Wah Lee Industrial Corporation

Financial Statements for the Six Months Ended June 30, 2010 and 2009 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Wah Lee Industrial Corporation

We have audited the accompanying balance sheets of Wah Lee Industrial Corporation (the "Corporation") as of June 30, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Wah Hong Industrial Corporation (WHIC) which were the basis for the reported investment under equity method. Such financial statements were audited by other auditors whose report has been furnished to us. Accordingly, our opinion insofar as it relates to the financial data of WHIC as included in the accompanying financial statements is solely based on the other auditors' report. The carrying value of the investment in WHIC as of June 30, 2010 and 2009 amounted to NT$513,115 thousand and NT$456,034 thousand, respectively, both representing 4% of the Corporation's total assets, and the investment income recognized under equity method amounted to NT$34,713 thousand and NT$10,497 thousand, representing 4% and 3% of the Corporation's income before income tax for the six months ended June 30, 2010 and 2009, respectively.

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

The carrying value of investments accounted for using equity method of NT$4,378,686 thousand and NT$3,598,849 thousand as of June 30, 2010 and 2009, and the investment income recognized under equity method of NT$371,959 thousand and NT$72,675 thousand for the six months ended June 30, 2010 and 2009 as stated in Note 10 to the financial statements and other related information were based on unaudited financial statements of the investee companies.

In our opinion, based on our audits and the other auditors' report, except for the effect of such adjustments, if any, as might have been determined had we been engaged to audit the financial statements of those investees as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Corporation as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC.

As stated in Note 3 to the accompanying financial statements, on January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories".

August 3, 2010

Notice to Readers

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

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

WAH LEE INDUSTRIAL CORPORATION

BALANCE SHEETS
JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,012,261	7	$ 1,107,935	9
Available-for-sale financial assets (Notes 2 and 5)	465,516	3	150,019	1
Notes receivable (Notes 2 and 23)	414,714	3	323,125	3
Accounts receivable, net (Notes 2 and 6)	3,624,830	26	3,042,422	26
Accounts receivable - related parties (Notes 2, 6 and 23)	708,005	5	418,288	4
Other receivables	23,845	-	8,974	-
Other receivables - related parties (Note 23)	175,913	1	42,663	-
Inventories (Notes 2, 3 and 7)	1,207,312	9	1,261,322	11
Prepayments and others	351,987	3	160,678	1
Deferred income tax assets (Note 19)	57,367	-	43,040	-
Total current assets	8,041,750	57	6,558,466	55
LONG-TERM INVESTMENTS (Notes 2, 5, 8, 9 and 10)				
Financial assets at fair value through profit or loss - noncurrent	96,300	-	-	-
Available-for-sale financial assets	131,300	1	86,747	1
Financial assets carried at cost	120,481	1	117,850	1
Investments accounted for by the equity method	4,749,689	34	4,093,533	34
Total long-term investments	5,097,770	36	4,298,130	36
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 24)				
Land	312,466	2	315,645	3
Buildings	246,819	2	262,646	2
Machinery and equipment	365	-	365	-
Transportation equipment	72,443	1	67,581	1
Miscellaneous equipment	164,471	1	160,502	1
Leasehold improvements	52,769	-	52,769	-
Total cost	849,333	6	859,508	7
Land revaluation increment	12,029	-	39,290	1
Cost and revaluation increment	861,362	6	898,798	8
Less: Accumulated depreciation	259,600	1	225,363	2
	601,762	5	673,435	6
Prepayments for equipment	-	-	1,114	-
Net property, plant and equipment	601,762	5	674,549	6
INTANGIBLE ASSETS				
Deferred pension cost (Note 2)	11,038	-	12,878	-
OTHER ASSETS				
Rental assets (Notes 2, 12 and 24)	121,424	1	116,441	1
Refundable deposits (Note 25)	58,299	-	48,449	1
Deferred charges (Note 2)	133,600	1	157,391	1
Restricted assets - pledged time deposits (Note 24)	320	-	320	-
Total other assets	313,643	2	322,601	3
TOTAL	$ 14,065,963	100	$ 11,866,624	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT LIABILITIES				
Short-term loans (Notes 13 and 24)	$ 1,450,687	10	$ 973,391	8
Notes payable	504,694	4	357,775	3
Notes payable - related parties (Note 23)	197,952	1	161,759	1
Accounts payable	2,037,195	14	1,595,992	14
Accounts payable - related parties (Note 23)	189,739	1	139,330	1
Income tax payable	78,496	1	147,346	1
Accrued expenses (Note 14)	525,835	4	242,715	2
Dividend payable (Note 17)	534,031	4	353,862	3
Other payables	2,816	-	26,865	-
Current portion of long-term debt (Notes 15 and 24)	9,034	-	33,333	-
Others (Note 23)	91,658	1	51,524	1
Total current liabilities	5,622,137	40	4,083,892	34
LONG-TERM DEBT (Notes 15 and 24)	1,045,109	7	1,137,817	10
RESERVE FOR LAND VALUE INCREMENT TAX (Note 11)	4,259	-	13,713	-
OTHER LIABILITIES				
Accrued pension liabilities	90,530	1	41,973	-
Deferred tax liabilities (Note 19)	277,757	2	207,716	2
Guarantee deposits received	1,372	-	2,201	-
Total other liabilities	369,659	3	251,890	2
Total liabilities	7,041,164	50	5,487,312	46
COMMON STOCK -$10 par value; Authorized - 300,000 thousand shares; Issued - 231,390 thousand shares and 230,134 thousand shares at June 30,2010 and 2009, respectively (Note 17)	2,313,901	17	2,301,340	20
STOCK DIVIDENDS TO BE DISTRIBUTED (Note 17)	-	-	42,751	-
Total capital stock	2,313,901	17	2,344,091	20
CAPITAL SURPLUS (Note 17)				
Additional paid-in capital	1,160,519	8	1,158,726	10
Donations	11,867	-	11,867	-
Long-term investments	114,859	1	111,008	1
Others	-	-	16,934	-
Total capital surplus	1,287,245	9	1,298,535	11
RETAINED EARNINGS (Note 17)				
Legal reserve	1,013,952	7	932,960	8
Unappropriated earnings	2,097,556	15	1,640,898	14
Total retained earnings	3,111,508	22	2,573,858	22
OTHER EQUITY (Notes 2, 11, 17 and 18)				
Cumulative translation adjustments	237,150	2	281,951	2
Net loss not recognized as pension cost	(51,001)	(1)	(6,785)	-
Unrealized gain on financial instruments	123,035	1	80,984	1
Unrealized revaluation increment	2,961	-	9,338	-
Treasury stock - 3,019 thousand shares	-	-	(202,660)	(2)
Total other equity	312,145	2	162,828	1
Total stockholders' equity	7,024,799	50	6,379,312	54
TOTAL	$ 14,065,963	100	$ 11,866,624	100

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

(With Deloitte & Touche audit report dated August 3, 2010)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 23)				
Net sales	$ 8,552,589	97	$ 5,246,027	96
Commission revenue	181,897	2	142,089	3
Other operating revenue	50,588	1	55,595	1
Total operating revenues	8,785,074	100	5,443,711	100
OPERATING COSTS (Notes 3, 7 and 23)				
Cost of goods sold	7,772,637	88	4,763,323	87
Other operating costs	48,277	1	54,242	1
Total operating costs	7,820,914	89	4,817,565	88
GROSS PROFIT	964,160	11	626,146	12
ADD (LESS): REALIZED (UNREALIZED) INTER-COMPANY GAIN	(5,645)	-	11,727	-
REALIZED GROSS PROFIT	958,515	11	637,873	12
OPERATING EXPENSES (Notes 20 and 23)				
Selling	527,549	6	343,110	7
General and administrative	137,799	2	113,079	2
Total operating expenses	665,348	8	456,189	9
OPERATING INCOME	293,167	3	181,684	3
NON-OPERATING INCOME AND GAINS				
Interest income	1,340	-	377	-
Investment income recognized under equity method (Note 10)	492,531	6	119,445	2
Gain on disposal of property, plant and equipment	38,838	-	-	-
Exchange gains, net	10,532	-	957	-
Gain on reversal of bad debts (Note 6)	-	-	65,249	1
Others (Notes 12 and 23)	45,652	1	25,590	1
Total non-operating income and gains	588,893	7	211,618	4
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	14,696	-	23,532	-
Valuation loss on financial assets, net (Notes 2 and 8)	2,230	-	-	-

(Continued)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
Loss on disposal of property, plant and equipment	$ 5,297	-	$ 6	-
Others	1,809	-	1,040	-
Total non-operating expenses and losses	24,032	-	24,578	-
INCOME BEFORE INCOME TAX	858,028	10	368,724	7
INCOME TAX (Notes 2 and 19)	116,442	2	44,399	1
NET INCOME	$ 741,586	8	$ 324,325	6

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 21)				
Basic	$ 3.71	$ 3.20	$ 1.62	$ 1.43
Diluted	3.62	3.13	1.61	1.41

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

(With Deloitte & Touche audit report dated August 3, 2010) (Concluded)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

				Retained Earnings		Other Items					
	Common Stock	Stock Dividends to be Distributed	Capital Surplus	Legal Reserve	Unappropriated	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Asset Revaluation	Treasury Stock	Total Stockholders' Equity
BALANCE, JANUARY 1, 2010	$ 2,344,091	$ -	$ 1,299,649	$ 932,960	$ 2,126,487	$ 207,207	$ (51,001)	$ 219,985	$ 9,338	$ (202,660)	$ 6,886,056
Appropriation of 2009 earnings (Note 17)											
Legal reserve	-	-	-	80,992	(80,992)	-	-	-	-	-	-
Dividends to common stock											
Cash - 23%	-	-	-	-	(532,197)	-	-	-	-	-	(532,197)
Adjustment arising from changes in percentage of ownership in investees	-	-	2,738	-	-	-	-	-	-	-	2,738
Change in cumulative translation adjustments	-	-	-	-	-	29,943	-	-	-	-	29,943
Changes in unrealized loss on available-for-sale financial assets (Note 17)	-	-	-	-	-	-	-	(96,950)	-	-	(96,950)
Retirement of treasury stock - 3,019 thousand shares (Note 18)	(30,190)	-	(15,142)	-	(157,328)	-	-	-	-	202,660	-
Revaluation increment on land sold	-	-	-	-	-	-	-	-	(6,377)	-	(6,377)
Net income for the six months ended June 30, 2010	-	-	-	-	741,586	-	-	-	-	-	741,586
BALANCE, JUNE 30, 2010	$ 2,313,901	$ -	$ 1,287,245	$ 1,013,952	$ 2,097,556	$ 237,150	$ (51,001)	$ 123,035	$ 2,961	$ -	$ 7,024,799
BALANCE, JANUARY 1, 2009	$ 2,301,340	$ -	$ 1,281,601	$ 860,113	$ 1,775,516	$ 265,154	$ (6,785)	$ (8,887)	$ 9,338	$ (202,660)	$ 6,274,730
Appropriation of 2008 earnings (Note 17)											
Legal reserve	-	-	-	72,847	(72,847)	-	-	-	-	-	-
Bonus to employees - stock	-	8,684	16,934	-	-	-	-	-	-	-	25,618
Dividends to common stock											
Cash - 15.5%	-	-	-	-	(352,029)	-	-	-	-	-	(352,029)
Stock - 1.5%	-	34,067	-	-	(34,067)	-	-	-	-	-	-
Change in cumulative translation adjustments	-	-	-	-	-	16,797	-	-	-	-	16,797
Changes in unrealized gain on available-for-sale financial assets (Note 17)	-	-	-	-	-	-	-	89,871	-	-	89,871
Net income for the six months ended June 30, 2009	-	-	-	-	324,325	-	-	-	-	-	324,325
BALANCE, JUNE 30, 2009	$ 2,301,340	$ 42,751	$ 1,298,535	$ 932,960	$ 1,640,898	$ 281,951	$ (6,785)	$ 80,984	$ 9,338	$ (202,660)	$ 6,379,312

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

(With Deloitte & Touche audit report dated August 3, 2010)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 741,586	$ 324,325
Adjustments to reconcile net income to net cash provided by operating activities		
Provision (reversal of provision) for doubtful accounts	418	(65,249)
Depreciation	21,953	22,092
Amortization	18,069	17,050
Provision for (recovery of) loss on inventories	8,737	(31,836)
Loss on inventories	2,248	2,400
Unrealized (realized) gross profit	5,645	(11,727)
Deferred income tax expense (benefit)	40,090	(892)
Investment income recognized under equity method	(492,531)	(119,445)
Valuation loss on financial instruments	2,230	-
Cash dividends received from equity method investees	129,842	74,614
Loss (gain) on disposal of property, plant and equipment	(33,541)	6
Pension	3,678	2,468
Others	335	350
Changes in operating assets and liabilities:		
Notes receivable (including related parties)	(18,820)	42,280
Accounts receivable (including related parties)	(863,220)	(532,677)
Other receivables (including related parties)	(130,004)	(28,100)
Inventories	4,771	557,216
Prepayments and other current assets	(181,924)	(24,379)
Notes payable (including related parties)	79,673	(75,740)
Accounts payable (including related parties)	182,113	662,225
Income tax payable	(38,229)	43,559
Accrued expenses	153,251	(1,082)
Other payables	(17,355)	(5,221)
Other current liabilities	10,191	(12,326)
Net cash provided by (used in) operating activities	(370,794)	839,911
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(98,530)	-
Acquisition of available-for-sale financial assets	(376,505)	(150,000)
Proceeds from disposal of available-for-sale financial assets	350,366	-
Acquisition of financial assets carried at cost	(896)	-
Acquisition of investments accounted for by equity method	(5,423)	-
Acquisition of property, plant and equipment	(7,104)	(1,637)
Proceeds from disposal of property, plant and equipment	49,070	-
Increase in refundable deposits	(5,978)	(6)
Increase in deferred charges	(1,380)	(2,384)
Decrease in restricted assets	11,864	-
Net cash used in investing activities	(84,516)	(154,027)

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WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	$ 450,271	$ (1,264,884)
Decrease in short-term bills payable	-	(250,000)
Proceeds from long-term debt	-	995,800
Repayment of long-term debt	(4,517)	(16,667)
Decrease in guarantee deposits received	(830)	(28)
Net cash provided by (used in) financing activities	444,924	(535,779)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,386)	150,105
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,022,647	957,830
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,012,261	$ 1,107,935
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	$ 14,056	$ 25,433
Income tax paid	114,581	1,732
NON-CASH FINANCING ACTIVITIES		
Bonus to stockholders	$ 532,197	$ 352,029
Current portion of long-term debt	4,517	16,667
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	$ 6,514	$ 2,296
Decrease (increase) in payable for equipment purchased	590	(659)
	$ 7,104	$ 1,637
Proceeds from sale of property, plant and equipment	$ 52,070	$ -
Increase in other receivables	(3,000)	-
	$ 49,070	$ -

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

(With Deloitte & Touche audit report dated August 3, 2010) (Concluded)

WAH LEE INDUSTRIAL CORPORATION

NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Wah Lee Industrial Corporation (the "Corporation") was incorporated in October 1968, and is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, computer related manufacturing materials and equipment.

The Corporation's stock has been listed and traded on the Taiwan Stock Exchange since July 22, 2002.

As of June 30, 2010 and 2009, the Corporation's number of employees was about 480 and 490, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China ("ROC"). Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, amortization of deferred charges, impairment on assets, income tax, pension cost and bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail. However, the Corporation's financial statements do not include the English translation of additional disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

Significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within 12 months from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within 12 months from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents are commercial papers with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets at fair value through profit or loss ("FVTPL") include those designated as at FVTPL on initial recognition. The Corporation recognizes a financial asset on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. 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.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded convertible bonds - at prices quoted by the Taiwan GreTai Securities Market.

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 Corporation recognizes a financial asset on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset.

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.

Fair values of financial assets at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values.

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.

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. Commission revenues are recognized when products are shipped to customers, according to the contracted percentage.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

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

Allowance for sales returns and discounts is estimated based on past experiences and recorded in the period the related revenue is recognized.

Factoring of Accounts Receivable

The following conditions must be met to recognize factoring of accounts receivable:

a. The transferred assets have been isolated from the transferor - put presumptively beyond the reach of the transferor and its creditors.

b. Each transferee has the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

c. The Corporation does not maintain effective control over the transferred assets through either (1) an agreement that makes the transferor have both the rights and obligations to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets.

The difference between the proceeds and the carrying value of accounts receivable is recognized as a loss and recorded as nonoperating expenses.

Inventories

Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total inventory basis. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item by item basis. Net realizable value is the estimated selling price of inventories less all expenses necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Financial Assets Carried at Cost

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

Investments Accounted for by the Equity Method

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

Prior to January 1, 2006, the difference between the acquisition cost and the Corporation's proportionate share in the investee's equity was amortized by the straight-line method over five years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is analyzed, and the acquisition cost in excess of the Corporation's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired. The excess of the Corporation's share of the fair value of the net identifiable assets acquired over the cost of acquisition is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, deferred income tax assets, or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

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

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

Property, Plant and Equipment

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

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings, 5 to 60 years; machinery and equipment, 3 years; transportation equipment, 5 years; miscellaneous equipment, 1 to 15 years; leasehold improvements, 1 to 10 years. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

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

Rental Assets

Rental assets are stated at the lower of cost less accumulated depreciation or recoverable amount. Depreciation of buildings is calculated by the straight-line method over the estimated useful lives of 50 years.

Operating lease rentals are reported as nonoperating income.

Deferred Charges

Deferred charges, including the costs of steel cylinders, telephone installation and computer software, are amortized over 2 to 8 years.

Impairment of Assets

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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is 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 long term equity investments for which the Corporation 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.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. The difference between the actuarial pension cost and the amount appropriated to a special fund is recognized as accrued pension liability. Unamortized net transition assets and actuarial gains or loss are amortized over 15 years and the average remaining service life of existing employees, respectively. Curtailment or settlement gains or losses are recognized as part of the net pension cost for the period.

At the balance sheet date, accumulated benefit obligation in excess of the fair value of pension funds is recognized as minimum pension liabilities. If accrued pension cost is lower than the minimum amount, the balance should be supplemented. When the amount to be supplemented is less than the unamortized net transition assets, the supplementary amount is recorded as deferred pension cost that is classified as intangible assets. When the supplemented amount exceeded the balance of unamortized net transition assets, the excess should be charged to unrecognized net loss on pension costs and presented as reduction of stockholders' equity.

Contributions made under a defined contribution plan are recognized as pension cost during the period in which employees render services.

Treasury Stock

When the Corporation repurchases its outstanding common stock, the cost of the acquired stock is recorded as treasury stock and deducted from stockholders' equity.

Income Tax

The Corporation applies inter-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for personnel training expenditures are recognized using the flow-through method.

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

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

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 and the exchange differences are recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity. Foreign-currency nonmonetary assets that are carried at cost continue to be stated at exchange rates at trade dates.

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 Corporation. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

Reclassifications

Certain accounts in the financial statements as of and for the six months ended June 30, 2009 have been reclassified to conform to the presentation of the financial statements as of and for the six months ended June 30, 2010.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Corporation 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; (2) write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption resulted in a decrease of NT$2,406 thousand in net income and a decrease of NT$0.01 in after income tax basic earnings per share for the six months ended June 30, 2009.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2010	2009
Cash on hand	$ 709	$ 877
Checking accounts	49,784	1,860
Demand deposits	431,442	897,163
Foreign-currency accounts	130,565	158,051
Cash equivalents - commercial papers maturing within three months	399,761	49,984
	$ 1,012,261	$ 1,107,935

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2010	2009
Stock listed on the Taiwan Stock Exchange	$ 47,157	$ 15,630
Mutual funds	445,015	150,000
Overseas quoted stocks	49,598	49,598
	541,770	215,228
Valuation adjustments	55,046	21,538
	596,816	236,766
Less: Current portion	465,516	150,019
Noncurrent portion	$ 131,300	$ 86,747

6. ACCOUNTS RECEIVABLE, NET

	June 30	
	2010	2009
Accounts receivable - unrelated parties	$ 3,678,122	$ 3,133,747
Less: Allowance for doubtful accounts	24,063	72,509
Allowance for sales discounts	29,229	18,816
	$ 3,624,830	$ 3,042,422
Accounts receivable - related parties	$ 708,233	$ 418,894
Less: Allowance for doubtful accounts	228	606
	$ 708,005	$ 418,288

Movements of allowance for doubtful accounts were as follows:

	Six Months Ended June 30	
	2010	2009
Balance, beginning of period	$ 23,873	$ 138,583
Add (deduct): Provision (reversal of provision) for doubtful accounts	418	(65,249)
Deduct: Amounts written off	-	(219)
Balance, end of period	$ 24,291	$ 73,115

Factored accounts receivable were as follows:

Counter-parties	Subject	Receivable Sold at Period-end	Derecognized at Period-end	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (Hundred Million)
Six months ended June 30, 2010						
Bank SinoPac	Largan Precision	$ 67,853	$ 67,853	$ -	-	$ 1.5
Chinatrust Commercial Bank	Unimicron	303,797	303,797	-	-	3
Six months ended June 30, 2009						
Bank SinoPac	Largan Precision	81,315	81,315	-	-	1.5
Taishin Bank Ltd. (Taishin)	Sintek	8,827	8,827	-	-	0.4
Taipei Fubon Bank Ltd.	Promos	373,066	373,066	-	-	4
Chinatrust Commercial Bank	Unimicron	179,549	179,549	-	-	2.5

The above credit lines may be used on a revolving basis.

The Corporation factored accounts receivable (without recourse) of NT$371,650 thousand and NT$642,757 thousand as of June 30, 2010 and 2009, respectively. Under the contracts, the banks paid the Corporation for the factored accounts receivable less related expenses. The Corporation does not bear the risk of uncollectible accounts.

7. INVENTORIES

	June 30	
	2010	2009
Merchandise	$ 1,185,553	$ 1,243,449
Merchandise in transit	21,759	17,873
	$ 1,207,312	$ 1,261,322

As of June 30, 2010 and 2009, the allowance for inventory devaluation was NT$111,960 thousand and NT$111,656 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2010 and 2009 was NT$7,772,637 thousand and NT$4,763,323 thousand, respectively, which included the following.

	Six Months Ended June 30	
	2010	2009
Provision for (recovery of) loss on inventories	$ 8,737	$ (31,836)
Loss on physical inventories	246	917
Loss on disposal of inventories	2,002	1,483
	$ 10,985	$ (29,436)

8. FINANCIAL INSTRUMENT AT FVTPL - ONLY JUNE 30, 2010

Financial assets designated as at FVTPL were convertible bonds. Net loss on financial assets designated as at FVTPL for the six months ended June 30, 2010 was NT$2,230 thousand.

9. FINANCIAL ASSETS CARRIED AT COST

	June 30			
	2010		2009	
	Amount	% of Ownership	Amount	% of Ownership
Wah Yuen Technology Holding Limited	$ 71,604	1.80	$ 71,604	1.80
Tetrahedron Technology Corp.	14,778	16.95	14,778	17.04
Asahi Kasei Wahlee Hi-Tech Corp.	12,631	0.49	10,000	0.60
Onano Industrial Corp.	11,468	19.38	11,468	19.38
High Power Opto. Inc.	10,000	11.60	10,000	14.24
	$ 120,481		$ 117,850	

The above equity investments, which had no quoted price in an active market and for which fair values could not be reliably measured, were carried at cost.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	June 30			
	2010		2009	
	Amount	% of Ownership	Amount	% of Ownership
Based on audited financial statements				
Chang Wah Electromaterials Inc.	$ 247,551	28.33	$ 344,762	28.33
Wah Hong Industrial Corp.	123,452	16.99	149,922	16.99
	371,003		494,684	
Based on unaudited financial statements				
Wah Lee Holding Ltd.	1,510,033	100.00	1,281,513	100.00
Raycong Industrial (H.K.) Ltd.	1,107,397	100.00	931,826	100.00
Nagase Wahlee Plastics Corp.	577,372	40.00	507,862	40.00
Orc Technology Corp.	168,226	35.00	165,815	35.00
Wahlee Japan Corp.	21,217	83.33	27,425	100.00
Investment in Chang Wah Electromaterials Inc.	604,778	28.33	378,296	28.33
Investment in Wah Hong Industrial Corp.	389,663	16.99	306,112	16.99
	4,378,686		3,598,849	
	$ 4,749,689		$ 4,093,533	

Fair values of listed equity-method investments calculated at their closing price as of June 30, 2010 and 2009 were as follows:

	June 30	
	2010	2009
Chang Wah Electromaterials Inc.	$ 2,838,335	$ 859,289
Wah Hong Industrial Corp.	705,622	429,801
	$ 3,543,957	$ 1,289,090

Movements of the aforementioned difference allocated to goodwill for the six months ended June 30, 2010 and 2009 were as follows:

	Six Months Ended June 30	
	2010	2009
Balance, beginning of period	$ 46,799	$ 47,630
Translation adjustments	165	10
Balance, end of period	$ 46,964	$ 47,640

Investment income (loss) under equity method based on the audited and unaudited financial statements of investee companies for the six months ended June 30, 2010 and 2009 was as follows:

	Six Months Ended June 30	
	2010	2009
Based on audited financial statements		
Chang Wah Electromaterials Inc.	$ 110,505	$ 43,799
Wah Hong Industrial Corp.	10,067	2,971
	120,572	46,770
Based on unaudited financial statements		
Nagase Wahlee Plastics Corp.	45,484	18,867
Raycong Industrial (H.K.) Ltd.	105,290	1,168
Wahlee Japan Corp.	(6,318)	(1,196)
Orc Technology Corp.	3,787	6,714
Wah Lee Holding Ltd.	150,828	40,549
Investment in Chang Wah Electromaterials Inc.	48,242	(953)
Investment in Wah Hong Industrial Corp.	24,646	7,526
	371,959	72,675
	$ 492,531	$ 119,445

Chang Wah Electromaterials Inc. (Chang Wah) and Wah Hong Industrial Corp.(Wah Hong) were audited. The auditors of Chang Wah and Wah Hong issued qualified reports with respect to unaudited equity-method investees.

Brief discussions on long-term investments are summarized as follows:

a. In April 2001, the Corporation invested in Wah Lee Japan Corp., which is mainly engaged in the trade of glass fiber, electronic equipment, optical machinery and so on, and increased the investment by NT$5,423 thousand (JPY15,000 thousand) in February 2010, and reduced captial by JPY40,000 thousand to make up for loss, the percentage of captial reduction was 34.78%, and made equity offerings for JPY15,000 thousand at the same time. The Corporation didn't participate in the share subscription so the percentage of holdings changed to 83.33%. The Corparation's cumulative investments in Wah Lee Japan Corp. amounted to NT$21,490 thousand (JPY75,000 thousand) for 83.33% equity as of June 30, 2010.

b. In June 1990, the Corporation invested in Wah Hong Industrial Corp. (Wah Hong) which is engaged in the manufacture of LCD, BMC materials and finished goods. The cumulative investment amounted to NT$273,322 thousand as of June 30, 2010. The Corporation's shareholding in Wah Hong was less than 20%, however, the representative of the Corporation was elected as board chairman; accordingly the Corporation has significant influence on the operations of Wah Hong and accounts for the investment by equity method.

c. According to the amended SFAS No. 7 and the regulations issued by the government authority, the Corporation prepared its consolidated financial statements including Wah Lee Holding Ltd., Raycong Industrial (H.K.) Ltd., and Wah Lee Japan Corp.

11. PROPERTY, PLANT AND EQUIPMENT

a. In June 1997, the Corporation revalued its land as follows:

	June 30	
	2010	**2009**
Revaluation increment	$ 12,029	$ 39,290
Less: Reserve for land value increment tax	4,259	13,713
Net increment accounted for as unrealized revaluation increment	$ 7,770	25,577
Less: Unrealized revaluation increment transferred to capital		16,239
Unrealized revaluation increment reported in stockholders' equity	$ 2,961	$ 9,338

The Corporation disposed of land and reduced revaluation increment by NT$27,261 thousand and decreased reserve for land value increment tax by NT$9,454 thousand. Related realized revaluation increment NT$6,377 thousand was recognized as nonoperating income and gains.

b. Accumulated depreciation

	June 30	
	2010	**2009**
Buildings	$ 59,547	$ 58,390
Machinery and equipment	340	310
Transportation equipment	50,294	45,884
Miscellaneous equipment	110,625	91,658
Leasehold improvements	38,794	29,121
	$ 259,600	$ 225,363

12. RENTAL PROPERTIES

	June 30	
	2010	**2009**
Land	$ 89,545	$ 86,598
Buildings	38,051	34,591
	127,596	121,189
Less: Accumulated depreciation	6,172	4,748
	$ 121,424	$ 116,441

The Corporation has rented out part of land and buildings under the lease agreement until April 2013. The rent was decided by market demand and supply.

For the six months ended June 30, 2010 and 2009, the rental income amounted to NT$5,063 thousand and NT$6,021 thousand, respectively, and was recognized as nonoperating income.

13. SHORT-TERM LOANS

	June 30	
	2010	**2009**
Letters of credit, interest rate at 0.8129%-1.2209% and 1.004%-1.82% as of June 30, 2010 and 2009, respectively.	$ 45,713	$ 128,903
Loans for procurement of materials, interest rate at 1.26%-1.323% and 1.5% as of June 30, 2010 and 2009, respectively.	26,142	17,799
Foreign currency loans, interest rate at 0.79%-1.59% and 0.9831%-2.1% as of June 30, 2010 and 2009, respectively.	1,378,832	826,689
	$ 1,450,687	$ 973,391

14. ACCRUED EXPENSES

	June 30	
	2010	**2009**
Salary and bonus	$ 195,940	$ 51,131
Bonus to employees, directors and supervisors	277,659	155,190
Commission	10,433	7,818
Others	41,803	28,576
	$ 525,835	$ 242,715

15. LONG-TERM DEBT

	June 30	
	2010	**2009**
Syndicated bank loans (led by Bank SinoPac)	$ 900,000	$ 1,000,000
Less: Syndicated loan fee	2,450	3,850
	897,550	996,150
Hua Nan Bank		
Mortgage loan repayment in 2009, interest rate at 1.27%-1.32%	-	175,000
Mortgage loan repayable in 214 installments from December 2009 to October 2027, NT$753 thousand per installment, interest rate at 1.53%	156,593	-
Less: Current portion	9,034	33,333
	147,559	141,667
	$ 1,045,109	$ 1,137,817

The Corporation signed a syndicated loan agreement with seven banks led by Bank SinoPac in April 2009. The contents of the syndicated loan agreement were as follows:

a. The loan is a 3-year mid-term revolving credit line up to NT$1.4 billion that commences from the initial drawdown date. From the beginning of third year, the maximum credit line should be reduced in 3 consecutive installments by NT$0.5 billion each for the first two installments and by NT$0.4 billion or the remaining balance, if higher, for the third installment. Under the borrowing limit, the Corporation could exercise revolving credit facility and choose borrowing terms of 90 days or 180 days. Each drawdown shall be repaid at the end of each interest period, but shall be available for redrawing on a revolving basis not less than 5 business days from original loan's maturity date subject to no occurrence of event of default. As of June 30, 2010 and 2009, the interest rates were 1.445% and 1.723% per annum, respectively.

b. Pursuant to the above loan agreement, the Corporation should maintain certain financial ratios as follows:

   1) Current ratio should not be less than 100%.

   2) Debt ratio should not be more than 175%.

   3) Interest coverage ratio should not be less than 800%.

   4) Tangible net worth, the balance after deducting intangible assets from stockholders' equity, should not be less than NT$5.75 billion.

   Pursuant to the above loan agreement, the Company should maintain aforementioned financial ratios. Such financial ratios should be calculated based on annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. If the Corporation is not in compliance with aforementioned financial ratios or other terms of the loan agreements, the syndicated banks have the right to suspend or cancel all or portion of credit line, declare the entire unpaid principal amount of the advances, all accrued and unpaid interest, fee and all other sums payable to be due immediately, and/or declare the commitment amount to be cancelled and reduced to zero.

c. As of June 30, 2010, the Corporation had met the conditions of the loan agreement based on the semi-annual reviewed consolidated financial statements as of and for the six months ended June 30, 2010.

16. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were NT$6,750 thousand and NT$6,873 thousand for the six months ended June 30, 2010 and 2009, respectively.

Based on the defined benefit plan under the Labor Standards Law (the "LSL"), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited with the Bank of Taiwan in the committee's name. The Corporation recognized pension costs of NT$12,041 thousand and NT$11,033 thousand for the six months ended June 30, 2010 and 2009, respectively.

17. STOCKHOLDERS' EQUITY

Capital stock

In June 2009, the Corporation's board of directors approved the capitalization of retained earnings for NT$59,685 thousand and issued 4,275 thousand shares which was recognized as stock dividends of NT$34,067 thousand and bonus to employees of NT$25,618 thousand. On June 8, 2010, the Corporation applied for a capital reduction by retirement of 3,019 thousand shares of treasury stock. The Corporation has completed the registration formalities for the reduction of capital. As of June 30, 2010, the Corporation's paid-in capital was NT$2,313,901 thousand.

Capital surplus

Under the Company Law, capital surplus from the premium on issued stock (including premium on convertible bonds converted) may be transferred to capital once a year and up to a certain limit if the Corporation has no deficit. Capital surplus from assets received as donation may only be used to offset a deficit and capital surplus from long-term investments may not be used for any purpose.

Other equity items

Unrealized revaluation increment may not be used for any purpose.

Appropriation of retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, shall be appropriated as follows:

a. 10% as legal reserve, until its balance equals to the Corporation's paid-in capital.

b. The remainder will be appropriated by resolution of the Corporation's stockholders in their meeting with not more than 3% shall be bonus to directors and supervisors, and not less than 1% shall be bonus to employees.

The Corporation shall undertake aggressive business plan to keep the Corporation operate as a going concern and in stable prosperity in view of the economic environment and the trend of industry growth. Dividend policy is mainly based on a residual dividend concept, i.e. the Corporation shall measure its annual cash requirement in accordance with its capital budget and regular operational cash requirement to determine the amounts of dividends either in cash and/or in stock, but cash dividend shall not be less than 50% of the total amount of dividends.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost and cumulative translation adjustments, excluding treasury stock) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the Company Law, legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. When the reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be appropriated to dividends if the Corporation has no earnings, or transferred to paid-in capital if the Corporation has no deficit.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

For the six months ended June 30, 2010 and 2009, the bonus to employees was NT$126,059 thousand and NT$38,913 thousand, representing 17% and 12%, respectively, of net income (net of the bonus to employees and remuneration to directors' and supervisors); the remuneration to directors and supervisors was NT$11,501 thousand and NT$5,026 thousand both representing 1.55% of net income (net of the bonus to employees and remuneration to directors' and supervisors). Material differences between estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If 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 stockholders' meeting.

The appropriations of earnings for 2009 and 2008 had been approved in the stockholders' meetings in June 2010 and June 2009, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Year 2009	For Year 2008	For Year 2009	For Year 2008
Legal reserve	$ 80,992	$ 72,847	$ -	$ -
Dividends on common stock				
Cash dividends	532,197	352,029	2.30	1.55
Stock dividends	-	34,067	-	0.15
	$ 613,189	$ 458,943	$ 2.30	$ 1.70

The Corporation's board of directors approved the appropriations of the 2009 earnings to distribute dividend of 2.20 per share, but the Corporation's stockholders revised the amount to $2.30 per share.

The bonus to employees and the remuneration to directors and supervisors for 2009 and 2008 approved in the stockholders' meetings on June, 2010 and 2009, respectively, were as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Cash	Stock	Cash	Stock
Bonus to employees	$ 126,971	$ -	$ 100,000	$ 25,618
Remuneration to directors and supervisors	13,128	-	11,251	-

The number of shares of 868 thousand for 2008 was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the day immediately preceding the stockholders' meeting.

The approved amounts of the bonus to employees and the remuneration to directors and supervisors were not different from the amounts in the respective financial statements.

As of June 30, 2010 and 2009, the unpaid cash dividends included in dividend payable amounted to NT$532,197 thousand and NT$352,029 thousand, respectively.

As of June 30, 2010 and 2009, the dividend payable included unpaid dividends of the past year of NT$1,834 thousand and NT$1,833 thousand, respectively.

Information about appropriations of earnings, including the bonus to employees, directors and supervisors is available at the Market Observation Post System website of Taiwan Stock Exchange.

Unrealized gain on financial instruments

For the six months ended June 30, 2010 and 2009, movements of unrealized gain on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity-method Investment	Total
Six months ended June 30, 2010			
Balance, beginning of period	$ 85,151	$ 134,834	$ 219,985
Recognized in stockholders' equity	(29,740)	(66,845)	(96,585)
Transferred to profit or loss	(365)	-	(365)
Balance, end of period	$ 55,046	$ 67,989	$ 123,035
Six months ended June 30, 2009			
Balance, beginning of period	$ (7,918)	$ (969)	$ (8,887)
Recognized in stockholders' equity	29,456	60,415	89,871
Balance, end of period	$ 21,538	$ 59,446	$ 80,984

18. TREASURY STOCK

For transfer to employees, the Corporation acquired its outstanding common stocks that totaled 3,019 thousand shares at the repurchase cost of NT$202,660 thousand in 2007. On June 8, 2010, the Corporation's board of directors applied for approval to reduce capital by 3,019 thousand shares. The record date for reverse split was June 8, 2010. The Corporation has completed the registration formalities for the reduction of capital. The Corporation also made adjustments to decrease capital surplus by NT$15,142 thousand and unappropriated earnings by NT$157,328 thousand.

Under the Securities and Exchange Act, the Corporation's share repurchase is restricted to not more than 10% of total issued shares, and the total purchase amount should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The treasury stock purchased for transferring to employees should be transferred within three years. Otherwise, the stocks will be nullified.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

19. INCOME TAX

a. A reconciliation of income tax expense based on income before income tax at the 17% and 25% statutory rates for the six months ended June 30, 2010 and 2009 and income tax expense was as follows:

	Six Months Ended June 30	
	2010	2009
Income tax expense at the statutory rate	$ 145,865	$ 92,171
Permanent differences:		
Domestic investment income under equity method	(41,264)	(19,731)
Gain on disposal of land	(6,602)	-
Realized investments loss	-	(16,694)
Others	524	(1,082)
	(47,342)	(37,507)

(Continued)

	Six Months Ended June 30	
	2010	**2009**
Temporary differences:		
Reversal under limit of bad debt	$ -	$ (17,595)
Provision for (recovery of) inventories	1,485	(7,959)
Foreign investment income under equity method	(42,466)	(10,130)
Unaccrued (accrued) bonuses paid	1,510	(4,336)
Others	(95)	113
	(39,566)	(39,907)
Income tax under the Income Tax Law	58,957	14,757
Investment tax credits	-	(294)
Additional 10% income tax on unappropriated earnings	19,672	26,953
Current income tax expense	78,629	41,416
Deferred income tax expense (benefit)		
Temporary differences	39,566	39,907
Effect of tax law changes on deferred income tax	(27,045)	(40,799)
Adjustments for other evaluation	27,569	-
	40,090	(892)
Adjustments of prior years' tax	(2,277)	3,875
	$ 116,442	$ 44,399

During the six months ended June 30, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

1) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires (a) the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income; and (b) the profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include from January 1, 2010 the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.

2) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.

3) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax adjustment.

b. Deferred income tax assets (liabilities) were as follows:

	June 30	
	2010	2009
Deferred income tax assets - current		
Unrealized allowance for loss on inventories	$ 19,033	$ 22,331
Allowance for doubtful accounts exceeded limit	-	6,871
Allowance for sales discounts	4,969	-
Accrued bonuses	28,921	5,276
Intercompany unrealized gains	5,881	4,675
Others	132	3,919
	58,936	43,072
Deferred income tax liabilities - current		
Unrealized exchange gains	(1,569)	(32)
Net deferred income tax assets - current	57,367	43,040
Deferred income tax assets - noncurrent		
Permanent decline in value of foreign long-term investments	27,569	32,434
Others	1,330	813
	28,899	33,247
Less: Valuation allowance	(27,569)	-
	1,330	33,247
Deferred income tax liabilities - noncurrent		
Investment income recognized on overseas equity method investment	(279,087)	(240,963)
Net deferred income tax liabilities - noncurrent	(277,757)	(207,716)
Total deferred income tax liabilities - net	$ (220,390)	$ (164,676)

c. The tax returns through 2006 have been assessed by the tax authorities.

d. Information about integrated income tax was as follows:

	June 30	
	2010	2009
Unappropriated earnings generated before January 1, 1998	$ -	$ 3,808
Unappropriated earnings generated on and after January 1, 1998	2,097,556	1,637,090
	$ 2,097,556	$ 1,640,898

As of June 30, 2010 and 2009, the balance of the imputation credits which can be allocated to the stockholders amounted to NT$582,094 thousand and NT$489,800 thousand, respectively.

The creditable ratio for distribution of earnings of 2010 and 2009 was 29.56% (estimate) and 33.49%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Operating Expenses	
	Six Months Ended June 30	
	2010	2009
Personnel		
Salary	$ 418,955	$ 234,547
Labor and health insurance	13,466	13,730
Pension	18,791	17,906
Others	9,661	8,211
	$ 460,873	$ 274,394
Depreciation	$ 21,580	$ 21,752
Amortization	18,069	17,050

The difference between the amount of depreciation above and the depreciation in the statement of cash flows is the depreciation of the rental assets recognized as non-operating expenses and losses.

21. EARNINGS PER SHARE ("EPS")

The numerator and denominator for calculating basic EPS was as follows:

a. Numerator - current net income

	Six Months Ended June 30			
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT$)				
Income for the period attributable to common stockholders	$ 858,028	$ 741,586	$ 368,724	$ 324,325

b. Denominator - shares in thousand

	Six Months Ended June 30	
	2010	2009
Weighted average issued common stock	231,390	230,134
Add: Bonus of stock dividend to employees, 2008	-	145
Less: Acquisition of treasury stock	-	3,019
Number of shares for calculating basic EPS	231,390	227,260
Add: Dilutive potential common stock - bonus to employees	5,717	2,284
	237,107	229,544

These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments:

	June 30			
	2010		2009	
Nonderivative Financial Instruments	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	$ 96,300	$ 96,300	$ -	$ -
Available-for-sale financial assets	596,816	596,816	236,766	236,766
Financial assets carried at cost	120,481	-	117,850	-
Refundable deposits	58,299	58,299	48,449	48,449
<u>Financial liabilities</u>				
Long-term debt (including current portion)	1,054,143	1,054,143	1,171,150	1,171,150
Guarantee deposits	1,372	1,372	2,201	2,201

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, restricted assets (pledged time deposits), short-term loan, short-term bills payable, notes payable and accounts payable (including related parties), accrued expenses, dividend payable and other payables are excluded from those financial instruments mentioned above. The carrying amounts of those financial instruments approximate their fair values because of their short maturities.

2) Fair values of financial instruments designated as at FVTPL and available-for-sale are based on their quoted prices in an active market.

3) Financial assets carried at cost are investments in unquoted shares, which have no quoted price in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

4) The fair value of refundable (guarantee) deposits is determined at the carrying value.

5) Fair value of long-term debt is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans (e.g. similar maturities). The long-term debt has floating interest rate and its carrying amount approximate its fair value.

c. As of June 30, 2010 and 2009, financial assets exposed to cash flow interest rate risk amounted to NT$562,327 thousand and NT$1,055,534 thousand, respectively, financial liabilities exposed to cash flow interest rate risk amounted to NT$1,395,713 thousand and NT$1,583,649 thousand, respectively.

d. As of June 30, 2010 and 2009, the interest income and expense associated with financial assets (liabilities) other than those at fair value through profit or loss were as follows:

	Six Months Ended June 30	
	2010	**2009**
Total interest income	$ 1,340	$ 377
Total interest expense	14,696	23,532

e. Information about financial risks

1) Market risk

The Corporation invested in domestic and overseas listed stocks, mutual funds and convertible bonds. There are no significant risk on foreign exchange rate fluctuations and changes in prevailing interest rate. A change of 1% in market price will bring the risk of price variation of financial instrument of NT$6,931 thousand.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material. The maximum credit risk (the fair value of guarantees excluded) was as follows:

	June 30			
	2010		**2009**	
	Book Value	**Maximum Credit Risk**	**Book Value**	**Maximum Credit Risk**
Off-balance-sheet commitments and guarantees	$ -	$ 1,803,546	$ -	$ 1,893,377

3) Liquidity risk

The Corporation's operation funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

The Corporation's investments in domestic, overseas listed stocks, mutual funds and convertible bonds are traded in active market and can be disposed of quickly at close to their fair values. The Corporation's investments in equity instruments have no active market, therefore, the liquidity risk is expected to be high.

4) Cash flow interest change risk

The Corporation's long-term loans and partial short-term loan are floating rate bank accounts or debt. Changes in market interest rate accompany changes in effective rate and affect the future cash flow. When the market interest rates increase by one percentage point, the Corporation's cash outflow will increase by NT$13,957 thousand.

23. RELATED PARTY TRANSACTIONS

a. Related parties and their relationship with the Corporation

Related Parties	Relationship with the Corporation
Chang Wah Electromaterials Inc. (Chang Wah)	Equity-method investee
Nagase Wahlee Plastics Corp. (Nagase Wahlee)	Equity-method investee
Wah Hong Industrial Corp. (Wah Hong)	Equity-method investee
Orc Technology Corp. (Orc)	Equity-method investee
Shanghai Hua Chang Trading Co., Ltd. (Shanghai Hua Chang)	Equity-method investee
NWP International Trading (Shenzhen) (NWP International)	Equity-method investee
Raycong Industrial (H.K.) Ltd. (Raycong)	Subsidiary
Wah Fu International Trading (Shenzhen) Corp. (Wah Fu)	Subsidiary
Nilee Optronics, Ltd. (Nilee)	Subsidiary
Dong Guan Hua Gang International Trading Co., Ltd. (Dong Guan Hua Gang)	Subsidiary
Wah Lee Japan Corp. (Wah Lee Japan)	Subsidiary
Wah Lee Holding Ltd. (Wah Lee Holding)	Subsidiary
SHC Holding Ltd. (SHC)	Subsidiary
Wah Lee Machinery Trading Ltd. (Wah Lee Machinery)	Subsidiary
Wah Lee Tech (Singapore) Pte., Ltd. (Wah Lee Tech)	Subsidiary
Global SYK Holding Ltd. (SYK)	Subsidiary
Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	Subsidiary
Daily Polymer Corp. (Daily)	Chairman’s relative
Raycon Industrial Inc. (Raycon)	Chairman’s relative
NcKu Venture Capital Co., Ltd.	The same chairman
Asahi Kasei Wahlee Hi-Tech Corp. (Asahi Kasei Wahlee)	As director
Tetrahedron Technology Corp.	As director
Forcera Materials Co., Ltd. (Forcera Materials, which was changed from SIC Electronics Corp. in April 2009)	As director
Bau-Guang Investment Ltd. (Bau-Guang)	As director

b. Significant transactions with related-parties:

1) For the six months ended June 30, 2010 and 2009, purchases from related parties were NT$674,668 thousand (9%) and NT$414,087 thousand (10%), respectively, and individual transaction amount was less than 10% of the amount of purchases of the Corporation.

   Purchases from related parties were made under arm’s length terms and did not have similar transactions in the market for comparison. Terms of payment to related parties were similar to those with third parties.

2) For the six months ended June 30, 2010 and 2009, sales to related parties were NT$1,375,293 thousand (16%) and NT$644,521 thousand (12%), respectively, and individual transaction amount was less than 10% of the amount of net sales of the Corporation.

   The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties, except for Raycong which pays on the 30th - 120th day after the month of shipment.

3) Commission income and expense

	Commission Income		Commission Expense	
	Amount	%	Amount	%
Six months ended June 30, 2010				
Wah Lee Machinery	$ 9,885	5	$ -	-
Raycon	5,306	3	-	-
Shanghai Yikang	5,062	3	10,343	79
Raycong	2,263	1	257	2
Others	950	-	-	-
	$ 23,466	12	$ 10,600	81
Six months ended June 30, 2009				
Shanghai Yikang	$ 2,631	2	$ 8,210	47
Raycon	4,528	3	-	-
Raycong	1,041	1	235	1
Wah Lee Machinery	7,126	5	-	-
Others	626	-	-	-
	$ 15,952	11	$ 8,445	48

4) The management services agreements and industry consulting contracts were signed by the Corporation and related parties and the contract period is until December 31, 2010. According to the agreements, the Corporation will provide certain management services to related parties. Consulting and service fee earned for the six months ended June 30, 2010 and 2009 was recognized as non-operating income as follows:

	Six Months Ended June 30	
	2010	2009
Shanghai Yikang	$ 15,095	$ -
Raycong	9,755	1,474
Wah Hong	986	841
	$ 25,836	$ 2,315

5) The Corporation rented partial buildings and computer software to related parties. The leases on the buildings will expire from August 31, 2010 to December 31, 2010, and the lease on computer software will expire on December 31, 2010. The rental income for the six months ended June 30, 2010 and 2009 recognized as non-operating income was as follows:

	Six Months Ended June 30	
	2010	2009
Orc	$ 1,020	$ 1,020
Wah Hong	681	516
Others	12	12
	$ 1,713	$ 1,548

6) The Corporation offered guarantees to the investee companies as follows:

	June 30	
	2010	2009
Nagase Wahlee	$ 320,000	$ 320,000
Asahi Kasei Wahlee	9,690	9,690
Wah Lee Japan	21,768 (JPY 60,000 thousand)	10,299 (JPY 30,000 thousand)
Raycong	347,220 (US$ 10,800 thousand)	354,348 (US$ 10,800 thousand)
Shanghai Yikang	291,493 (US$ 9,067 thousand)	415,593 (US$ 12,667 thousand)
Raycong/Shanghai Yikang (Co-guarantees)	90,000	-
Shanghai Hua Chang	289,350 (US$ 9,000 thousand)	328,100 (US$ 10,000 thousand)
Nilee	225,050 (US$ 7,000 thousand)	164,050 (US$ 5,000 thousand)
Dong Guan Hua Gang	-	65,620 (US$ 2,000 thousand)
NWP International	-	28,817 (RMB 6,000 thousand)
Wah Lee Machinery	64,300 (US$ 2,000 thousand)	131,240 (US$ 4,000 thousand)
Wah Lee Tech	144,675 (US$ 4,500 thousand)	65,620 (US$ 2,000 thousand)
	$ 1,803,546	$ 1,893,377

7) Payments received by the Corporation on behalf of Raycong for goods sold amounted to NT$9,140 thousand and NT$19,627 thousand as of June 30, 2010 and 2009, respectively, and were booked as other current liabilities.

End of the year

	June 30			
	2010		2009	
	Amount	%	Amount	%
Notes receivable				
Nagase Wahlee	$ 121	-	$ 53	-

(Continued)

	June 30			
	2010		2009	
	Amount	%	Amount	%
Accounts receivable - related parties				
Shanghai Yikang	$ 395,098	9	$ 231,814	7
Raycong	214,149	5	125,459	4
Wah Hong	37,763	1	27,078	1
Chang Wah	27,568	1	16,331	-
Others	33,655	1	18,212	-
	708,233	17	418,894	12
Less: Allowance for doubtful accounts	228	-	606	-
	$ 708,005	17	$ 418,288	12
Other receivable - related parties (include dividends)				
Chang Wah	$ 103,842	52	$ 34,614	67
Shanghai Yikang	40,999	21	251	1
Nagase Wahlee	20,000	10	-	-
Raycon	9,905	5	153	-
Others	1,167	1	7,645	15
	$ 175,913	89	$ 42,663	83
Notes payable - related parties				
Asahi Kasei Wahlee	$ 195,800	28	$ 156,989	30
Nagase Wahlee	2,152	-	4,770	1
	$ 197,952	28	$ 161,759	31
Accounts payable - related parties				
Asahi Kasei Wahlee	$ 70,040	3	$ 53,650	3
Daily	44,679	2	43,373	3
Wah Hong	44,225	2	31,977	2
Raycon	14,019	1	-	-
Forcera Materials	9,450	-	4,474	-
Others	7,326	1	5,856	-
	$ 189,739	9	$ 139,330	8
Receipts under custody (included in other current liabilities)				
Raycong	$ 9,140	61	$ 19,627	76

24. PLEDGED OR MORTGAGED ASSETS

The following assets have been provided as collaterals for bank loans and commitments for vendors:

	June 30	
	2010	2009
Property, plant and equipment		
Land	$ 231,333	$ 258,827
Buildings and improvements	175,093	191,766
	406,426	450,593
Rental assets		
Land	17,504	17,504
Buildings and improvements	31,878	29,843
	49,382	47,347
Restricted assets		
Pledged time deposits	320	320
	$ 456,128	$ 498,260

25. COMMITMENTS AND CONTINGENCIES AT JUNE 30, 2010

a. Operating lease:

Lessor	Lease asset	Lease term & installment	Rental Payment for the Six Months Ended June 30, 2010
Hong Siang	Warehouse	From December 1, 2005 to March 31, 2015, NT$1,322 thousand per month (tax included); from February 1, 2010 to January 1, 2011, changed to NT$1,212 thousand per month (tax included)	$7,028

As of June 30, 2010, future lease payments are as follows and the Corporation has paid guarantee deposits of NT$3,500 thousand.

	Amount
2010	$ 6,608
2011	15,860
2012	15,860
2013	15,860
2014 and thereafter	18,504
	$ 72,692

b. As of June 30, 2010, the Corporation has outstanding letters of credit aggregating US$14,754 thousand, JPY 16,500 thousand and NT$218,154 thousand.

c. The Corporation offered guarantees for investee companies as stated in Note 23.