construction in progress (Notes 2 and 9)	37,527	-	-	-
Total current assets	107,207,289	47	108,052,041	51	Current portion of long-term liabilities (Note 17)	19,520,582	9	10,271,901	5
FUNDS AND LONG-TERM INVESTMENTS					Other current liabilities	2,276,770	1	4,738,829	2
Investments accounted for by the equity method (Notes 2 and 10)	32,416,623	14	29,248,874	14	Total current liabilities	79,228,910	35	80,951,818	38
Available-for-sale financial assets, noncurrent (Notes 2 and 11)	852,000	-	902,384	-	LONG-TERM LIABILITIES				
Hedging derivative asset, noncurrent (Notes 2 and 25)	-	-	52,389	-	Bonds payable (Notes 2 and 18)	-	-	7,520,679	4
Financial assets carried at cost, noncurrent (Notes 2 and 12)	1,256,363	1	1,179,824	1	Long-term debt (Note 19)	37,863,761	17	34,785,671	16
Total funds and long-term investments	34,524,986	15	31,383,471	15	Hedging derivative liabilities - noncurrent (Notes 2 and 25)	126,017	-	-	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 13)					Total long-term liabilities	37,989,778	17	42,306,350	20
Cost	108,393,827	48	93,416,481	44	RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)	142,664	-	142,664	-
Revaluation increment	293,323	-	293,323	-	OTHER LIABILITIES				
	108,687,150	48	93,709,804	44	Accrued pension cost (Note 2)	609,489	-	587,908	-
Less accumulated depreciation	(44,540,356)	(20)	(36,285,616)	(17)	Guarantee deposits received	4,403	-	29,386	-
Less accumulated impairment	(246,980)	-	(164,021)	-	Total other liabilities	613,892	-	617,294	-
Construction in progress and prepayments for equipment	5,816,373	3	3,532,354	1	Total liabilities	117,975,244	52	124,018,126	58
Property, plant and equipment, net	69,716,187	31	60,792,521	28	STOCKHOLDERS' EQUITY				
INTANGIBLE ASSETS (Note 2)					Capital stock (Note 20)	27,055,675	12	25,136,070	12
Goodwill	7,257,436	3	6,568,944	3	Stock dividends to be distributed (Note 20)	1,372,183	1	2,744,315	1
Deferred pension cost	-	-	1,970	-	Capital surplus	7,075,706	3	5,795,974	3
Total intangible assets	7,257,436	3	6,570,914	3	Retained earnings (Note 20)	13,329,648	6	12,387,016	6
OTHER ASSETS (Notes 2, 14 and 23)	8,854,200	4	7,104,912	3	Cumulative translation adjustments (Note 2)	1,268,168	-	(2,460,619)	(1)
					Unrealized losses on financial instruments (Note 2)	(2,413,906)	(1)	(164,222)	-
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock (Notes 2 and 21)	(1,241,416)	(1)	(1,241,416)	(1)
					Minority interest	63,004,155	28	47,553,974	22
					Total stockholders' equity	109,584,854	48	89,885,733	42
TOTAL	\$ 227,560,098	100	\$ 213,903,859	100	TOTAL	\$ 227,560,098	100	\$ 213,903,859	100

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

(With Deloitte & Touche review report dated August 11, 2009)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 103,600,300	100	\$ 104,806,378	100
LESS SALES RETURNS AND ALLOWANCES	<u>(187,315)</u>	<u>-</u>	<u>(130,052)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	103,412,985	100	104,676,326	100
COST OF GOODS SOLD	<u>78,053,874</u>	<u>76</u>	<u>80,942,804</u>	<u>78</u>
GROSS PROFIT	<u>25,359,111</u>	<u>24</u>	<u>23,733,522</u>	<u>22</u>
OPERATING EXPENSES				
Selling expenses	7,068,272	7	5,523,914	5
General and administrative expenses	9,219,995	9	7,729,467	7
Research and development expenses	<u>2,445,373</u>	<u>2</u>	<u>2,549,089</u>	<u>3</u>
Total operating expenses	<u>18,733,640</u>	<u>18</u>	<u>15,802,470</u>	<u>15</u>
INCOME FROM OPERATIONS	<u>6,625,471</u>	<u>6</u>	<u>7,931,052</u>	<u>7</u>
NON-OPERATING INCOME				
Interest income	280,865	-	307,979	-
Investment income recognized under equity method (Note 10)	760,090	1	629,997	1
Dividend income	1,583	-	16,885	-
Gain on disposal of property, plant and equipment	978	-	26,518	-
Gain on disposal of investments	-	-	8,496	-
Foreign exchange gains, net	93,267	-	-	-
Rental income	156,644	-	24,431	-
Valuation gain on financial assets (Note 5)	-	-	1,889,604	2
Valuation gain on financial liabilities (Note 5)	812,044	1	-	-
Others	<u>335,391</u>	<u>-</u>	<u>137,851</u>	<u>-</u>
Total non-operating income	<u>2,440,862</u>	<u>2</u>	<u>3,041,761</u>	<u>3</u>
NON-OPERATING EXPENSES				
Interest expense	1,648,749	2	1,852,424	2
Loss on disposal of property, plant and equipment	276,888	-	108,814	-
Loss on disposal of investments	51,455	-	-	-
Foreign exchange loss, net	-	-	357,482	-
Valuation loss on financial assets (Note 5)	226,080	-	-	-
Valuation loss on financial liabilities (Note 5)	-	-	16,659	-
Others	<u>107,130</u>	<u>-</u>	<u>153,926</u>	<u>-</u>
Total non-operating expenses	<u>2,310,302</u>	<u>2</u>	<u>2,489,305</u>	<u>2</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2009		2008	
	Amount	%	Amount	%
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	\$ 6,756,031	6	\$ 8,483,508	8
INCOME TAX EXPENSE (Notes 2 and 23)	<u>(404,529)</u>	<u>-</u>	<u>(454,472)</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 6,351,502</u>	<u>6</u>	<u>\$ 8,029,036</u>	<u>8</u>
ATTRIBUTED TO				
Parent Company's shareholders	\$ 2,917,121	3	\$ 4,299,410	4
Minority interest	<u>3,434,381</u>	<u>3</u>	<u>3,729,626</u>	<u>4</u>
	<u>\$ 6,351,502</u>	<u>6</u>	<u>\$ 8,029,036</u>	<u>8</u>

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 24)				
Included income for minority interest	<u>\$ 2.42</u>	<u>\$ 2.28</u>	<u>\$ 2.94</u>	<u>\$ 2.79</u>
Attributed to shareholders of the Parent Company		<u>\$ 1.05</u>		<u>\$ 1.49</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 24)				
Included income for minority interest	<u>\$ 2.40</u>	<u>\$ 2.26</u>	<u>\$ 2.90</u>	<u>\$ 2.74</u>
Attributed to shareholders of the Parent Company		<u>\$ 1.04</u>		<u>\$ 1.47</u>

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

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED NET INCOME ATTRIBUTED TO SHAREHOLDERS OF THE PARENT COMPANY	<u>\$ 2,917,121</u>		<u>\$ 4,299,410</u>	
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 24)				
Included income for minority interest	<u>\$ 2.41</u>	<u>\$ 2.27</u>	<u>\$ 2.93</u>	<u>\$ 2.78</u>
Attributed to shareholders of the Parent Company		<u>\$ 1.04</u>		<u>\$ 1.49</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 24)				
Included income for minority interest	<u>\$ 2.39</u>	<u>\$ 2.25</u>	<u>\$ 2.89</u>	<u>\$ 2.73</u>
Attributed to shareholders of the Parent Company		<u>\$ 1.03</u>		<u>\$ 1.46</u>

(Concluded)

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

(With Deloitte & Touche review report dated August 11, 2009)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Capital Surplus						Retained Earnings			Other Items of Stockholders' Equity					Total
	Capital Stock	Stock Dividends to be Distributed	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	Unrealized Losses on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	
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)	\$ 62,116,713	\$105,736,814
Appropriation of earnings	-	-	-	-	-	-	498,719	-	(498,719)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	(498,719)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	2,489,480	(2,489,480)	-	-	-	-	-	-
Stock dividends (Note 20)	-	1,331,134	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	(1,331,134)
Transfer of employee bonuses to common stock (Note 20)	-	41,049	29,308	-	-	-	-	-	-	-	-	-	-	-	70,357
Effect of changes of ownership interest in investees	-	-	-	-	-	(28,734)	-	-	(1)	-	-	-	-	-	(28,735)
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	22,032	-	-	-	22,032
Adjustments on changes of investee's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,132,562	-	-	-	1,132,562
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	582,634	-	-	-	582,634
Execution of employee stock warrants	620	-	-	-	-	-	-	-	-	-	-	-	-	-	620
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(148,691)	-	-	-	-	(148,691)
Acquisition of treasury stock - 17,300 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	(256,168)	-	(256,168)
Retirement of treasury stock - 34,500 thousand shares	(345,000)	-	(9,992)	(18,458)	(140,942)	-	-	-	-	-	-	-	514,392	-	-
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,546,939)	(2,546,939)
Consolidated net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	-	2,917,121	-	-	-	-	3,434,381	6,351,502
BALANCE, JUNE 30, 2009	<u>\$ 27,055,675</u>	<u>\$ 1,372,183</u>	<u>\$ 812,889</u>	<u>\$ 1,447,492</u>	<u>\$ 1,433,741</u>	<u>\$ 3,381,584</u>	<u>\$ 5,248,562</u>	<u>\$ 2,599,633</u>	<u>\$ 5,481,453</u>	<u>\$ 1,268,168</u>	<u>\$ (2,413,906)</u>	<u>\$ 134,641</u>	<u>\$ (1,241,416)</u>	<u>\$ 63,004,155</u>	<u>\$109,584,854</u>
BALANCE, JANUARY 1, 2008	\$ 25,118,540	\$ -	\$ 808,054	\$ 1,492,700	\$ 1,757,844	\$ 1,363,435	\$ 4,269,818	\$ 1,423,250	\$ 7,778,952	\$ (157,084)	\$ (87,710)	\$ 134,641	\$ (155,375)	\$ 47,877,647	\$ 91,624,712
Appropriation of earnings	-	-	-	-	-	-	480,025	-	(480,025)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	(480,025)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(1,313,097)	1,313,097	-	-	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	-	(169,000)	-	-	-	-	-	(169,000)
Bonuses to employees (Note 20)	-	273,216	-	-	-	-	-	-	(273,216)	-	-	-	-	-	-
Stock dividends (Note 20)	-	2,471,099	-	-	-	-	-	-	(2,471,099)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(2,471,099)	-	-	-	-	-	(2,471,099)
Acquisition of treasury stock (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	(1,086,041)	-	(1,086,041)
Effect of changes of ownership interest in investees	-	-	-	-	-	373,941	-	-	-	-	-	-	-	-	373,941
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(135,051)	-	-	-	(135,051)
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	58,539	-	-	-	58,539
Execution of employee stock warrants (Note 20)	17,530	-	-	-	-	-	-	-	-	-	-	-	-	-	17,530
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(2,303,535)	-	-	-	-	(2,303,535)
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,053,299)	(4,053,299)
Consolidated net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	-	4,299,410	-	-	-	-	3,729,626	8,029,036
BALANCE, JUNE 30, 2008	<u>\$ 25,136,070</u>	<u>\$ 2,744,315</u>	<u>\$ 808,054</u>	<u>\$ 1,492,700</u>	<u>\$ 1,757,844</u>	<u>\$ 1,737,376</u>	<u>\$ 4,749,843</u>	<u>\$ 110,153</u>	<u>\$ 7,527,020</u>	<u>\$ (2,460,619)</u>	<u>\$ (164,222)</u>	<u>\$ 134,641</u>	<u>\$ (1,241,416)</u>	<u>\$ 47,553,974</u>	<u>\$ 89,885,733</u>

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

(With Deloitte & Touche review report dated August 11, 2009)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 6,351,502	\$ 8,029,036
Adjustments to reconcile net income to net cash provided by operating activities		
Valuation loss (gain) on financial assets	226,080	(1,889,604)
Valuation (gain) loss on financial liabilities	(812,044)	16,659
Depreciation and amortization	3,940,669	3,368,169
Amortization of the cost of issuing Euro Convertible Bonds	-	417,251
Compensation cost of employee stock options	86,353	-
Provision for bad debts	67,506	135,211
Investment income recognized under equity method	(760,090)	(629,997)
Cash dividends received from investees under equity method	686,068	-
Gain (loss) on disposal of investments	51,455	(8,496)
Net loss on disposal of property, plant and equipment	275,910	82,296
Recovery from loss on devaluation and depreciation of idle assets	(2,392)	(3,642)
Net changes in operating assets and liabilities		
Notes receivable	5,330	188,073
Accounts receivable	3,091,877	(2,058,017)
Accounts receivable from affiliates	526,969	(101,605)
Other receivables	(1,813,761)	726,283
Inventories	3,190,339	(3,103,845)
Other current assets	1,254,359	(3,322,688)
Temporary income tax payment	889	578
Long-term accounts receivable	-	(27,327)
Deferred income tax asset, noncurrent	(13,524)	(22,231)
Other assets	(37,553)	352
Notes payable	(10,535)	41,578
Notes payable to affiliates	(19,078)	(6,949)
Accounts payable	(1,314,453)	(1,840,719)
Accounts payable to affiliates	213,910	(112,963)
Income tax payable	100,362	(437,113)
Other payables	(1,234,917)	2,523,059
Progressive billings in excess of construction in progress	37,527	-
Other current liabilities	708,689	2,590,533
Deferred income tax liabilities - noncurrent	(2,577)	-
Reserve for retirement plan	13,235	11,953
Minority interest	(2,616,218)	(4,053,299)
Net cash provided by operating activities	<u>12,191,887</u>	<u>512,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit or loss	(344,349)	(2,463,625)
Increase in investments accounted for by the equity method	(210,031)	(1,516,662)
Decrease (increase) in available-for-sale financial assets, noncurrent	4,034	(116,445)

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POU CHEN CORPORATION AND SUBSIDIARIES

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

	2009	2008
Increase in financial assets carried at cost, noncurrent	\$ 253,973	\$ (256,724)
Acquisitions of leased assets	(634)	-
Acquisitions of property, plant and equipment	(7,079,795)	(5,610,445)
Proceeds from disposal of property, plant and equipment	333,903	297,842
Increase in refundable deposits	816,535	(333,477)
Decrease in goodwill	2,382	482,189
Increase in deferred charges	<u>(518,992)</u>	<u>(65,192)</u>
Net cash used in investing activities	<u>(6,742,974)</u>	<u>(9,582,539)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(2,049,738)	12,555,715
Increase in short-term bills payable	838,799	339,124
Redeemed overseas convertible bonds	(8,870,253)	-
Redeemed domestic convertible bonds	-	(5,000,000)
Increase in long-term debt	7,343,949	3,310,449
Increase in guarantee deposits received	816	9,599
Execution of employee stock warrants	620	17,530
Acquisition of treasury stock	<u>(256,168)</u>	<u>(1,086,041)</u>
Net cash (used in) provided by financing activities	<u>(2,991,975)</u>	<u>10,146,376</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(245,458)</u>	<u>116,285</u>
CASH PAID FOR ACQUISITION OF SUBSIDIARIES	<u>(89,511)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,121,969	1,192,658
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>27,536,547</u>	<u>22,182,017</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 29,658,516</u>	<u>\$ 23,374,675</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 1,569,586</u>	<u>\$ 1,896,220</u>
Income tax	<u>\$ 304,529</u>	<u>\$ 678,863</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 1,715,196</u>	<u>\$ (135,051)</u>
Unrealized gain on cash flow hedge financial liabilities	<u>\$ 22,032</u>	<u>\$ 58,539</u>
Effect of changes in ownership interest in investees	<u>\$ (28,735)</u>	<u>\$ 373,941</u>
Current portion of long-term liabilities	<u>\$ 19,520,582</u>	<u>\$ 10,271,901</u>
Translation adjustments on foreign long-term equity investments	<u>\$ (148,691)</u>	<u>\$ (2,303,535)</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2009	2008
Bonuses to directors and supervisors	<u>\$ -</u>	<u>\$ 169,000</u>
Dividends payable	<u>\$ 1,331,134</u>	<u>\$ 2,471,099</u>
Retirement of treasury stock	<u>\$ 514,393</u>	<u>\$ -</u>
Cash paid during the period for acquisitions of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 7,168,235	\$ 5,417,957
Add payables for acquisitions of property, plant and equipment, beginning of period	199,051	319,536
Less payables for acquisitions of property, plant and equipment, end of period	<u>(287,491)</u>	<u>(127,048)</u>
Cash paid during the period for acquisitions of property, plant and equipment	<u>\$ 7,079,795</u>	<u>\$ 5,610,445</u>

(Concluded)

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

(With Deloitte & Touche review report dated August 11, 2009)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

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

Name	Location of Incorporation	Pou Chen and its Subsidiaries’ Ownership Percentage
Wealthplus Holdings Limited	British Virgin Islands	100.00
Win Fortune Investments Limited	British Virgin Islands	100.00
Ming Wang Investments Co., Ltd.	ROC	100.00
Windsor Entertainment Co., Ltd.	ROC	100.00
Yun Yang Investments Co., Ltd.	ROC	100.00
Pou Shine Investments Co., Ltd.	ROC	100.00
Pan Asia Insurance Services Co., Ltd.	ROC	100.00
Proshine Healthcare Co., Ltd.	ROC	100.00
Pro Arch Technology Inc.	ROC	99.99
Barits Development Corporation	ROC	99.59
Pou Yuen Technology Co., Ltd.	ROC	99.38
LNC Technology Co., Ltd.	ROC	85.41
The Right and Great Asia-Pacific Reality Development Co., Ltd.	ROC	70.00
Vistas Design Co., Ltd.	ROC	65.00
Global Brands Manufacture Ltd.	ROC	49.29

Wealthplus Holdings Limited (“Wealthplus”), a British Virgin Islands registered corporation, is an investment holding company. Wealthplus commenced its operations in 1991 and invests in companies which are engaged in the design and sale of footwear and electronic peripheral products. Wealthplus’s board of directors decided to decrease and return its capital, amounting to US\$60,000 thousand (\$1,922,115 thousand) and US\$100,000 thousand

(NT\$3,203,525, thousand), respectively, in March and December 2008. As at June 30, 2009, Wealthplus has an outstanding common stock of US\$9,222 thousand.

The information of Wealthplus' subsidiaries is as follows:

Name	Location of Incorporation	Ownership Percentage	Primary Operation Activities
Yue Yuen Industrial (Holdings) Limited	Bermuda	48.60	Manufacturing and sale of athletic and casual footwear and sports apparel
Pou Sheng International (Holdings) Limited	Bermuda	27.07	Manufacturing and sale of athletic and casual footwear and sportswear retailer and distributor business
GBM Manufacturing Co., Ltd.	British Virgin Islands	100.00	Property management in the People's Republic of China (PRC)
Upmost Smart Limited	British Virgin Islands	100.00	Manufacturing of electronic components
Gao Chen Technology Co., Ltd.	PRC	79.60	Manufacturing and sale of plastic products and electronic components
Digital Decade Limited	British Virgin Islands	100.00	Assembly and sale of TFT-LCD module
Pou Qiao Electronic Limited	PRC	100.00	Assembly of backlight units
China Lion Associates Limited	British Virgin Islands	51.00	Sale of backlight units
Go-Cheery Industrial Limited	Hong Kong	100.00	Management and office administration service
Crown Master Investments Limited	British Virgin Islands	100.00	Investment holding
Tetor Ventures Ltd.	British Virgin Islands	100.00	Investment holding
Star Eagle Consultants Limited	British Virgin Islands	100.00	Insurance agent
Pou Yu Biotechnology Co., Ltd.	ROC	68.42	Manufacturing of denture and related equipment
Dong Guan Pou Yu Precision Ceramics Industrial Co., Ltd.	PRC	68.42	Designing and manufacturing of tooth mold

Win Fortune Investments Limited ("Win Fortune"), a British Virgin Islands registered corporation, is an investment holding company. Win Fortune commenced its operations in 1994 and invests in Yue Yuen (as at June 30, 2009, the ownership percentage is 0.94%). As at June 30, 2009 Win Fortune has an outstanding common stock of US\$100 thousand.

Ming Wang Investments Co., Ltd. ("Ming Wang"), a corporation incorporated in the ROC, is an investment holding company. Ming Wang commenced its operations in 1996. It is engaged in investing activities. As at June 30, 2009, Ming Wang has an outstanding common stock of \$681,192 thousand.

Windsor Entertainment Co., Ltd. ("Windsor Entertainment"), a corporation incorporated in the ROC, commenced its operations in 2003. It is engaged in entertainment and resort operation. Windsor Entertainment decreased its capital to offset its accumulated deficit by \$200,000 thousand and issued additional capital stock for \$200,000 thousand at a price of \$10 dollars per share in June 2008. As at June 30, 2009, Windsor Entertainment has an outstanding common stock of \$210,000 thousand.

Yun Yang Investments Co., Ltd. (“Yun Yang”), a corporation incorporated in the ROC, commenced its operations in 1997. It is engaged in investment activities. As at June 30, 2009, Yun Yang has an outstanding common stock of \$92,792 thousand.

Pou Shine Investments Co., Ltd. (“Pou Shine”), a corporation incorporated in the ROC, commenced its operations in 1990. It is engaged in investing activities. As at June 30, 2009, Pou Shine has an outstanding common stock of \$709,594 thousand.

Pan Asia Insurance Services Co., Ltd. (“Pan Asia Insurance Services”), a corporation incorporated in the ROC, commenced its operations in 1999. It is engaged in agency of property and casualty insurance. As at June 30, 2009, Pan Asia Insurance Services has an outstanding capital of \$3,000 thousand.

Proshine Healthcare Co., Ltd. (“Proshine Healthcare”), a corporation incorporated in the ROC, commenced its operations in 2007. It is engaged in sale of medical devices and precision instruments. As at June 30, 2009, Proshine Healthcare has an outstanding common stock of \$280,000 thousand.

Pro Arch Technology Inc. (“Pro Arch Technology”), a corporation incorporated in the ROC, is engaged in sale of computer peripheral equipment and related spare parts. In December 2008, Pro Arch Technology decreased its capital to offset its accumulated deficit by \$300,000 thousand and issued additional capital stock of \$300,000 thousand at a price of \$10 dollars per share. As at June 30, 2009, Pro Arch Technology has an outstanding common stock of \$301,000 thousand.

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

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

Barits Development Corporation (“Barits Development”), a corporation incorporated in the ROC, commenced its operation in 1985. It is engaged in leather manufacturing and investing activities. As at June 30, 2009, Barits Development has an outstanding common stock of \$1,186,900 thousand.

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

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

Top Score Investments Ltd. (“Top Score”) invests in Yue Yuen as at June 30, 2009, the ownership percentage is 0.44%.

Pou Yuen Technology Co., Ltd. (“Pou Yuen Technology”), a corporation incorporated in the ROC, commenced its operations in 1993. It is engaged in tooling design software and information technology software services. As at June 30, 2009, Pou Yuen Technology has an outstanding common stock of \$900,000 thousand.

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

Name	Location of Incorporation	Ownership Percentage	Principal Operation Activities
Vantage Capital Investments Ltd.	British Virgin Islands	100.00	Information software services

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

The information of LNC Technology’s subsidiaries is as follows:

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

The Right and Great Asia-Pacific Realty Development Co., Ltd. (“Right and Great Asia-Pacific”), incorporated in the ROC, commenced its operations in 2008. It is primarily engaged in real estate development and investing activities business. As at June 30, 2009, Right and Great Asia-Pacific has an outstanding common stock of \$600,000 thousand.

Vistas Design Co., Ltd. (“Vistas Design”), incorporated in the ROC, commenced its operations in 2008. It is engaged in interior decorating, room design services, and consulting in artistry. As at June 30, 2009, Vistas Design has an outstanding common stock of \$5,000 thousand.

Global Brands Manufacture Ltd. (“Global Brands Manufacture”), incorporated in the ROC, is engaged in the manufacturing, assembly and sale of printed circuit boards. Its stock has been traded on the Taiwan Stock Exchange Corporation. As at June 30, 2009, Global Brands Manufacture has an outstanding common stock of \$3,778,923 thousand.

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

Name	Location of Incorporation	Ownership Percentage	Principal Operation Activities
Up First Investments Ltd.	British Virgin Islands	100.00	Sale of PCB
Chuan Yi Computer (Shenzhen) Co., Ltd.	PRC	100.00	Manufacturing and sale of PCB
Yi Kuan Electronics (Shenzhen) Co., Ltd.	PRC	100.00	Manufacturing and sale of PCB
Dynamic Skyline Ltd.	British Virgin Islands	100.00	Assembly and sale of PCB
Centralian Investments Ltd.	British Virgin Islands	100.00	Assembly and sale of PCB
Will Grow Holdings Ltd.	Hong Kong	100.00	Investment holding
Kunshan Yuansong Electronics Technology Co., Ltd.	PRC	100.00	Assembly and sale of PCB
Class Choice Ltd.	British Virgin Islands	100.00	Rental of real estate
Total Rich Holdings Ltd.	Hong Kong	100.00	Investment holding
Dong Guan Jincheng Technology Ltd.	PRC	100.00	Assembly of PCB
Up Ever Holdings Ltd.	Hong Kong	100.00	Investment holding
Dong Guan Yaucheng Technology Ltd.	PRC	100.00	Assembly and Manufacturing Module
Success Ocean Investments Ltd.	British Virgin Islands	100.00	Investing in business of electronic peripheral products
CMK Global Brands Manufacture Ltd.	British Virgin Islands	51.00	Manufacturing and sale of PCB
Always Up Investments Ltd.	Hong Kong	100.00	Investment holding
Dong Guan Xiangcheng Technology Ltd.	PRC	100.00	Manufacturing and sale of PCB
Cheng Cheng Enterprise Co., Ltd.	ROC	100.00	Rental and development of real estate
Solar Link Technologies, Inc.	USA	100.00	Assembly of TFT-LCD and Liquid Crystal on Silicon TV

As at June 30, 2009 and 2008, there were 345,108 and 333,147 employees, in Pou Chen and subsidiaries referred above, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretations of the two versions, the Chinese-language financial statements

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

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

Principles of Consolidation

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

Wealthplus, Win Fortune, Top Score and Vantage Capital Investments Ltd. have their accounting year from October 1 of the preceding year to September 30 of the year.

Therefore, the semi-annual information of above-mentioned companies indicate information of the period from October 1 to March 31.

Current/Noncurrent Assets and Liabilities

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

Cash and Cash Equivalents

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

Financial Assets at Fair Value through Profit or Loss

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets

and financial liabilities without quoted prices in an active market - at values determined by using valuation techniques.

Available-for-sale Financial Assets

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

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

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

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

Allowance for Doubtful Accounts

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

Inventories

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

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

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

Investments Accounted for by the Equity Method

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

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

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

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

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

Financial Assets Carried at Cost, Noncurrent

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

Property, Plant, Equipment and Leased Asset

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

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

Items	Estimated Useful Lives
Buildings and improvements	15~55 years
Machinery and equipment	5~12 years
Transportation equipment	3~5 years
Furniture, fixtures and office equipment	3~5 years
Other equipment	3~10 years

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

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

Goodwill

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

Deferred Charges

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

Impairment of Assets

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

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

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

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

Convertible Bonds

Convertible bonds issued before January 1, 2006

The convertible bonds, issued by the Company before January 1, 2006, contain put right. Each holder has the right, at the holder's option, to request the Company to repurchase all or any portion of such holder's bonds, in amounts of US\$1,000 (dollars) or any integral multiples. The interest compensation, which is the amount of agreed put price over face value of such bonds, will be recognized as a liability under the effective interest rate method from the issue date to the date the put right expires. As at the balance-sheet-date, the convertible bonds are classified as either current liabilities or long-term liabilities based on the repurchase date and the maturity date, whichever is earlier.

When the holder exercises the conversion right, the net written-off amount of the unamortized issuing costs, accrued interest, accrued interest compensation and face value of convertible bonds will be the cost basis of entitlement certificates. The difference of the net written-off carrying amount of the convertible bonds over the par value of the entitlement certificates should be recognized as capital surplus.

The transaction cost of the convertible bonds are amortized on a straight-line basis over the period of issuance date and the date which the holders could exercise the conversion rights.

Convertible bonds issued after January 1, 2006

The face value of convertible bonds issued after January 1, 2006 is calculated by subtracting (1) the fair value of the embedded financial derivative, and (2) the cost of any other non-derivative liability elements from the issuing price. Related interest and gain or loss at redemption are recognized in the income statement. If the convertible bond holders were to exercise their options, the common stocks received would be recorded by the Company at current book value as of the date of conversion.

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

Stock-Based Compensation

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

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

Pension Cost

Pou Chen, Barits Development, Pou Yuen Technology, Pro Arch Technology, and Global Brands Manufacture each has retirement plan covering all eligible employees. The benefits are primarily based upon an employee's years of service and average compensation for the last six months before retirement. Pou Chen and its subsidiaries each has defined contribution pension plan under the Labor Pension Act. Pension costs are recorded based on

actual contributions made to employees' individual pension accounts in amounts equal to 6% of monthly salaries and wages after July 1, 2005.

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

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

Foreign Currencies

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

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

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

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

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

Cumulative Translation Adjustments

For consolidated subsidiaries and equity method investees denominated in foreign currency, assets and liabilities denominated in foreign currencies are translated at the balance-sheet-date exchange rates. Stockholders' equity accounts should be translated at the historical rate except for the beginning balance of the retained earnings, which is carried by the translated amount of the preceding period. Dividends are translated at the spot rate of the declared date. Income statement accounts are translated at the current rate or weighted-average rate of the current period.

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

Treasury Stock

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

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

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

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

Revenue Recognition

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

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

Income Tax

The Company adopted the provisions of SFAS No. 22, "Accounting for Income Tax", which requires an asset and liability approach to account for income tax. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are provided for deferred tax assets with uncertain realizability. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

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

Under the Amended Income Tax Law of the ROC, undistributed earnings of the Company from 1998 onward are subject to 10% additional income tax which will be shown as income tax expense in the following year when the decision to retain the earnings is made by the shareholders in their meeting.

Earnings Per Share

Basic earnings per common share are calculated by dividing net earnings applicable to common stock by the weighted average number of common stocks outstanding. On a diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of convertible bonds, employee stock options and stock bonus to employees from the date of issuance, and adopt the treasury stock method to calculate the stock warrants' dilutive potential common shares. However, if the convertible bonds, employee stock and stock bonus to employees options contain an anti-dilutive effect, they will be excluded from the calculation.

Hedging Derivative Financial Instruments

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

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2008 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the six months ended June 30, 2009.

3. REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Accounting for Bonuses to Employees, Directors and Supervisors

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors", which requires that earnings distribution to employees, directors and supervisors should be recognized as expenses. This change in accounting principle decreased the net income before income tax and consolidated net income by \$135,990 thousand.

Accounting for Share-based Payment

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment". There was no effect to the consolidated financial statements of the Company as of and for the six months ended June 30, 2008.

Accounting for Financial Instruments

On July 1, 2008, the Company adopted the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The amendments to SFAS 34 mainly deal with reclassifications of financial assets at fair value through profit or loss that are held for trading. Please see Note 25 for relevant information. This change in accounting principle decreased the net income before income tax and consolidated net income by \$1,687,013 thousand and basic earnings per share by \$0.60.

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 have material effect to the consolidated financial statements of the Company as of and for the six months ended June 30, 2009.

4. CASH AND CASH EQUIVALENTS

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

	2009	2008
Cash on hand	\$ 100,379	\$ 32,223
Checking accounts	37,625	99,002
Savings accounts	1,322,061	1,727,517
Foreign-currency savings deposit	26,406,335	18,675,913
Time deposits	1,654,554	2,760,020
Commercial papers	<u>137,562</u>	<u>80,000</u>
	<u>\$ 29,658,516</u>	<u>\$ 23,374,675</u>

The time deposits of \$18,570 thousand, included in other assets - refundable deposits were pledged for employment of foreign labors and for tax appealing on additional tax assessment as at June 30, 2008.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

Financial instruments at fair value through profit or loss, current as at June 30, 2009 and 2008 were summarized as follows:

	2009	2008
Financial assets at fair value through profit or loss		
JV Call Option	\$ 1,962,464	\$ -
Open-ended mutual funds	932,851	1,873,427
HKD Call Option	217,793	-
Marketable bonds	101,746	-
Forward exchange contracts	40,258	3,301,820
Foreign mutual funds	33,055	179,945
Marketable equity securities	<u>-</u>	<u>10,332,123</u>
	<u>\$ 3,288,167</u>	<u>\$ 15,687,315</u>
Financial liabilities at fair value through profit or loss		
Euro - dollar convertible bonds with options	\$ 533,392	\$ 1,842,214
Forward exchange contracts	<u>39,864</u>	<u>1,114,422</u>
	<u>\$ 573,256</u>	<u>\$ 2,956,636</u>

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

- a. Term: The JV Call Option is exercisable within five years commencing from the expiry of the first six months after the dealing of the shares of Pou Sheng on the Stock Exchange had commenced.

- b. The Option Premium: The Option Premium was determined with reference to 15% of the agreed estimated consideration for the acquisition of the Relevant Equity Interests on the date of the JV Call Option agreements.
- c. Settlement: The Option Premium was settled by the issue of shares of Pou Sheng and the number of shares issued was determined with reference to the offering price upon the global offering of Pou Sheng's shares on the Stock Exchange.

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

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

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

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

The net gain (loss) from financial instruments at fair value through profit or loss, current for the six months ended June 30, 2009 and 2008 amounted to \$585,964 thousand and \$1,872,945 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

	2009	2008
Marketable equity securities	<u>\$ 6,946,952</u>	<u>\$ -</u>

Effective July 1, 2008, the Company adopted the amendments of Statement of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement". On August 29, 2008, the Company reclassified the interests in Mega Financial Holding Company and Taiwan Paiho Limited from held for trading financial assets to available-for-sale financial assets, based on the closing price on that date. Please see Note 25 to the consolidated financial statements for the relevant information.

7. NOTES RECEIVABLE

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

	2009	2008
Notes receivable	\$ 52,870	\$ 82,689
Less allowance for doubtful accounts	<u> -</u>	<u> -</u>
	<u>\$ 52,870</u>	<u>\$ 82,689</u>

8. ACCOUNTS RECEIVABLE

Accounts receivable as at June 30, 2009 and 2008 consist of the following:

	2009	2008
Accounts receivable	\$ 25,305,624	\$ 29,566,975
Less allowance for doubtful accounts	<u>(875,310)</u>	<u>(353,293)</u>
	<u>24,430,314</u>	<u>29,213,682</u>
Accounts receivable from affiliates (Note 26)	945,234	1,355,476
Less allowance for doubtful accounts	<u> -</u>	<u>(830)</u>
	<u>945,234</u>	<u>1,354,646</u>
	<u>\$ 25,375,548</u>	<u>\$ 30,568,328</u>

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

Factored accounts receivable were as follows:

Counter-parties	Receivables Sold at Year-Beginning	Receivables Sold	Amounts Collected	Receivables Sold at Year-End	Credit Line	Pledge
<u>Six months ended June 30, 2009</u>						
Taishin Commercial Bank	\$ 78,327	\$ 155,340	\$ 129,934	\$ 103,733		Promissory note
	US\$ 2,388,021	US\$ 4,647,919	US\$ 3,874,327	US\$ 3,161,613	US\$ 8,500,000	US\$ 8,500,000
<u>Six months ended June 30, 2008</u>						
Taishin Commercial Bank	\$ 199,479	\$ 129,562	\$ 233,207	\$ 95,834		Promissory note
	US\$ 6,239,684	US\$ 4,447,621	US\$ 7,528,648	US\$ 3,158,657	US\$ 8,500,000	US\$ 8,500,000

The above credit lines are allowed to be used on a revolving basis, and for the six months ended June 30, 2009 and 2008, the above credit lines were unused.

9. INVENTORIES

a. Inventories - manufacturing as at June 30, 2009 and 2008 consist of the following:

	2009	2008
Raw materials and supplies	\$ 6,323,334	\$ 8,844,787
Work-in-process	3,982,430	3,689,353
Finished goods	13,991,847	10,413,164
Merchandises	18,031	49,435
Goods in transit	<u>138,879</u>	<u>198,908</u>
	<u>\$ 24,454,521</u>	<u>\$ 23,195,647</u>

1) As of June 30, 2009 and 2008, the allowance for inventory devaluation was \$1,411,392 thousand and \$1,183,969 thousand, respectively.

2) The cost of inventories recognized as cost of goods sold in the six months ended June 30, 2009 and 2008 was \$78,053,874 thousand and \$80,942,804 thousand, respectively, which included \$795,053 thousand and \$32,955 thousand, respectively, due to write-downs of inventories.

b. Inventories - construction as at June 30, 2009 and 2008 consist of the following:

	2009	2008
Land and buildings for development	\$ 3,461,268	\$ 1,510,335
Land, buildings and improvements for sale	65,367	79,758
Construction site	132,066	155,035
Construction in process	<u>35,662</u>	<u>-</u>
	<u>\$ 3,694,363</u>	<u>\$ 1,745,128</u>

1) As of June 30, 2009 and 2008, the allowance for inventory devaluation was \$24,740 thousand and \$0, respectively.

2) Land and buildings for development as at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>			<u>2008</u>
	<u>Land</u>	<u>Building</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Barits Development Right and Great	\$ 1,810,170	\$ 24,608	\$ 1,834,778	\$ 1,510,335
Asia-Pacific	1,416,146	-	1,416,146	-
Pou Chin Development	<u>210,344</u>	<u>-</u>	<u>210,344</u>	<u>-</u>
	<u>\$ 3,436,660</u>	<u>\$ 24,608</u>	<u>\$ 3,461,268</u>	<u>\$ 1,510,335</u>

3) At June 30, 2009, according to the loan agreement, the secured borrowings were secured by the land and buildings for development of the Company. Please see Note 27 to the consolidated financial statements.

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

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

Company	Name of Construction	Construction in Process	Progressive Billings	Net Amount
Pou Chin Development Co., Ltd.	Consultant for demarcation of real estate in Anhe district, Taichung city	\$ 77,498	\$ 41,836	\$ 35,662
Wang Yi Construction Co., Ltd.	Construction for demarcation of real estate in Anhe district, Taichung city	21,577	59,104	(37,527)

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as at June 30, 2009 and 2008 are comprised of the following:

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Shoes, shoe materials and athletic products companies</u>					
All Saints Enterprises Limited	\$ -	\$ -	-	\$ 152,559	37.00
Eagle Nice (International) Holdings Limited	1,325,223	1,817,127	38.42	1,537,578	38.42
Nan Pao Resins (Holdings) Limited	-	-	-	261,010	35.00
Pine Wood Industrial Limited	92,393	81,991	37.00	75,819	37.00
Prosperous Industrial (Holdings) Ltd.	583,740	911,891	30.00	717,327	30.00
Rising Sun Associates Limited	-	-	-	85,932	37.00
Best Focus Holdings Ltd.	324,300	654,833	50.00	474,939	50.00
Blessland Enterprises Limited	26,196	71,246	50.00	72,384	50.00
Central Honour Limited	5,189	12,683	50.00	10,343	50.00
Great Skill Industrial Limited	34,149	57,642	50.00	53,728	50.00
Up Front Technology Ltd.	124,045	49,908	50.00	81,800	50.00
Willpower Industries Limited	103,776	170,461	40.00	120,450	40.00
Smart Shine Industries Limited	-	173,430	50.00	239,980	50.00
Din Tsun Holding Co., Ltd.	251,211	561,092	50.00	378,129	50.00
Profit Land Limited	-	-	-	60,673	35.00
Texas Clothing Holdings Corp.	3,433,680	1,004,721	39.80	1,446,591	38.40
China Ocean Resources Limited	532,226	336,183	50.00	492,581	50.00
i-Tech Enterprises Ltd.	10,134	7,517	50.00	7,566	50.00
Bigfoot Limited	151,730	148,527	48.76	160,224	48.76
Natural Options Limited	11,144	5,796	38.30	7,041	38.30
Original Designs Developments Limited	40,156	124,762	49.47	137,823	47.00
Cohen Enterprises Inc.	156,820	568,161	50.00	433,397	50.00
Ever Atlantic Investments Limited	-	-	-	116,928	50.00
Hua Jian Industrial Holding Co., Limited	771,201	2,303,197	50.00	1,920,376	50.00
Ka Yuen Rubber Factory Limited	32,727	675,154	50.00	517,039	50.00
Topmost Industries Limited	26,438	95,247	50.00	96,281	50.00
Twinways Investments Limited	88,232	212,133	50.00	199,129	50.00
Yuen Thai Industrial Company Limited	85,745	95,745	50.00	20,567	50.00
Oftenrich Holdings Limited	1,368,875	2,190,831	45.00	2,038,397	45.00
New Peak Services Limited	-	-	-	30,657	50.00
Keen Idea Group Limited	82,656	63,282	40.00	-	-
Good assets Management Limited	8,200	8,181	50.00	-	-
PT. GF Indonesia	115,608	85,306	45.00	22,339	45.00
Just Lucky Investments Limited	44,234	59,098	38.30	46,451	38.30
High Style Investments Limited	25,944	20,131	50.00	27,504	50.00
Precise Zone Investments Limited	41,662	48,664	47.65	37,004	47.65
PYGF Co., Ltd.	32,430	67,441	50.00	46,181	50.00
Liberty Bell Investments Limited	254,492	97,296	49.00	152,113	49.00

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Jumbo Power Enterprises Limited	414,870	486,333	50.00	254,302	50.00
Farsighted International Limited	778,708	1,070,381	30.00	343,951	30.00
Guiyang Baoshang Sports Goods Company Limited	47,776	55,987	50.00	23,618	50.00
Hangzhou Baohong Sports Goods Company Limited	35,018	37,695	50.00	29,545	50.00
Harbin Shenge Sports Chain Company Limited	381,531	490,557	45.00	423,603	45.00
Hebei Zhanxin Sports Development Company Limited	312,122	378,668	45.00	333,081	45.00
Hefei Tengrei Sports Goods Company Limited	208,511	281,894	50.00	213,838	50.00
Hubei Jiezhixing Clothing And Accessories Company Limited	413,331	691,063	50.00	587,816	50.00
Jilin Xinfangwei Sports Goods Company Limited	587,461	634,501	50.00	333,398	50.00
Jilin Lingpao Sports Goods Company Limited	276,854	493,359	50.00	314,763	50.00
Shaanxi Jixian Longyue Sports Goods Company Limited	153,288	203,159	50.00	135,184	50.00
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	43,631	74,755	40.00	50,086	40.00
Suzhou Xinjun Trading Development Company Limited	244,862	287,039	49.00	158,964	49.00
Wenzhou Baofeng Trading Company Limited	41,335	59,047	50.00	26,808	50.00
Zhejiang Jinguan Enterprise Development Company Limited	253,650	427,290	50.00	-	-
Yangzhou Longsheng Trading Co., Ltd.	-	-	-	333,653	50.00
Zhejiang Baohong Sports Goods Company Limited	127,024	162,732	49.00	135,978	49.00
Zhejiang Yichuan Sports Goods Chain Company Limited	598,757	838,279	50.00	630,208	50.00
Luen Thai Holdings Limited	394,437	459,035	8.98	421,118	8.98
Full Pearl International Ltd.	242,784	212,613	47.90	232,542	47.95
Fuzhou Fubao Paper Packaging Co., Ltd.	118,574	146,030	50.00	103,872	50.00
Rise Mount Limited	5,518	4,903	26.00	-	-
Enthroned Group Limited	158	160	48.76	148	48.76
Evermore Chemical Industry Co., Ltd.	253,333	272,641	20.75	281,580	20.75
San Fang Chemical Industry Co., Ltd.	2,677,576	3,197,718	44.72	2,800,847	44.72
Nan Pao Resins Chemical Co., Ltd.	562,870	528,161	22.15	-	-
Intelligent Plus Limited	45,372	43,214	45.90	-	-

Electronic companies

Haicheng Information Technology Co., Ltd.	194,580	143,606	50.00	131,561	50.00
Silver Island Trading Ltd.	129,720	51,816	50.00	48,026	50.00
Venture Well Holdings Ltd.	332,638	363,874	30.09	348,665	28.52
Prime World International Ltd.	-	-	-	65	34.34
Kleine Developments Ltd.	335,317	228,088	50.00	367,597	50.00
Digital Sun Investments Ltd.	788,061	291,287	41.67	554,805	41.67
Elitegroup Computer Systems Co., Ltd.	6,036,650	4,980,435	17.90	4,923,586	17.98
Techview International Technology Inc.	676,760	19,783	48.31	323,938	48.31

Investment holding and other companies

Ace Top Group Limited	1,574	46,442	40.00	30,974	40.00
Asia Air Tech Industrial (Pte) Ltd.	82,697	57,921	30.00	56,389	30.00
Most Honour International Limited	1,640	3,240	50.00	-	-
Coprospects Holdings Ltd.	8,117	26,701	50.00	5,523	50.00
Mega Atlas International Limited	3,119	3,407	40.00	-	-
Well Success Investments Limited	198,731	1,024,392	40.00	1,118,973	40.00

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Rising Developments Ltd.	5,028	91,105	50.00	76,787	50.00
Supplyline Logistics Ltd.	190,848	20,725	49.00	13,071	46.12
Talent Pool Management Ltd.	-	4,137	30.00	3,345	30.00
Partner Alliance Limited	4,936	7,687	50.00	5,133	50.00
Poulik Properties Management Co., Ltd.	-	562	30.00	506	30.00
Zhuhai Poulik Properties Management Co., Ltd.	4,952	35,417	40.00	32,229	40.00
Pou Chen Asia-Pacific Property Holdings Company Limited	-	-	-	12,642	75.00
Yusong Chateau Enterprise Co., Ltd.	-	-	-	755	50.00
Zhong Ao Multiplex Management Limited	523,432	699,107	47.50	577,002	47.50
The Right & Great Asia-Pacific Realty Development Co., Ltd.	-	-	-	169,559	48.57
	<u>\$ 28,922,707</u>	<u>\$ 32,416,623</u>		<u>\$ 29,248,874</u>	

The details of Company's investment income (loss) recognized under equity method for the six months ended June 30, 2009 and 2008 are summarized as follows:

	2009	2008
<u>Shoes, shoe materials and athletic products companies</u>		
All Saints Enterprises Limited	\$ (653)	\$ 6,059
Eagle Nice (International) Holdings Ltd.	101,208	102,608
Nan Pao Resins (Holdings) Limited	-	18,861
Prosperous Industrial (Holdings) Ltd.	53,160	(22,402)
Rising Sun Associates Limited	-	4,870
Best Focus Holdings Ltd.	78,936	66,065
Blessland Enterprises Limited	5,282	11,678
Central Honour Limited	623	1,758
Great Skill Industrial Limited	5,057	12,299
Willpower Industries Limited	17,755	6,105
Smart Shine Industries Limited	(73,966)	(57,441)
Din Tsun Holding Co., Ltd.	120,554	43,415
Profit Land Limited	(453)	(1,285)
Texas Clothing Holdings Corp.	(446,510)	(367,083)
China Ocean Resources Limited	(136,431)	-
i-Tech Enterprise Ltd.	(457)	(227)
Bigfoot Limited	21,380	16,280
Natural Options Limited	145	1,553
Original Designs Developments Limited	7,877	16,710
Cohen Enterprises Inc.	68,779	46,018
Hua Jian Industrial Holding Co., Limited	22,362	120,878
Ka Yuen Rubber Factory Limited	143,049	69,992
Topmost Industries Limited	7,941	7,408
Twinways Investments Limited	19,782	23,440
Yuen Thai Industrial Company Limited	32,005	21,679
Oftenrich Holdings Limited	87,357	138,173
New Peak Services Limited	-	(37,382)
PT. GF Indonesia	-	(4,047)
Just Lucky Investments Limited	4,704	(34)
High Style Investments Limited	426	(263)
Precise Zone Investments Limited	(102)	(3,266)

	2009	2008
PYGF Co., Ltd.	9,608	1,891
Liberty Bell Investments Limited	(38,505)	(28,662)
Jumbo Power Enterprises Limited	64,600	6,848
Keen Idea Group Limited	1,249	-
Good Assets Management Limited	(11)	-
Farsighted International Limited	45,338	68,079
Guiyang Baoshang Sports Goods Company Limited	2,299	(21)
Hangzhou Baohong Sports Goods Company Limited	1,938	(5,470)
Harbin Shenge Sports Chain Company Limited	12,259	(7,925)
Hebei Zhanxin Sports Development Company Limited	13,480	37,479
Hefei Tengrei Sports Goods Company Limited	32,025	13,647
Hubei Jiezhixing Clothing And Accessories Company Limited	210,827	53,134
Jilin Xinfangwei Sports Goods Company Limited	(3,473)	9,426
Jilin Lingpao Sports Goods Company Limited	54,805	46,754
Shaanxi Jixian Longyue Sports Goods Company Limited	17,486	3,528
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	7,736	6,457
Suzhou Xinjun Trading Development Company Limited	21,504	17,231
Wenzhou Baofeng Trading Company Limited	7,969	2,736
Zhejiang Jinguan Enterprise Development Company Limited	105,643	-
Yangzhou Longsheng Sporting Goods Co., Ltd.	-	74,081
Zhejiang Baohong Sports Goods Company Limited	6,847	9,137
Zhejiang Yichuan Sports Goods Chain Company Limited	96,862	52,610
Luen Thai Holdings Limited	14,131	42,694
Full Pearl International Ltd.	(25,155)	7,214
Rise Mount Limited	(613)	-
Fuzhou Fubao Paper Packaging Co., Ltd.	3,819	9,476
Evermore Chemical Industry Co., Ltd.	(3,928)	2,644
San Fang Chemical Industry Co., Ltd.	207,309	176,587
Nan Pao Resins Chemical Co., Ltd.	25,020	-
Intelligent Plus Limited	(2,201)	-
 <u>Electronic companies</u>		
Haicheng Information Technology Co., Ltd.	(27)	(12,586)
Silver Island Trading Ltd.	(122)	12
Venture Well Holdings Ltd.	(13,880)	43,937
Prime World International Ltd.	-	301
Digital Sun Investments Ltd.	(40,594)	(32,513)
Kleine Developments Limited	(51,310)	(45,075)
Elitegroup Computer Systems Co., Ltd.	129,057	70,401
Techview International Technology Inc.	(143,395)	(271,969)
 <u>Investment holding and other companies</u>		
Ace Top Group Limited	3,728	15,748
Asia Air Tech Industrial (Pte) Ltd.	(5,861)	(8,786)
Coprospects Holdings Ltd.	(2,333)	(5,150)
Mega Atlas International Limited	295	-
Well Success Investments Limited	(164,607)	8,337
Rising Developments Ltd	5,631	3,393
Talent Pool Management Ltd.	1,564	1,254
Partner Alliance Limited	163	487

	2009	2008
Poulik Properties Management Co., Ltd.	-	(13)
Zhuhai Poulik Properties Management Co., Ltd.	3,115	3,524
Most Honour International Limited	248	-
Yusong Chateau Enterprise Co., Ltd.	-	(76)
Zhong Ao Multiplex Management Limited	9,740	17,218
The Right & Great Asia-Pacific Realty Development Co., Ltd.	-	(441)
	<u>\$ 760,090</u>	<u>\$ 629,997</u>

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

Name	Core Operating Item	Place of Incorporation
All Saints Enterprises Limited	Manufacture and sale of paint	British Virgin Islands
Eagle Nice (International) Holdings Limited	Manufacture and sale of apparel	Cayman Islands
Nan Pao Resins (Holdings) Limited	Manufacture and sale of paint	British Virgin Islands
Pine Wood Industries Limited	Manufacture and sale of cloth	British Virgin Islands
Prosperous Industries (Holdings) Ltd.	Manufacture and sale of sports bags	Cayman Islands
Rising Sun Associates Limited	Manufacture and sale of paint	British Virgin Islands
Best Focus Holdings Ltd.	Manufacture and sale of paper carton	British Virgin Islands
Blessland Enterprises Limited	Manufacturing and sale of shoe pads	British Virgin Islands
Central Honour Limited	Shoe injection	British Virgin Islands
Great Skill Industrial Limited	Manufacture and sale of plastic shoe injection	British Virgin Islands
Up Front Technology Ltd.	Shoe injection	British Virgin Islands
Willpower Industries Limited	Manufacture and sale of cartons	British Virgin Islands
Smart Shine Industries Limited	Manufacture and sale of shoes and apparel	British Virgin Islands
Din Tsun Holding Co., Ltd.	Manufacture and sale of apparel	British Virgin Islands
Profit Land Limited	Manufacture and sale of paint	British Virgin Islands
Texas Clothing Holdings Corp.	Manufacture and sale of apparel	British Virgin Islands
China Ocean Resources Limited	Sales of sports goods	British Virgin Islands
i-Tech Enterprises Ltd.	Sales of plastic grain	British Virgin Islands
Bigfoot Limited	Cloth product trading / cloth dyeing & processing / cloth shoe material binding	British Virgin Islands
Natural Options Limited	Manufacture of foamed cotton	British Virgin Islands
Original Designs Developments Limited	Manufacture of shoe lasts	British Virgin Islands

Name	Core Operating Item	Place of Incorporation
Cohen Enterprises Inc.	Manufacture and sale of leather products for shoes	British Virgin Islands
Ever Atlantic Investments Limited	Manufacture of apparel	British Virgin Islands
Hua Jian Industrial Holding Co., Limited	Manufacture and sale of ladies shoes	British Virgin Islands
Ka Yuen Rubber Factory Limited	Manufacture and sale of rubber soles	British Virgin Islands
Topmost Industries Limited	Manufacture of counters for shoes	British Virgin Islands
Twinways Investments Limited	Manufacture and sale of injection molds for shoes components	British Virgin Islands
Yuen Thai Industrial Company Limited	Manufacture and trading of sports and active wear	Hong Kong
Oftenrich Holdings Limited	Manufacture and sale of safety and casual shoes	Bermuda
New Peak Services Limited	Manufacture and sale of shoes	British Virgin Islands
Keen Idea Group Limited	Manufacture and sale of hats	British Virgin Islands
Good Assets Management Limited	Investment holding	British Virgin Islands
PT. GF Indonesia	Sale of shoes and active wear	Indonesia
Just Lucky Investments Limited	Manufacture and sale of shoes material	British Virgin Islands
High Style Investments Limited	Manufacture halftone, printing ink	British Virgin Islands
Precise Zone Investments Limited	Manufacture and processing of ironware and plastic products	British Virgin Islands
PYGF Co., Ltd.	Processing rubber	British Virgin Islands
Liberty Bell Investments Limited	Manufacture and sale of chemical for leather use	British Virgin Islands
Jumbo Power Enterprises Limited	Manufacture and sales of sports goods	British Virgin Islands
Farsighted International Limited	Sales of sport goods	British Virgin Islands
Guiyang Baoshang Sports Goods Company Limited	Sales of sport goods	PRC
Hangzhou Baohong Sports Goods Company Limited	Sales of sport goods	PRC
Harbin Shenge Sports Chain Company Limited	Sales of sport goods	PRC
Hebei Zhanxin Sports Development Company Limited.	Sales of sport goods	PRC
Heifei Tengrei Sports Goods Company Limited	Sales of sport goods	PRC
Hubei Jiezhixing Clothing And Accessories Company Limited	Sales of sport goods	PRC
Jilin Xinfangwei Sports Goods Company Limited	Sales of sport goods	PRC
Jilin Lingpao Sports Goods Company Limited	Sales of sport goods	PRC
Shaanxi Jixian Longyue Sports Goods Company Limited	Sales of sport goods	PRC
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	Sales of sport goods	PRC

Name	Core Operating Item	Place of Incorporation
Suzhou Xinjun Trading Development Company Limited	Sales of sport goods	PRC
Wenzhou Baofeng Trading Co., Ltd.	Sales of sport goods	PRC
Yang Zhou Longsheng Sporting Goods Co., Ltd.	Sales of sport goods	PRC
Zhejiang Jinguan Enterprise Development Company Limited	Sales of sport goods	PRC
Zhejiang Baohong Sports Goods Company Limited	Sales of sport goods	PRC
Zhejiang Yichuan Sports Goods Chain Company Limited	Sales of sport goods	PRC
Luen Thai Holdings Ltd.	Manufacture and trading of apparel	Hong Kong
Haicheng Information Technology Co., Ltd.	Developing and manufacture of software and electronic parts	PRC
Sliver Island Trading Ltd.	Sale of electronic parts	British Virgin Islands
Venture Well Holdings Ltd.	Sale of electronic parts	British Virgin Islands
Prime World International Ltd.	Sale of electronic parts	British Virgin Islands
Kleine Developments Ltd.	Manufacture and sale of electronic parts and investment holding	British Virgin Islands
Digital Sun Investments Ltd.	Sale of printed circuit boards	British Virgin Islands
Asia Air Tech Industrial (Pte) Ltd.	Manufacture and sale of air conditioner	Singapore
Enthroned Group Limited	Investment holding	British Virgin Islands
Coprospects Holdings Ltd.	Investment holding	British Virgin Islands
Full Pearl International Limited	Investment holding	British Virgin Islands
Well Success Investments Limited	Investment holding	British Virgin Islands
Rising Developments Ltd.	Trading of diesel / petroleum	British Virgin Islands
Supplyline Logistics Ltd.	Provision of logistic service	Hong Kong
Talent Pool Management Ltd.	Provision of school service	British Virgin Islands
Partner Alliance Limited	Sale of tobacco and liquor	British Virgin Islands
Poulik Properties Management Co., Ltd.	Properties management	British Virgin Islands
Zhuhai Poulik Properties Management Co., Ltd.	Properties management	British Virgin Islands
Fuzhon Fubao Paper Packing Co., Ltd.	Print and manufacture of paper	PRC
Zhong Ao Multiplex Management Limited	Properties management	PRC
Mega Atlas International Limited	Investment holding	British Virgin Islands
Rise Mount Limited	Investment holding	British Virgin Islands
Intelligent Plus Limited	Manufacture and sale of chemical material	British Virgin Islands
Most Honour International Limited	Investment holding	British Virgin Islands

Except Venture Well Holdings Ltd. and Kleine Development Ltd., the fiscal year end of the above-listed companies, is September 30. The Company accounted for the investment income (loss) from these companies based on these companies' financial results for the six months ended March 31, 2009 and 2008, as permitted under the accounting principles generally accepted in the ROC.

Techview International Technology Inc. ("Techview International") is engaged in sale and assembly of TFT-LCD display. It has an outstanding common stock of \$1,337,622 thousand as at June 30, 2009.

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 \$12,794,827 thousand as at June 30, 2009.

San Fang Chemical Industry Co., Ltd. (“San Fang”) is engaged in manufacturing and marketing leather. The shares of San Fang are listed on the Taiwan Stock Exchange Corporation. It has an outstanding capital of \$2,629,287 thousand as at June 30, 2009.

Evermore Chemical Industry Co., Ltd. (“Evermore Chemical”) is engaged in manufacturing and selling of melamine resin and phthali dnhydride resin. The shares of Evermore Chemical are listed on the Taiwan Stock Exchange Corporation. It has an outstanding capital of \$932,880 thousand as at June 30, 2009.

Nan Pao Resins Chemical Co., Ltd. (“Nan Pao Resins”) is engaged in manufacturing and sale of chemical material. It has an outstanding common stock of \$370,092 thousand as at June 30, 2009.

Luen Thai Holdings Ltd. (“Luen Thai”) is engaged in manufacturing ready-made garments. The shares of Luen Thai are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of US\$9,925 thousand as at June 30, 2009.

Eagle Nice (International) Holdings Ltd. (“Eagle Nice”) is engaged in manufacturing and sale of apparel. The shares of Eagle Nice are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of HK\$4,997 thousand as at June 30, 2009.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

Available-for-sale financial assets, noncurrent as at June 30, 2009 and 2008 are as follows:

	2009			2008	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Taiwan marketable equity securities</u>					
Asia Vital Components Co., Ltd.	\$ 221,568	\$ 277,103	5.91	\$ 276,640	6.03
Taiwan Paiho Limited	142,259	87,537	2.99	266,327	2.99
<u>Mutual fund</u>					
Taishin Lucky fund	155,141	147,842	-	-	-
<u>Foreign marketable equity securities and funds</u>					
Symphony Holdings Ltd.	298,501	59,747	4.82	199,805	4.82
Uis-Trusted Money Fund	279,672	279,771	-	159,612	-
	<u>\$ 1,097,141</u>	<u>\$ 852,000</u>		<u>\$ 902,384</u>	

Asia Vital Components Co., Ltd. is engaged in manufacturing and selling of semiconductors electronic connectors, computer connectors and communication products. The shares of Asia Vital Components Co., Ltd. are listed on the Taiwan Stock Exchange Corporation. It has an outstanding common stock of \$2,515,000 thousand as at June 30, 2009.

Taiwan Paiho Limited is engaged in manufacturing and selling of touch fasteners and webbings. The shares of Taiwan Paiho Limited are listed on the Taiwan Stock Exchange Corporation. It has an outstanding common stock of \$2,794,961 thousand as at June 30, 2009.

Symphony Holdings Ltd. is engaged in manufacturing and sales of footwear. The shares of Symphony Holdings Ltd. are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of HK\$436,011 thousand as at June 30, 2009.

12. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

Financial assets carried at cost, noncurrent as at June 30, 2009 and 2008 were as follows:

	2009	2008
Chiang Yei Precision Industrial Co., Ltd.	\$ 8,153	\$ 8,153
Golden Brands Developments Ltd.	224,224	207,344
L&C Aluminium Corp.	831	831
Shey Yu Co., Ltd.	320	320
View Sonic Corporation	96,231	96,231
Taichung International Entertainment Corporation	1,905	1,905
Bizlink Holdings Inc.	109,623	101,370
Great Team Backend Foundry Inc.	79,542	73,554
DTE Technologies Corp.	-	130,000
Ryco Investment Ltd.	32,810	-
Eic Enterprise Ltd. - Preferred Stock	-	1,314
Asia Pacific Genesis Venture Capital Fund	147,645	136,530
Cid Greater China Vanture Capital Fund	196,860	151,700
Prodigy Strategic Investment Fund XXII Segregated Portfolio	197,363	91,404
Prodigy Fund Spc-Prodigy Strategic Investment Fund	<u>160,856</u>	<u>179,168</u>
	<u>\$ 1,256,363</u>	<u>\$ 1,179,824</u>

The stocks and mutual funds mentioned above do not have public offering price and reliable fair values, thus they are carried at cost. Due to the continuing operation losses of DTE Technologies Corp., the Company recognized its impairment of \$130,000 thousand for the year ended December 31, 2008, which was recorded as impairment loss.

13. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as at June 30, 2009 and 2008 is as follows:

	2009				2008	
	Cost	Reassessed Value Increment	Accumulated Depreciation	Accumulated Impairment	Carrying Value	Carrying Value
Land	\$ 2,531,793	\$ 248,260	\$ -	\$ 159,159	\$ 2,620,894	\$ 2,640,732
Buildings	51,490,532	45,063	13,485,850	56,493	37,993,252	32,261,522
Machinery and equipment	46,791,364	-	26,175,485	28,279	20,587,600	19,985,551
Transportation equipment	1,146,149	-	813,988	309	331,852	373,574
Furniture, fixtures and office equipment	5,719,295	-	3,606,103	468	2,112,724	1,681,212
Other equipment	714,694	-	458,930	2,272	253,492	317,576
Construction in progress and prepayments for equipment	5,816,373	-	-	-	5,816,373	3,532,354
	<u>\$ 114,210,200</u>	<u>\$ 293,323</u>	<u>\$ 44,540,356</u>	<u>\$ 246,980</u>	<u>\$ 69,716,187</u>	<u>\$ 60,792,521</u>

Pou Chen recorded land value increment in 1987 and 1991 to reflect the value appraised and published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under long-term liabilities. Furthermore, in accordance with the amended Land Tax Law, Pou Chen decreased its reserve for land value increment tax by \$49,652 thousand with a corresponding increase in adjustments of stockholders' equity for the six months ended June 30, 2005.

The interest expense for the six months ended June 30, 2009 and 2008 amounted to \$1,658,273 thousand and \$1,852,732 thousand, respectively. Interest costs capitalized as part of the costs of property, plant and equipment for the six months ended June 30, 2009 and 2008 amounted to \$9,524 thousand and \$308 thousand, respectively. The rates of capitalized interest for the period were 2.286% and 2.51% to 2.56%, respectively.

14. OTHER ASSETS

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

	2009	2008
Leased-out assets		
Cost and revaluation increment	\$ 1,811,710	\$ 1,625,026
Less:		
Accumulated depreciation	(34,189)	(31,944)
Allowance for valuation loss of idle assets	<u>(2,477)</u>	<u>-</u>
	<u>1,775,044</u>	<u>1,593,082</u>
Idle assets	68,748	89,782
Less:		
Accumulated depreciation	(48,667)	(55,379)
Allowance for valuation loss of idle asset	<u>(20,081)</u>	<u>(34,403)</u>
	<u>-</u>	<u>-</u>
Refundable deposits	1,945,172	1,111,082
Deferred charges	4,970,867	3,845,517
Long-term receivables	-	354,812
Deferred tax assets (Note 23)	5,328	60,668
Land held by trustee	73,713	73,713
Prepaid pension cost	75,145	57,954
Others - land and building for sale	5,454	5,502
Temporary tax payments	<u>3,477</u>	<u>2,582</u>
	<u>\$ 8,854,200</u>	<u>\$ 7,104,912</u>

Three parcels of land located in Changhwa County were purchased by Pou Chen for \$22,187 thousand in June 1990, for \$33,668 thousand in April 1997, and for \$17,858 thousand in July 2007. According to related laws, the ownership for these three parcels of land should be changed to the Company. However, due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property. Consequently, the three parcels of land amounted to \$73,713 thousand at June 30, 2009, are included in "other assets - land held by trustee".

15. SHORT-TERM LOANS

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

	2009		2008	
	Interest Rate %	Balance	Interest Rate %	Balance
Procurement loans	1.10~3.32	\$ 2,176,059	1.55~4.20	\$ 2,823,085
Unsecured loans	0.76~9.36	<u>24,658,095</u>	1.90~7.47	<u>28,993,773</u>
		<u>\$ 26,834,154</u>		<u>\$ 31,816,858</u>

16. SHORT-TERM BILLS PAYABLE

Short-term bills payable as at June 30, 2009 and 2008 consist of the following:

	2009		2008	
	Interest Rate %	Balance	Interest Rate %	Balance
Commercial paper, credit	0.26~2.11	\$ 1,695,000	2.08~2.77	\$ 1,120,000
Less discount on commercial paper		<u>(3,661)</u>		<u>(3,768)</u>
		<u>\$ 1,691,339</u>		<u>\$ 1,116,232</u>

17. CURRENT PORTION OF LONG-TERM LIABILITIES

Current portion of long-term liabilities as at June 30, 2009 and 2008 consist of the following:

	2009	2008
Euro convertible bonds (see Note 18)	\$ 8,648,519	\$ 7,848,717
Long-term debt (see Note 19)	<u>10,872,063</u>	<u>2,423,184</u>
	<u>\$ 19,520,582</u>	<u>\$ 10,271,901</u>

18. BONDS PAYABLE

Bonds payable as at June 30, 2009 and 2008 consist of the following:

	2009	2008
Euro Convertible Bonds	\$ 8,648,519	\$ 15,369,396
Less current portion (see Note 17)	<u>(8,648,519)</u>	<u>(7,848,717)</u>
	<u>\$ -</u>	<u>\$ 7,520,679</u>

The Euro convertible bonds issued by Pou Chen in 2003 with par value of US\$50 thousand were redeemed in 2008. As at June 30, 2009, the Euro convertible bonds were fully redeemed by the Company.

The euro-dollar convertible bonds first issued by Yue Yuen on December 23, 2004 have been redeemed according to the covenant in December 2008.

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

- (a) Date of issuance: November 17, 2006
- (b) Par value: HK\$10,000
- (c) Location of issuance: Hong Kong
- (d) Price of issuance: 100%
- (e) Total amount: HK\$2,100,000 thousand issued.
- (f) Interest rate: 0%
- (g) Date of maturity: November 17, 2011
- (h) Conversion price:
HK\$26.75 dollars per share which will be subject to adjustment for, among other things, subdivision or consolidation of shares, capital distributions, bonus issues, rights issues and other dilutive events.
- (i) Redemption at maturity:
Unless previously redeemed, repurchased and cancelled, or converted, the bonds will be redeemed on November 17, 2011 at a price equal to 113.227% of the unpaid principal amount.
- (j) Redemption at the option of Yue Yuen:
On or at any time after November 17, 2007 (in the case of (i) below) and at any time (in the case of (ii) and (iii) below) and (in either case) prior to November 17, 2011, Yue Yuen may redeem all of the bonds at the Early Redemption Amount on the Redemption Date if (i) the closing price of the Share (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for each of the 30 consecutive Trading Day prior to the date upon which notice of such redemption is given, was at least 120 per cent. of the Conversion Price in effect on each such Trading Day or (ii) at least 90 per cent. in principal amount of the bonds has already been converted, redeemed or purchased and cancelled or (iii) in the event of certain changes relating to Bermuda or Hong Kong taxation law (each holder may, after Yue Yuen exercised such redemption option, elect to refuse all or a portion of its Bonds shall not be redeemed by Yue Yuen).
- (k) Repurchase at the option of holders:
 - (i) Each holder has the put option to require Yue Yuen to repurchase all or any portion of such holder's bonds on November 17, 2009 at a price equal to 107.738% of the unpaid principal amount thereof.
 - (ii) If the common shares of Yue Yuen cease to be listed or admitted to trading on the Hong Kong Stock Exchange, each holder has the right to require Yue Yuen to repurchase all of such holder's bonds.
 - (iii) Upon the occurrence of a change of control, each holder has the right to require Yue Yuen to repurchase all of such holder's bonds.

19. LONG-TERM DEBT

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

	2009	2008
Citibank (Lead Lender) Syndication Loan Long-term debt, US\$350,000 thousand, due in semiannual installments commencing July 11, 2011 and maturing July 11, 2012. Interest rate is 4.479%.	\$ 11,188,210	\$ 10,619,000
Bank of China Long-term debt, US\$420,000 thousand. The period is from June 1, 2005 to June 1, 2010. Interest rate is 2.08%. Interest is paid quarterly. The principal will be fully repaid upon maturity.	13,787,221	8,501,677
The Hong Kong and Shanghai Banking Corporation Limited Mid-term debt, US\$5,852 thousand. The term is from March 31, 2007 to March 31, 2012. The principal is due in semiannual installments commencing from March 2010. Interest rate is 6.08%. Interest is paid quarterly.	153,584	173,070
Taipei Fubon Bank Long-term debt, US\$150,000 thousand. The principal due in semiannual installments commencing from May 2012. Interest rate is 2.24%. Interest is paid quarterly.	4,921,500	-
China Trust Commercial Bank Long-term debt, US\$2,660 thousand, due in semiannual installments commencing September 21, 2005 and maturing September 21, 2008. The principal had been fully repaid in 2008.	-	11,490
Agricultural Bank of China Mid-term debt. The term is from February 28, 2007 to January 8, 2010. The principal is due in semiannual installments commencing from July 8, 2008. The principal was fully prepaid in July 2008.	-	129,802
Cathay Bank Long-term debt, US\$9,750 thousand, due in 84 monthly repayments commencing from May 20, 2006 and maturing May 19, 2013. Interest rate is 6.25%. Interest is paid monthly.	297,128	286,416
Industrial Bank of Taiwan Mid-term debt, the term is from October 26, 2005 to October 25, 2008. Interest is paid monthly. The principal had been fully prepaid in 2008.	-	150,000

	2009	2008
Citibank (Lead Lender) Syndication Loan Long-term debt, NT\$6,500,000 thousand, due in semiannual repayments commencing October 25, 2009 and maturing October 25, 2010. Interest rate ranges from 0.956% to 0.926% as at June 30, 2009.	4,875,000	6,500,000
China Trust Commercial Bank (Lead Lender) Syndication Loan Long-term debt, NT\$2,500,000 thousand, due in semiannual repayments commencing December 9, 2009 and maturing June 9, 2011. Interest rate is 0.9641% as at June 30, 2009.	2,500,000	2,500,000
China Trust Commercial Bank (Lead Lender) Syndication Loan Long-term debt, NT\$7,000,000 thousand, due in semiannual repayments commencing November 16, 2011 and maturing May 16, 2013. Interest rate is 0.9926% as at June 30, 2009.	7,000,000	5,000,000
Ta Chong Bank (Lead Lender) Syndication Loan Long-term debt, US\$30,000 thousand, due in 5 semiannual installments commencing September 2, 2008 and maturing September 2, 2010. Interest rate is 1-month (2, 3 or 6-month) LIBOR rate plus 0.90%.	590,580	910,200
Standard Chartered Bank Syndication Loan Long-term debt, US\$30,000 thousand. The term is from August 24, 2005 to August 24, 2010. Interest rate is USD 1-month (2, 3 or 6-month) LIBOR rate plus 0.90%. The principal is due in semiannual installments commencing from August 24, 2008.	590,580	910,200
Ta Chong Bank (Lead Lender) Syndication Loan Long-term debt, US\$14,000 thousand. The term is from November 14, 2005 to November 14, 2010. The principal is due in semiannual installments commencing from November 14, 2008. Interest rate is USD 1-month (2, 3 or 6-month) LIBOR rate plus 1%.	275,604	424,760
KBC (Shanghai) Bank (Lead Lender) Syndication Loan Long-term debt, US\$36,000 thousand. The term is from December 3, 2007 to December 2, 2010. The principal is due in semiannual installments commencing from November 18, 2009. Interest rate is USD 1-month (2, 3 or 6-month) LIBOR rate plus 0.85%.	1,181,160	1,092,240
Bank of Kaohsiung Secured Mid-term debt, NT\$300,000 thousand. The term is from September 26, 2008 to September 26, 2015. The principal is due in quarterly installments commencing from September 26, 2011. Interest is paid monthly. Interest rate is 1.63% as at June 30, 2009.	300,000	-

	2009	2008
Land Bank of Taiwan		
Unsecured Mid-term debt, NT\$1,000,000 thousand.		
Interest rate is 2.36% as at June 30, 2009. Interest is paid monthly.	25,257	-
Cathay United Bank		
Secured long-term debt, NT\$1,050,000 thousand.		
The term is from May 9, 2008 to May 9, 2011.		
Interest rate is 1.90% as at June 30, 2009. Interest is paid monthly.	<u>1,050,000</u>	<u>-</u>
	48,735,824	37,208,855
Less current portion (see Note 17)	<u>(10,872,063)</u>	<u>(2,423,184)</u>
	<u>\$ 37,863,761</u>	<u>\$ 34,785,671</u>

20. CAPITAL STOCK AND RETAINED EARNINGS

Pou Chen's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>4,500,000</u>	<u>3,800,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 45,000,000</u>	<u>\$ 38,000,000</u>
Issued capital		
Shares (in thousands)	<u>2,705,568</u>	<u>2,513,607</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 27,055,675</u>	<u>\$ 25,136,070</u>

Pou Chen's outstanding capital stock was \$25,136,070 thousand as at June 30, 2008. On June 13, 2008, Pou Chen's shareholders in their meeting resolved to issue additional capital stock of \$2,744,315 thousand through stock dividends of \$2,471,099 thousand, and bonuses to employees of \$273,216 thousand. Furthermore, employee stock warrants were exercised for 2,029 thousand shares (amounted to \$20,290 thousand) in the period of time from July 1, 2008 to June 30, 2009. Additionally, Pou Chen retired the treasury stock of 84,500 thousand shares (amounted \$845,000 thousand) and decreased the capital in the period of time from July 1, 2008 to June 30, 2009. As a result, Pou Chen's outstanding capital stock was \$27,055,675 thousand, divided into 2,705,568 thousand common shares with a par value of \$10 dollars per share as at June 30, 2009.

As at June 16, 2009, the stockholders' meeting approved to issue additional capital stock of \$1,372,183 thousand through unappropriated earnings of \$1,331,134 thousand and bonuses to employees of \$41,049 thousand. The employee stock bonus of \$4,105 thousand shares amounted to \$41,049 thousand were determined by dividing the amount of bonuses to employees resolved in the shareholders' meeting by the closing price of the shares on the day preceding the shareholders' meeting. As the legal registration is not completed, it is included in "stock dividend to be distributed" temporarily. Since the ex-dividend date of appropriations of earning for 2008 is August 10, 2009, the shares of additional capital stock

mentioned above is included in the weight average number of shares outstanding for the six months ended June 30, 2008 when calculating EPS.

As at June 13, 2008, the stockholders meeting approved to issue additional capital stock amounting to \$2,744,315 thousand through stock dividends of \$2,471,099 thousand, and bonuses to employees of \$273,216 thousand. As the legal registration process is not completed, it was included in “stock dividends to be distributed” account as at June 30, 2008.

Earnings per share are based upon the weighted average number of shares of common stock outstanding during the year. For the six months ended June 30, 2008, the weighted average number of shares used in the calculation of earnings per share has been restated for the retroactive effect of the stock dividends issued in 2009.

As at July 15, 2002, the board of directors of Pou Chen resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28-3 within the quantity of 67,600 units. Each individual employee stock warrant is granted the right to purchase new issued common share for 1,000 shares. The exercise price is the closing price of Pou Chen’s common shares at the employee stock warrants’ issuance date. The warrant holder can exercise the right up to one-third of the granted warrant units no earlier than two years from the granted date. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. As of August 6, 2002 and July 24, 2003, Pou Chen has issued 66,600 units and 1,000 units of employee stock warrants, respectively to the employees with an exercise price of \$23.30 dollars and \$41.20 dollars per unit, respectively. The exercise price of the warrant as at June 30, 2009 has been retroactively restated as \$10 dollars and \$19.20 dollars per share, respectively, due to the stock dividends issued.

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

If Pou Chen resolved to increase additional capital stock through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee stock warrant is granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee stock warrants were \$25.90 dollars and 139,435,520 shares, respectively.

At June 30, 2009, the employee stock warrants were executed for 22,898 thousand shares of common stock.

Information about Pou Chen’s outstanding stock warrants for the six months ended June 30, 2009 and 2008 was as follows:

	2009		2008	
	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Exercise Price (NT\$)
Employee Stock Warrants				
Balance, beginning of period	184,200	\$ 22.09	173,984	\$ 24.35
Stock warrants exercised	(62)	10.00	(2,675)	10.00
Balance, end of period	<u>184,138</u>	22.09	<u>171,309</u>	21.67
Exercisable stock warrants at end of period	<u>44,702</u>		<u>45,809</u>	

As at June 30, 2009 and 2008, information about Pou Chen's outstanding and exercisable stock warrants was as follows:

Range of Exercise Price (NT\$)	Stock Warrants Outstanding			Stock Warrants Exercisable	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)
<u>2009</u>					
\$10.00~\$25.90	<u>184,138</u>	<u>7.08</u>	<u>\$ 22.09</u>	<u>44,702</u>	<u>\$ 10.21</u>
<u>2008</u>					
\$10.00~\$25.90	<u>171,309</u>	<u>7.94</u>	<u>\$ 21.67</u>	<u>45,809</u>	<u>\$ 10.20</u>

If the compensation cost based on the fair value method is accounted for as expenses, the pro-forma results of Pou Chen for the six months ended June 30, 2009 and 2008 would have been as follows:

	2009	2008
Income from continuing operations before income tax - attributed to shareholders of the Parent Company	<u>\$ 2,688,723</u>	<u>\$ 4,022,330</u>
Net income - attributed to shareholders of the Parent Company	<u>\$ 2,646,791</u>	<u>\$ 4,029,080</u>
Basic earnings per share (in dollars)	<u>0.95</u>	<u>\$ 1.40</u>

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

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

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

- for paying tax,
- for offsetting deficit,
- 10% of the annual earnings as legal reserve,
- less than 3% as bonus to directors and supervisors after the three above are appropriated,
- 1% ~5% as bonus to employees after the four above are appropriated,
- as special reserve or being retained partially, and

- g. dividends to stockholders as proposed according to stock ownership proportion.
- h. for share bonus to qualified requirements of employees, including the employees of subsidiaries of the company meeting specific requirements. Regarding the terms and proportion, the board of directors of the Company is authorized to resolve.

For the six months ended June 30, 2009 and 2008, the bonus to employees was \$122,625 thousand and \$46,065 thousand, respectively, and the remuneration to directors and supervisors was \$126,418 thousand and \$47,489 thousand, respectively. The bonus to employees and remuneration to directors and supervisors both represent 3% of 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 2008 and 2007 had been approved in the shareholders' meetings on June 16, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

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

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

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

Wealthplus's outstanding capital stock as at September 30, 2007 amounted to US\$169,222 thousand. In March 2008, Wealthplus decided to decrease its capital US\$60,000 thousand (NT\$1,922,115 thousand dollars) and return to shareholder. Accordingly, Wealthplus's outstanding capital stock as at March 31, 2008 amounted to US\$109,222 thousand with a par value of US\$1 dollar each, 109,222 thousand shares. Additionally, Wealthplus decided to decrease and return its capital US\$100,000 thousand (NT\$3,203,525 thousand) in December 2008. Wealthplus's outstanding capital stock as at March 31, 2009 amounted to \$9,222 thousand with a par value of US\$1 dollars each, 9,222 thousand shares.

Win Fortune's outstanding capital stock as at March 31, 2009 and 2008 both amounted to US\$100 thousand, with a par value of US\$1 dollar each, 100 thousand shares.

Ming Wang's registered and issued capital as at June 30, 2008 amounted to \$427,291 thousand, divided into 42,729 thousand common shares with a par value of \$10.00 dollars each. In June 2008, the regular meeting of Ming Wang's stockholder resolved to issue additional capital stock of \$253,901 thousand through stock dividends. As a result, Ming Wang's registered and issued capital stock as at June 30, 2009 was increased to \$681,192 thousand, divided into 68,119 thousand common shares, with a par value of \$10.00 dollars each.

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

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

Windsor Entertainment's registered and issued capital as at June 30, 2008 amounted to \$210,000 thousand, divided into 21,000 thousand common shares with a par value of \$10.00 dollars each. Additionally, Windsor Entertainment decreased its capital to offset its accumulated deficit by \$200,000 thousand and issued additional capital stock for \$200,000 thousand at a price of \$10.00 dollars per share in June 2008. As at June 30, 2009, Windsor Entertainment's registered and issued capital amounted to \$210,000 thousand, divided into 21,000 thousand common shares with a par value of \$10.00 dollars each.

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

Yun Yang's registered and issued capital as at June 30, 2008 amounted to \$82,561 thousand, divided into 8,256 thousand common shares with a par value of \$10.00 dollars each. In June, 2008, Yun Yang's stockholders in their meeting resolved to issue additional capital stock of \$10,231 thousand through stock dividends. As a result, Yun Yang's registered and issued capital stock as at June 30, 2009 was increased to \$92,792 thousand, divided into 9,279 thousand common shares, with a par value of \$10.00 dollars each.

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

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

- g. dividends to stockholders as proposed according to stock proportion.

Pou Shine's registered and issued capital as at June 30, 2008 amounted to \$573,632 thousand, divided into 57,363 thousand common shares with a par value of \$10.00 dollars each. In June 2008, Pou Shine's stockholder in the meeting resolved to issue additional capital stock of \$135,962 thousand through stock dividends. As a result, Pou Shine's registered and issued capital stock as at June 30, 2009 was increased to \$709,594 thousand, divided into 70,959 thousand common shares, with a par value of \$10.00 dollars each.

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

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

Pan Asia Insurance Services' issued capital as at June 30, 2009 amounted to \$3,000 thousand.

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

Proshine Healthcare's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

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

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

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

g. dividends to stockholders as proposed according to stock proportion.

Pro Arch Technology's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

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

Pro Arch Technology's outstanding capital stock as at June 30, 2008 amounted to \$301,000 thousand. In November 2008, Pro Arch Technology decreased its capital to offset its accumulated deficit of \$300,000 thousand, and issued additional capital stock for \$300,000 thousand at a price of \$10.00 dollars per share. As at June 30, 2009, Pro Arch Technology has an outstanding common stock of \$301,000 thousand, with a par value of \$10.00 dollars each.

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

Barits Development's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>200,000</u>	<u>150,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>
Issued capital		
Shares (in thousands)	<u>118,690</u>	<u>91,300</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capita	<u>\$ 1,186,900</u>	<u>\$ 913,000</u>

Barits Development issued capital as at June 30, 2008 amounted to \$913,000 thousand, divided into 91,300 thousand common shares with a par value of \$10.00 dollars each. In June 2008, Barits Development's stockholder in their meeting resolved to issue additional capital stock of \$273,900 thousand through stock dividends. As a result, Barits Development's registered and issued capital stock as at June 30, 2009 was \$1,186,900 thousand, divided into 118,690 thousand common shares, with a par value of \$10.00 dollars each.

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

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

Pou Yuen Technology's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

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

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

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

LNC Technology's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Registered capital		
Shares (in thousands)	<u>80,000</u>	<u>60,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 800,000</u>	<u>\$ 600,000</u>
Issued capital		
Shares (in thousands)	<u>60,000</u>	<u>57,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capita	<u>\$ 600,000</u>	<u>\$ 570,000</u>

LNC Technology's issued capital as of June 30, 2008 amounted to \$570,000 thousand divided into 57,000 thousand common shares with a par value of \$10.00 dollars each. In November 2008, LNC Technology issued capital stock for \$30,000 thousand at a price of \$10.00 dollars per share. As at June 30, 2009, LNC Technology has an outstanding common stock of \$600,000 thousand, with a par value of \$10.00 dollars each.

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

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

Right and Great Asia-Pacific's registered and issued capital as at June 30, 2009 amounted to \$600,000 thousand, divided into 60,000 thousand common shares with a par value of \$10.00 dollars each.

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

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

Vistas Design's commenced its operation in June 2008. Vistas Design's registered and issued capital as at June 30, 2009 amounted to \$5,000 thousand, divided into 500 thousand common shares with a par value of \$10.00 dollars each.

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

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

Global Brands Manufacture's registered and issued capital as at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Authorized capital		
Share (in thousands)	<u>500,000</u>	<u>500,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued capital		
Share (in thousands)	<u>377,892</u>	<u>309,400</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 3,778,923</u>	<u>\$ 3,094,008</u>

Global Brands Manufacture's outstanding capital stock was amounted to \$3,778,923 thousand divided into 377,892 thousand common shares with a par value of \$10 dollars per share as at June 30, 2009.

As at June 19, 2009, Global Brands Manufacture's shareholders in their meeting resolve to issue additional capital stock of \$374,484 thousand through unappropriated earnings of \$367,942 thousand and bonuses to employees of \$6,542 thousand.

As at May 30, 2008, Global Brands Manufacture's shareholders in their meeting resolve to issue additional capital stock of \$684,915 thousand through unappropriated earnings of \$618,802 thousand and bonuses to employees of \$66,113 thousand.

At the meeting on October 15, 2002, the board of directors of Global Brands Manufacture resolved to issue employee stock warrants in accordance with the Securities and Exchange Law Article 28-3 within the quantity of 5,672 units. Each stock warrant is granted the right to purchase 1,000 new issued common shares. The exercise price is the closing price of Global Brands Manufacture's common shares at the employee stock warrants' issuance date. The warrant holders can exercise the right up to one-third of the granted warrant units no earlier than two years from the granted date. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. As of December 13, 2002 and September 22, 2003, Global Brands Manufacture issued 5,662 units and 10 units, respectively, of employee stock warrants to the employees with an exercise price of \$29.50 dollars and \$64 dollars per unit. The exercise price will be adjusted according to calculating formula subject to stock and cash dividends and issuance of capital stock. In 2007, the warrants exercised were 4,350 units and 10 units, respectively. As at June 30, 2009, the outstanding warrants were 1,312 units, and the exercise price was \$10.30 dollars per unit.

At the meeting on September 22, 2003, the board of directors of Global Brands Manufacture resolved to issue another employee stock warrants with the quantity of 10,672 units. The issuing rules are the same as the first issuance mentioned above. Global Brands Manufacture issued all the employee stock warrants with an exercise price of \$50.50 dollars per unit on November 12, 2003. The exercise price will be adjusted according to calculating formula subject to stock and cash distributions and issuance of capital stock. As at June 30, 2009, the exercise price was \$20 dollars per unit and total unsubscribed shares available for sale were 16,599 thousand shares.

At the meeting on December 5, 2007, the board of directors of Global Brands Manufacture resolved to issue another employee stock warrants with the quantity of 15,000 units. Each of the employee stock warrant is granted the right to purchase one new issued common share. The issuing rules are the same as the first issuance mentioned above. Global Brands Manufacture issued all the employee stock warrants with an exercise price of \$41.55 dollars per unit on December 24, 2007. The exercise price will be adjusted according to calculating formula subject to stock and cash distributions and issuance of capital stock. As at June 30, 2009, the exercise price was \$32.30 dollars per unit and total unsubscribed shares available for sale were 18,321 thousand shares.

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

	2009		2008	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT\$)
Employee Stock Warrants				
Balance, beginning of period	36,232	\$25.87	29,903	\$33.23
Stock warrants granted	-	-	-	-
Stock warrants exercised	-	-	-	-
Balance, end of period	<u>36,232</u>	25.87	<u>29,903</u>	33.23
Exercisable stock warrants, end of period	<u>17,911</u>	19.29	<u>14,903</u>	24.86

Information about outstanding and exercisable options as of June 30, 2009 and 2008 was as follows:

Range of Exercise Price (NT\$)	Stock Warrants Outstanding			Stock Warrants Exercisable	
	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price (NT\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Exercise Price (NT\$)
<u>2009</u>					
\$10.30~\$32.30	<u>36,232</u>	<u>6.49</u>	<u>\$ 25.87</u>	<u>17,911</u>	<u>\$ 19.29</u>
<u>2008</u>					
\$14.10~\$41.55	<u>29,903</u>	<u>7.46</u>	<u>\$ 33.23</u>	<u>14,903</u>	<u>\$ 24.86</u>

If the compensation cost based on the fair value method is accounted for as expenses, the pro-forma results of Global Brands Manufacturing for the year ended June 30, 2009 would have been as follows:

Assumptions		
Risk-free interest rate		2.5%
Expected life		6.5 years
Expected volatility		38.07%
Dividend rate		-
Net income		
As reported		\$ 73,103
Pro-forma		\$ 25,382
Basic earnings per share (in dollar)		
As reported		\$ 0.20
Pro-forma		\$ 0.07
Diluted earnings per share (in dollar)		
As reported		\$ 0.20
Pro-forma		\$ 0.70

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

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

On May 14, 2008, Pou Sheng adopted a 5 years and a 10 years pre-IPO share subscription plans. The warrants of plans issued to the eligible persons are 71,001 thousand and 53,251 thousand, respectively. Each warrant is granted to have the right to purchase one common share. The warrants holder could subscribe for 20% and 10% over 5 years and 10 years, respectively, after each anniversary of the date of issuance. Pou Sheng has issued the aforementioned subscription on May 23, 2008. As at March 31, 2009 the exercise price was HK\$2.14 per unit.

Information about Pou Sheng's pre-IPO subscription plan for the six months ended March 31, 2009 was as follows:

	Five Years Plan		Ten Years Plan	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (HK\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Exercise Price (HK\$)
Employee Stock Warrants				
Balance, beginning of period	71,001	\$2.14	53,251	\$2.14
Stock warrants exercised	<u>(7,633)</u>	-	<u>(7,455)</u>	-
Balance, end of period	<u>63,368</u>	2.14	<u>45,796</u>	2.14
Exercisable stock warrants, end of period	<u>-</u>		<u>-</u>	

As at March 31, 2009, information about Pou Sheng's outstanding and exercisable stock warrants was as follows:

Range of Exercise Price (HK\$)	Stock Warrants Outstanding			Stock Warrants Exercisable	
	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price (HK\$)	Number of Stock Purchasable (Thousand Shares)	Weighted-Average Exercise Price (HK\$)
<u>Five years plan</u>					
\$2.14	63,368	4.16	\$ 2.14	-	\$ 2.14
<u>Ten years plan</u>					
\$2.14	45,796	9.16	\$ 2.14	-	\$ 2.14

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

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

Compensation cost recognized was NT\$86,353 thousand (US\$2,580 thousand) for the six months ended March 31, 2009.

21. TREASURY STOCK

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

Reason	2009.01.01	Increase	Decrease	2009.06.30
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	9,554,965	-	-	9,554,965
	<u>70,054,965</u>	<u>17,300,000</u>	<u>34,500,000</u>	<u>52,854,965</u>

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

The Company wrote off 27,500 thousand shares in March 2009 and 7,000 thousand shares in April 2009 and got the approval of the Ministry of Economic Affairs with a document No. 09801074100 as at April 14 and No. 09801098500 as at 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.

As at June 30, 2009, the subsidiaries held 9,554,965 shares of the Company's common stock at cost of \$155,375 thousand in total. The Company had adjusted the carrying value according to the percentage of the subsidiaries holding shares.

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

Subsidiary	Shares	Amount
Wealthplus	134,631	\$ 3,181
Pou Shine	1,914,083	40,919
Ming Wang	1,434,525	27,242
Barits Development	4,507,527	96,361
Top Score	145,832	3,311
Ming Chi	85,056	1,818
Pou Yii	1,508,230	25,415

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

Function Category	2009				2008			
	Operating Cost	Operating Expenses	Construction in Progress	Total	Operating Cost	Operating Expenses	Construction in Progress	Total
Personnel expense								
Salaries	12,697,324	5,731,404	7,414	18,436,142	11,334,499	5,031,185	-	16,365,684
Labor insurance and health insurance	446,818	190,125	384	637,327	356,369	165,865	-	522,234
Pension cost	201,570	373,309	258	575,137	103,273	238,380	-	341,653
Others	29,336	47,518	178	77,032	66,696	57,719	-	124,415
Depreciation expenses	2,546,814	1,353,501	1,289	3,901,604	2,400,765	896,326	-	3,297,091
Amortization expenses	18,813	20,234	18	39,065	7,519	63,559	-	71,078

23. INCOME TAX

The Company's income tax expense for the six months ended June 30, 2009 is as follows:

Income tax expense, current	\$ 431,403
Basic tax payable	540
10% additional income tax on undistributed earnings of 2008	9,835
Adjustment of deferred tax asset and valuation allowance	(77,017)
Adjustment of prior year's income tax expense	928
Effect of tax law changes on deferred income tax	<u>38,840</u>
Income tax expense	<u>\$ 404,529</u>

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective

2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

The components of deferred tax assets (liabilities) as at June 30, 2009 are as follows:

Unrealized inventory devaluation losses	\$ 20,749
Unrealized losses on disposal of property, plant and equipment	140
Unrealized bad debt losses	97,669
Unrealized impairment loss	26,000
Unrealized maintenance and repairs expenses	370
Unrealized pension expense	127,270
Unrealized sales allowance	2,400
Unrealized gross profit	1,290
Unrealized loss on decline in market value of long-term investments	3,550
Unrealized net exchange gain	(11,759)
Losses carryforward	491,607
Investment tax credits	11,364
Others	(153,675)
Less valuation allowance	<u>(570,127)</u>
Deferred tax assets	46,848
Deferred tax assets, current	<u>(41,520)</u>
Deferred tax assets, noncurrent	<u>\$ 5,328</u>

The Company's current income tax for the six months ended June 30, 2009 and income tax payable as at June 30, 2009 were reconciled as follows:

Income tax expense at statutory rate of 25%	\$ 1,133,049
Income from valuation on financial instruments at fair value through profit or loss	(632)
Investment income recognized under equity method	(716,098)
Gain on sale of investments	(178)
Amortization of operating expense for disposal of land and securities	515
Others	<u>14,747</u>
Current income tax expense	431,403
Provision for (reversal of) of deferred income tax asset	
Unrealized provision for bad debts	5,293
Reversal of unrealized inventory devaluation losses	(6,045)
Unrealized pension expense	3,420
Unrealized net exchange loss	(8,153)
Loss carryforward	(35,810)
Others	<u>221,659</u>
Income tax payable	611,767
Add 10% additional income tax on unappropriated earnings of 2008	9,834
Add prior year's income tax payable	5,761
Less temporary tax payment	<u>(6,055)</u>
Income tax payable as at June 30, 2009	<u>\$ 621,307</u>

The income tax return Pou Chen for the year through 2006 have been examined and approved by the tax authority.

The income tax return of Pan Asia Insurance Services for the year through 2005 have been examined and approved by the tax authority.

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

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

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

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

At June 30, 2009, the amount and year of expiration of deductible loss carryforward and investment tax credits by individual company are as follows:

	Pou Yuen Technology	Pro Arch Technology	Windsor Entertainment	Proshine Healthcare	Wang Yi	Right and Great Asia-Pacific	Vistas Design	Pou Yii	LNC Technology
2013	\$ -	\$ 60,270	\$ 370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	7,000	143,690	1,270	-	-	-	-	-	-
2015	-	153,480	2,490	-	-	-	-	-	-
2016	-	14,340	39,270	-	-	-	-	-	-
2017	-	1,350	29,300	-	-	-	-	-	-
2018	-	11,580	14,570	3,847	2,600	740	150	-	-
2019	-	-	-	-	1,400	490	-	400	3,000
	<u>\$ 7,000</u>	<u>\$ 384,710</u>	<u>\$ 87,270</u>	<u>\$ 3,847</u>	<u>\$ 4,000</u>	<u>\$ 1,230</u>	<u>\$ 150</u>	<u>400</u>	<u>3,000</u>

The information of the integrated income tax system as at June 30, 2009 is as follows:

	Pou Chen	Ming Wang	Windsor Entertainment	Pou Shine	Pan Asia Insurance Service	Barits Development	Song Ming	Pou Yii
IC Balance of Imputation Credit Account	\$ 356,305	\$ 6,770	\$ -	\$ 18,408	\$ 179	\$ 166,109	\$ 25,814	\$ 3,389
Undistributed earnings for the years of 1997 and before	\$ 310,501	\$ -	\$ -	\$ -	\$ -	\$ 515,118	\$ -	\$ 7,176
Undistributed earnings for the years of 1998 and after	\$ 5,170,952	\$ 31,366	\$ (90,551)	\$ 71,846	\$ 419	\$ 1,437,407	\$ 5,939	\$ (7,514)
Expected IC ratio on distributable earnings of 2008	4.51%	21.58%	-	25.62%	33.33%	11.56%	33.33%	-
	Wang Yi	Ming Chi	Ming Shun	Pou Yuen Technology	Yun Yang	Pro Arch Technology	Global Brands Manufacture	Cheng Cheng
IC Balance of Imputation Credit Account	\$ 17,302	\$ 3,164	\$ 5,580	\$ 9,337	\$ 2,499	\$ 730	\$ 317,593	\$ 361
Undistributed earnings for the years of 1997 and before	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Undistributed earnings for the years of 1998 and after	\$ (18,997)	\$ 27,086	\$ 12,847	\$ (493,784)	\$ 16,172	\$ (257,406)	\$ 1,331,027	\$ 798
Expected IC ratio on distributable earnings of 2008	-	11.68%	33.33%	-	15.45%	-	18.96%	26.08%
	Proshine Healthcare	LNC Technology	Vistas Design					
IC Balance of Imputation Credit Account	\$ 120	\$ 1,804	\$ -					
Undistributed earnings for the years of 1997 and before	\$ -	\$ -	\$ -					
Undistributed earnings for the years of 1998 and after	\$ (18,357)	\$ (69,897)	\$ (835)					
Expected IC ratio on distributable earnings of 2008	-	-	-					

24. EARNINGS PER SHARE

For the six months ended June 30, 2009 and 2008, earnings per share before income tax and earnings per share after income tax are as follows:

	2009						
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)	Weighted Average Number of Common Shares Outstanding (In Thousands)	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)
Basic earnings per share							
Net income	\$ 6,756,031	\$ 6,351,502	\$ 2,917,121	2,790,902	\$ 2.42	\$ 2.28	\$ 1.05
Effect of dilutive potential common shares							
Employee stock warrants	-	-	-	19,255			
Bonus to employee	-	-	-	6,101			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	\$ 6,756,031	\$ 6,351,502	\$ 2,917,121	2,816,258	\$ 2.40	\$ 2.26	\$ 1.04

	2008						
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)	Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
					Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)
Basic earnings per share							
Net income	\$ 8,483,508	\$ 8,029,036	\$ 4,299,410	2,881,445	<u>\$ 2.94</u>	<u>\$ 2.79</u>	<u>\$ 1.49</u>
Effect of dilutive potential common shares							
Employee stock warrants	-	-	-	42,728			
Convertible bonds	-	-	-	62			
Bonus to employee	-	-	-	1,738			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 8,483,508</u>	<u>\$ 8,029,036</u>	<u>\$ 4,299,410</u>	<u>2,925,973</u>	<u>\$ 2.90</u>	<u>\$ 2.74</u>	<u>\$ 1.74</u>

If the Company's common shares held by its subsidiaries were not accounted for as treasury stock, the pro-forma earnings per share for the six months ended June 30, 2009 and 2008 are as follows:

	2009						
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)	Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
					Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)
Basic earnings per share							
Net income	\$ 6,756,031	\$ 6,351,502	\$ 2,917,121	2,800,934	<u>\$ 2.41</u>	<u>\$ 2.27</u>	<u>\$ 1.04</u>
Effect of dilutive potential common shares							
Employee stock warrants	-	-	-	19,255			
Bonuses to employee	-	-	-	6,101			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 6,756,031</u>	<u>\$ 6,351,502</u>	<u>\$ 2,917,121</u>	<u>2,826,290</u>	<u>\$ 2.39</u>	<u>\$ 2.25</u>	<u>\$ 1.03</u>

	2008						
	Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)	Weighted Average Number of Common Shares Outstanding (In Thousands)	Earnings Per Share		
					Income from Continuing Operations Before Tax	Income from Continuing Operations After Tax	Income After Tax (Attributed to Pou Chen's Shareholders)
Basic earnings per share							
Net income	\$ 8,483,508	\$ 8,029,036	\$ 4,299,410	2,891,409	<u>\$ 2.93</u>	<u>\$ 2.78</u>	<u>\$ 1.49</u>
Effect of dilutive potential common shares							
Employee stock warrants	-	-	-	42,728			
Convertible bonds	-	-	-	62			
Bonus to employee	-	-	-	1,738			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	<u>\$ 8,483,508</u>	<u>\$ 8,029,036</u>	<u>\$ 4,299,410</u>	<u>2,935,937</u>	<u>\$ 2.89</u>	<u>\$ 2.73</u>	<u>\$ 1.46</u>

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

Nonderivative Financial Instruments	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$29,658,516	\$29,658,516	\$23,374,675	\$23,374,675
Financial assets at fair value through profit of loss, current	1,067,652	1,067,652	12,385,495	12,385,495
Available-for-sale financial assets, current	6,946,952	6,946,952		
Notes and accounts receivable	24,483,184	24,483,184	29,296,371	29,296,371
Accounts receivable from affiliates	945,234	945,234	1,354,646	1,354,646
Other receivable	6,419,575	6,419,575	3,576,029	3,576,029
Investment accounted for by the equity method	32,416,623	29,312,698	29,248,874	26,288,289
Available-for-sale financial assets, noncurrent	852,000	852,000	902,384	902,384
Financial assets carried at cost, noncurrent	1,256,363	-	1,179,824	-
Refundable deposits	1,945,172	1,945,172	1,111,082	1,111,082
Long-term receivables	-	-	354,812	354,812
Liabilities				
Short-term loans	26,834,154	26,834,154	31,816,858	31,816,858
Short-term bills payable	1,691,339	1,691,339	1,116,232	1,116,232
Notes and accounts payable	12,990,277	12,990,277	15,587,406	15,587,406
Notes and accounts payable to affiliates	1,171,537	1,171,537	1,051,857	1,051,857
Other payables	13,470,893	13,470,893	12,781,774	12,781,774
Current portion of long-term liabilities	19,520,582	19,520,582	10,271,901	10,271,901
Bonds payable	-	-	7,520,679	7,520,679
Long-term debt	37,863,761	37,863,761	34,785,671	34,785,671
Guarantee deposits receivable	4,403	4,403	29,386	29,386
Derivative Financial Instruments	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
JV call option (financial assets at fair value through profit or loss, current)	\$ 1,962,464	\$ 1,962,464	\$ -	\$ -
HKD call option (financial assets at fair value through profit or loss, current)	217,793	217,793	-	-
Forward exchange contracts (financial assets at fair value through profit or loss, current)	40,258	40,258	3,301,820	3,301,820
Interest rate swap contracts (hedging derivative, noncurrent)	-	-	52,389	52,389
Euro convertible bonds with options (financial liabilities at fair value through profit or loss, current)	533,392	533,392	1,842,214	1,842,214
Forward exchange contracts (financial liabilities at fair value through profit or loss, current)	39,864	39,864	1,114,422	1,114,422
Interest rate swap contracts (hedging derivative liabilities, current)	41,268	41,268	-	-
Interest rate swap contracts (hedging derivative liabilities, noncurrent)	126,017	126,017	-	-

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

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

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

- (c) The fair value of investments accounted for by the equity method are based on their quoted prices in an active market. For those investments with no quoted market prices, their fair values are based on the net price per share in the financial report verified and certified by a certifying accountant issued as at June 30, 2009.
- (d) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- (e) The fair value of long-term debt and bond payables is estimated based on the net present value of expected cash flows.

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

	<u>Quoted Market Price in Active Market</u>		<u>Other Method of Valuation</u>	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss, current	\$ 1,067,652	\$ 12,385,495	\$ 2,220,515	\$ 3,301,820
Available-for-sale financial assets, noncurrent	852,000	902,384	-	-
Hedging derivative financial assets, noncurrent	-	-	-	52,389
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	573,256	2,956,636
Hedging derivative financial liabilities, current	-	-	41,268	-
Hedging derivative financial liabilities, noncurrent	-	-	126,017	-

As at June 30, 2009 and 2008, financial liabilities exposed to cash flow interest rate risk were \$77,261,317 thousand and \$70,141,945 thousand, respectively.

The Company recognized an unrealized (loss) gain of \$1,715,196 thousand and \$(135,051) thousand, respectively, in equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2009 and 2008.

Financial Risk Information

Market Risk

The risk the Company engaged in portfolios of marketable equity securities and open-ended mutual fund comes from changes of market price. One percentage decline in market rate will cause the fair value of financial instruments to decline by \$164,896 thousand.

Credit Risk

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

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 quickly and easily be sold with price close to fair value.

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 \$772,613 thousand.

Reclassifications

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

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

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

The carrying amounts and fair values of the reclassified financial assets as at June 30, 2009 were as follows:

	Carrying Amount	Fair Value
Available-for-sale financial assets	<u>\$ 6,946,952</u>	<u>\$ 6,946,952</u>

The changes in fair value recognized in profit and loss or shareholders' equity from the reclassification for the six months ended June 30, 2009 and pro-forma information assuming no reclassifications were made were as follows:

	Pro-Forma Information Assuming No Reclassification Recognized in Profit and Loss
Available-for-sale financial assets	<u>\$ 1,687,013</u>

26. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are as follows:

Name	Relationship
CMKC (HK) Limited ("CMKC")	CMK Corporation (CMK Corporation together with Global Brands Manufacture invest in CMK GBM and holds 49.00% ownership interest of CMK GBM) holds a 100.00% ownership interest
Ka Yuen Rubber Factory Limited ("Ka Yuen")	The Company holds a 50.00% ownership interest
Digital Sun Investments Ltd. ("Digital Sun")	The Company holds a 41.67% ownership interest
Twinways Investments Ltd. ("Twinways")	The Company holds a 50.00% ownership interest
Best Focus Holdings Ltd. ("Best Focus")	The Company holds a 50.00% ownership interest
Hua Jian Industrial Holding Co., Ltd. ("Hua Jian")	The Company holds a 50.00% ownership interest
Cohen Enterprises Inc. ("Cohen")	The Company holds a 50.00% ownership interest
Bandwidth Trading Ltd. ("Bandwidth")	The Company holds a 50.00% ownership interest
Dalian Dongzhijie Sports Industry Development Co., Ltd. ("Dalian Dongzhijie")	The Company holds a 30.00% ownership interest
Vietnam Tiong Liong Industrial Co., Ltd. ("Vietnam Tiong Liong")	The Company holds a 37.00% ownership interest
Pine Wood Industrial Limited ("Pine Wood")	The Company holds a 37.00% ownership interest
Bigfoot Limited ("Bigfoot")	The Company holds a 48.76% ownership interest

Name	Relationship
Yuen Thai Industrial Co., Limited (“Yuen Thai”)	The Company holds a 50.00% ownership interest
New Peak Services Limited (“New Peak”)	The Company holds a 69.99% ownership interest
Liberty Bell Investments Limited (“Liberty Bell”)	The Company holds a 49.00% ownership interest
Oftenrich Holdings Ltd. (“Oftenrich”)	The Company holds a 45.00% ownership interest
San Fang Chemical Industry Co., Ltd. (“San Fang”)	The Company holds a 44.72% ownership interest
Eastlion Industrial Ltd. (“Eastlion”)	The Company indirect holds a 35.00% ownership interest
Crystalyte Industrial Ltd. (“Crystalyte Industrial”)	The Company holds a 50.00% ownership interest
Chigwell Industrial Ltd. (“Chigwell Industrial”)	The Company holds a 50.00% ownership interest
i-Tech Enterprises Ltd. (“i-Tech”)	The Company holds a 50.00% ownership interest
Topmost Industries Ltd. (“Topmost”)	The Company holds a 50.00% ownership interest
Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd. (“Yuen Foong Yu”)	The Company holds a 40.00% ownership interest
Hubei Jiezhixing Clothing and Accessories Company Limited (“Hubei Jiezhixing”)	The Company holds a 50.00% ownership interest
Harbin Shenge Sports Chain Company Limited (“Harbin Shenge”)	The Company holds a 45.00% ownership interest
Zhejiang Yichuan Sports Goods Chain Company Limited (“Zhejiang Yichuan”)	The Company holds a 50.00% ownership interest
Jilin Lingpao Sports Goods Company Limited (“Jilin Lingpao”)	The Company holds a 50.00% ownership interest
Shaanxi Jixian Longyue Sports Goods Company Limited (“Shaanxi Jixian Longyue”)	The Company holds a 50.00% ownership interest
Full Pearl International Ltd. (“Full Pearl”)	The Company holds a 47.90% ownership interest
Hebei Zhanxin Sports Development Company Limited (“Hebei Zhanxin”)	The Company holds a 45.00% ownership interest
Zhejiang Jinguan Enterprise Development Company Limited (“Zhejiang Jinguan”)	The Company holds a 50.00% ownership interest
PT KA Yuen Indonesia (“PT KA Yuen”)	The Company holds a 50.00% ownership interest
Din Tsun Holding Co., Ltd. (“Din Tsun”)	The Company holds a 50.00% ownership interest
Hefei Tengjieau Sports Goods Company Limited (“Hefei Tengjieau”)	The Company holds a 50.00% ownership interest

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

Sales

Sales to related parties for the six months ended June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	Amount	Percentage to Net Sales	Amount	Percentage to Net Sales
CMKC	\$ 1,029,880	1	\$ 2,027,190	2
Others	<u>776,333</u>	<u>1</u>	<u>110,518</u>	<u>-</u>
	<u>\$ 1,806,213</u>	<u>2</u>	<u>\$ 2,137,708</u>	<u>2</u>

Cost of Sales - Purchases

Purchases from related parties for the six months ended June 30, 2009 and 2008 are summarized below:

	<u>2009</u>		<u>2008</u>	
	Amount	Percentage to Net Purchases	Amount	Percentage to Net Purchases
Ka Yuen	\$ 1,155,451	1	\$ 826,874	1
Digital Sun	431,706	1	712,206	1
San Fang	410,141	1	598,687	-
Twinways	391,164	1	403,555	1
Eastlion	347,385	-	304,385	-
CMKC	108,210	-	514,947	1
Bigfoot	101,950	-	138,089	-
Others	<u>1,367,977</u>	<u>2</u>	<u>1,075,007</u>	<u>2</u>
	<u>\$ 4,313,984</u>	<u>6</u>	<u>\$ 4,573,750</u>	<u>6</u>

Accounts Receivable

Accounts receivable from affiliates as at June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	Amount	Percentage to Accounts Receivable	Amount	Percentage to Accounts Receivable
Accounts receivable				
CMKC	\$ 525,863	2	\$ 854,886	3
Others	419,371	2	500,590	1
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(830)</u>	<u>-</u>
	<u>\$ 945,234</u>	<u>4</u>	<u>\$ 1,354,646</u>	<u>4</u>

Notes and Accounts Payable

Notes and accounts payable due to affiliates as at June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Percentage to Notes and Accounts Payable</u>	<u>Amount</u>	<u>Percentage to Notes and Accounts Payable</u>
Notes payable				
San Fang	<u>\$ 37,219</u>	<u>38</u>	<u>\$ 46,667</u>	<u>28</u>
Accounts payable				
Ka Yuen	\$ 424,348	3	\$ 298,984	2
San Fang	178,123	1	53,399	-
Twinways	130,410	1	184,015	1
Digital Sun	80,115	1	120,334	1
Others	<u>321,322</u>	<u>2</u>	<u>348,458</u>	<u>2</u>
	<u>\$ 1,134,318</u>	<u>8</u>	<u>\$ 1,005,190</u>	<u>6</u>

Credit Guarantees

See Note 28.

27. MORTGAGED PLEDGED ASSETS

June 30, 2009

Land and buildings for development \$ 1,792,735

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

28. COMMITMENTS AND CONTINGENCIES

Letters of Credit

Outstanding letters of credit as at June 30, 2009 are as follows (unit: amount of currency):

U.S. Dollar	\$ 1,079,452
Japanese Yen	¥ 10,950,000

Chuan Yi and CMK Global Brands Manufacture Ltd. had agreements for construction and for prepayments for equipment for \$382,267 thousand and \$129,963 thousand, respectively. As of June 30, 2009, the payments made on the agreements for construction and prepayments for equipment were \$53,968 thousand and \$121,792 thousand, respectively.

Chuan Yi leases several parcels of land, office premises and dormitory in PRC. These operating leases expire from 2009 to 2024, and could be renewed upon expiration. As of June 30, 2009, future lease payments were as follows:

	Amount	Present Value
2009	\$ 32,516	\$ -
2010	65,059	-
2011	65,509	-
2012	66,502	-
2013	62,343	-
2014 to 2018	286,552	177,003
2019 to 2023	116,056	50,320
After 2024	<u>7,244</u>	<u>2,428</u>
	<u>\$ 701,781</u>	<u>\$ 229,751</u>

At June 30, 2009, the Company has guaranteed the payments of credit of related parties as follows:

Related Parties	Amount
Wealthplus	\$ 11,762,385
Barits Development	5,797,200
Pou Shine	1,050,000
Pou Yuen Technology	1,833,092
Ming Wang	650,000
Pro Arch Technology	1,132,505
Ming Chi	200,000
Pou Yii	400,000
Tetor Ventures	627,983
Digital Decade	5,922,484
Maple Stare	868,153
Vantage Capital	42,653
Mindtech	462,900
LNC Technology	58,710
Windsor Entertainment	100,000
Up First	1,462,252
Dynamic Skyline	1,362,553
Kunshan Yuangsong	1,196,388
Chuan Yi	996,990
Solar Link	498,495
Dong Guan Xiangcheng	661,745
Pou Chin Development	857,100
Best Focus / Crystalyte Industrial / Chigwell Industrial	194,267
Hua Jian	906,581
Cohen	696,125
Ka Yuen	62,265
Bandwidth	40,472
PT Ka Yuen	32,378
Yuen Thai	373,591
New Peak	161,890
i-Tech	16,189
Topmost	16,189
Din Tsun	16,189

Related Parties	Amount
Vietnam Tiong Liong	24,559
Pine Wood	108,790
Liberty Bell	285,573
Oftenrich	364,251
Yuen Foong Yu	129,512
Full Pearl	77,545
Hubei Jiezhixing	306,712
Harbin Shenge	254,807
Zhejiang Yichuan	359,056
Hebei Zhanxin	127,403
Jilin Lingpao	121,128
Shaanxi Jixian Longyue	70,780
Zhejiang Jinguan	94,373
Dalian Dongzhijie	424,078
Hefei Tengjieau	94,213
	<u>94,213</u>
	<u>\$ 43,302,504</u>

29. SIGNIFICANT SUBSEQUENT EVENTS

In January 2009, Yu Yuen Industrial (Holdings) Limited entered into a sale and purchase agreement for the acquisition of the remaining 70% interest in Farsighted International Limited for a consideration to be satisfied by cash of US\$54,946 thousand and issue of 393,585 thousand ordinary shares of Pou Sheng (Yu Yuen Industrial (Holdings) Limited has owned 30% interest in Farsighted International Limited as of March 2009). Furthermore, Yu Yuen Industrial (Holdings) Limited is obligated to subscribe additional 421,622 thousand ordinary shares of Pou Sheng. The transaction had been settled in July 2009.