Wah Lee Industrial Corporation

Financial Statements for the Six Months Ended June 30, 2011 and 2010 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, 2011 and 2010, 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) as of and for the six months ended June 30, 2010, 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 as of and for the six months ended June 30, 2010, is solely based on the other auditors' report. The carrying value of the investment in WHIC as of June 30, 2010 amounted to NT$513,115 thousand representing 4% of the Corporation's total assets, and the investment income recognized under equity method amounted to NT$34,713 thousand representing 4% of the Corporation's income before income tax for the six months ended June 30, 2010.

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$4,505,259 thousand and NT$4,378,686 thousand as of June 30, 2011 and 2010, and the investment income recognized under equity method of NT$289,196 thousand and NT$371,959 thousand for the six months ended June 30, 2011 and 2010 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, 2011 and 2010, 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.

August 1, 2011

Notice to Readers

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

For the convenience of readers, the 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, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011 Amount	%	2010 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 452,694	3	$ 1,012,261	7
Financial asset at fair value through profit or loss (Notes 2 and 5)	10,890	-	-	-
Available-for-sale financial assets (Notes 2 and 6)	735,192	5	465,516	3
Notes receivable (Notes 2 and 3)	472,561	3	414,593	3
Notes receivable - related parties (Notes 2, 3 and 23)	268	-	121	-
Accounts receivable, net (Notes 2, 3 and 7)	5,071,216	32	3,624,830	26
Accounts receivable - related parties (Notes 2, 3,7 and 23)	873,676	5	708,005	5
Other receivables	17,431	-	23,845	-
Other receivables - related parties (Note 23)	85,021	1	175,913	1
Inventories (Notes 2 and 8)	1,681,089	10	1,207,312	9
Prepayments and others	150,525	1	351,987	3
Deferred income tax assets (Notes 2 and 19)	69,015	-	57,367	-
Total current assets	9,619,578	60	8,041,750	57
LONG-TERM INVESTMENTS (Notes 2, 5, 6, 9 and 10)				
Financial assets at fair value through profit or loss - noncurrent	102,870	1	96,300	-
Available-for-sale financial assets	101,912	-	131,300	1
Financial assets carried at cost	120,481	1	120,481	1
Investments accounted for by the equity method	5,099,404	32	4,749,689	34
Total long-term investments	5,424,667	34	5,097,770	36
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 24)				
Land	383,045	2	312,466	2
Buildings	269,640	2	246,819	2
Machinery and equipment	365	-	365	-
Transportation equipment	68,320	1	72,443	1
Miscellaneous equipment	168,658	1	164,471	1
Leasehold improvements	53,102	-	52,769	-
Total cost	943,130	6	849,333	6
Land revaluation increment	12,029	-	12,029	-
Cost and revaluation increment	955,159	6	861,362	6
Less: Accumulated depreciation	298,352	2	259,600	1
Prepayments for equipment	239	-	-	-
Net property, plant and equipment	657,046	4	601,762	5
INTANGIBLE ASSETS				
Deferred pension cost (Note 2)	87,323	1	11,038	-
OTHER ASSETS				
Rental assets (Notes 2, 12 and 24)	30,574	-	121,424	1
Refundable deposits (Note 25)	70,419	-	58,299	-
Deferred charges (Note 2)	110,015	1	133,600	1
Restricted assets - pledged time deposits (Note 24)	320	-	320	-
Total other assets	211,328	1	313,643	2
TOTAL	$ 15,999,942	100	$ 14,065,963	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2011 Amount	%	2010 Amount	%
CURRENT LIABILITIES				
Short-term loans (Notes 13 and 24)	$ 2,169,034	14	$ 1,450,687	10
Notes payable	556,978	4	504,694	4
Notes payable - related parties (Note 23)	211,857	1	197,952	1
Accounts payable	2,305,429	14	2,037,195	14
Accounts payable - related parties (Note 23)	173,773	1	189,739	1
Income tax payable	137,051	1	78,496	1
Accrued expenses (Note 14)	663,220	4	525,835	4
Dividend payable (Note 17)	811,514	5	534,031	4
Other payables	3,444	-	2,816	-
Current portion of long-term debt (Notes 15 and 24)	9,034	-	9,034	-
Others (Note 23)	132,180	1	91,658	1
Total current liabilities	7,173,514	45	5,622,137	40
LONG-TERM DEBT (Notes 15 and 24)	1,033,124	7	1,045,109	7
RESERVE FOR LAND VALUE INCREMENT TAX (Note 11)	4,259	-	4,259	-
OTHER LIABILITIES				
Accrued pension liabilities	212,472	1	90,530	1
Deferred tax liabilities (Notes 2 and19)	334,894	2	277,757	2
Guarantee deposits received	1,228	-	1,372	-
Total other liabilities	548,594	3	369,659	3
Total liabilities	8,759,491	55	7,041,164	50
COMMON STOCK -$10 par value authorized - 300,000 thousand shares; issued - 231,390 thousand shares (Note 17)	2,313,901	14	2,313,901	17
CAPITAL SURPLUS (Note 17)				
Additional paid-in capital	1,160,519	7	1,160,519	8
Donations	11,867	-	11,867	-
Long-term investments	272,139	2	114,859	1
Total capital surplus	1,444,525	9	1,287,245	9
RETAINED EARNINGS (Note 17)				
Legal reserve	1,154,916	7	1,013,952	7
Unappropriated earnings	2,513,329	16	2,097,556	15
Total retained earnings	3,668,245	23	3,111,508	22
OTHER EQUITY (Notes 2, 11 and 17)				
Cumulative translation adjustments	(203,541)	(1)	237,150	2
Net loss not recognized as pension cost	(37,892)	-	(51,001)	(1)
Unrealized gain on financial instruments	52,252	-	123,035	1
Unrealized revaluation increment	2,961	-	2,961	-
Total other equity	(186,220)	(1)	312,145	2
Total stockholders' equity	7,240,451	45	7,024,799	50
TOTAL	$ 15,999,942	100	$ 14,065,963	100

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

(With Deloitte & Touche audit report dated August 1, 2011)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 23)				
Net sales	$ 12,322,911	99	$ 8,552,589	97
Commission revenue	149,806	1	181,897	2
Other operating revenue	37,952	-	50,588	1
Total operating revenues	12,510,669	100	8,785,074	100
OPERATING COSTS (Notes 8 and 23)				
Cost of goods sold	11,315,405	90	7,772,637	88
Other operating costs	61,745	1	48,277	1
Total operating costs	11,377,150	91	7,820,914	89
GROSS PROFIT	1,133,519	9	964,160	11
LESS: UNREALIZED INTER-COMPANY GAIN	(13,365)	-	(5,645)	-
REALIZED GROSS PROFIT	1,120,154	9	958,515	11
OPERATING EXPENSES (Notes 20 and 23)				
Selling	560,234	5	527,549	6
General and administrative	142,922	1	137,799	2
Total operating expenses	703,156	6	665,348	8
OPERATING INCOME	416,998	3	293,167	3
NON-OPERATING INCOME AND GAINS				
Interest income	518	-	1,340	-
Investment income recognized under equity method (Note 10)	350,053	3	492,531	6
Gain on disposal of property, plant and equipment	67	-	38,838	-
Exchange gains, net	24,605	-	10,532	-
Gain on reversal of bad debts (Note 7)	17,597	-	-	-
Valuation gain on investments (Note 17)	22,788	-	365	-
Others (Notes 12 and 23)	52,984	1	45,287	1
Total non-operating income and gains	468,612	4	588,893	7
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	18,217	-	14,696	-
Loss on disposal of property, plant and equipment	-	-	5,297	-

(Continued)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
Valuation loss on financial assets, net (Notes 2 and 5)	$ 3,540	-	$ 2,230	-
Others	1,126	-	1,809	-
Total non-operating expenses and losses	22,883	-	24,032	-
INCOME BEFORE INCOME TAX	862,727	7	858,028	10
INCOME TAX (Notes 2 and 19)	164,178	1	116,442	2
NET INCOME	$ 698,549	6	$ 741,586	8

	2011		2010	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 21)				
Basic	$ 3.73	$ 3.02	$ 3.71	$ 3.20
Diluted	3.63	2.94	3.62	3.13

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

(With Deloitte & Touche audit report dated August 1, 2011) (Concluded)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

			Retained Earnings		Other Items					
	Common Stock	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, 2011	$ 2,313,901	$ 1,319,336	$ 1,013,952	$ 2,765,609	$ (70,222)	$ (37,892)	$ 107,053	$ 2,961	$ -	$ 7,414,698
Appropriation of 2010 earnings (Note 17)										
Legal reserve	-	-	140,964	(140,964)	-	-	-	-	-	-
Dividends to common stock										
Cash - 35%	-	-	-	(809,865)	-	-	-	-	-	(809,865)
Adjustment arising from changes in percentage of ownership in investees	-	125,189	-	-	-	-	-	-	-	125,189
Change in cumulative translation adjustments	-	-	-	-	(133,319)	-	-	-	-	(133,319)
Changes in unrealized gain on available-for-sale financial assets (Note 17)	-	-	-	-	-	-	(54,801)	-	-	(54,801)
Net income for the six months ended June 30, 2011	-	-	-	698,549	-	-	-	-	-	698,549
BALANCE, JUNE 30, 2011	$ 2,313,901	$ 1,444,525	$ 1,154,916	$ 2,513,329	$ (203,541)	$ (37,892)	$ 52,252	$ 2,961	$ -	$ 7,240,451
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

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

(With Deloitte & Touche audit report dated August 1, 2011)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 698,549	$ 741,586
Adjustments to reconcile net income to net cash provided by operating activities		
Provision (reversal of provision) for doubtful accounts	(17,597)	418
Depreciation	20,546	21,953
Amortization	16,943	18,069
Provision for (recovery of) loss on inventories	(17,314)	10,739
Loss (gain) on inventories	(413)	246
Unrealized gross profit	13,365	5,645
Deferred income tax expense	26,032	40,090
Investment income recognized under equity method	(350,053)	(492,531)
Gain on disposal of property, plant and equipment	(67)	(33,541)
Loss (gain) on disposal of investments	(22,788)	365
Valuation loss on financial instruments	3,540	2,230
Cash dividends received from equity method investees	64,000	129,842
Pension	7,075	3,678
Others	(3,651)	(30)
Changes in operating assets and liabilities:		
Notes receivable	(105,613)	(18,820)
Notes receivable - related parties	(268)	-
Accounts receivable	(852,589)	(601,893)
Accounts receivable - related parties	(140,837)	(261,327)
Other receivables	4,862	(941)
Other receivables - related parties	(35,888)	(129,063)
Inventories	(242,854)	4,771
Prepayments and other current assets	48,877	(181,924)
Notes payable	90,797	55,085
Notes payable - related parties	12,650	24,588
Accounts payable	(174,171)	149,097
Accounts payable - related parties	(19,925)	33,016
Income tax payable	17,029	(38,229)
Accrued expenses	165,226	153,251
Other payables	2,762	(17,355)
Other current liabilities	27,794	10,191
Net cash used in operating activities	(763,981)	(370,794)
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	(634,353)	(376,505)
Proceeds from disposal of available-for-sale financial assets	377,347	350,366
Acquisition of financial assets carried at cost	-	(896)
Acquisition of investments accounted for by equity method	(58,777)	(5,423)

(Continued)

WAH LEE INDUSTRIAL CORPORATION

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
Acquisition of property, plant and equipment	$ (3,469)	$ (7,104)
Proceeds from disposal of property, plant and equipment	67	49,070
Increase in refundable deposits	(9,511)	(5,978)
Increase in deferred charges	(3,276)	(1,380)
Decrease in restricted assets	-	11,864
Net cash used in investing activities	(331,972)	(84,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	859,154	450,271
Increase in long-term loans	900,000	-
Repayment of long-term debt	(904,517)	(4,517)
Decrease in guarantee deposits received	(145)	(830)
Net cash provided by financing activities	854,492	444,924
NET DECREASE IN CASH AND CASH EQUIVALENTS	(241,461)	(10,386)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	694,155	1,022,647
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 452,694	$ 1,012,261
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	$ 14,857	$ 14,056
Income tax paid	121,117	114,581
NON-CASH FINANCING ACTIVITIES		
Bonus to stockholders	$ 809,865	$ 532,197
Current portion of long-term debt	4,517	4,517
Rental assets transferred to property, plant and equipment	4,508	-
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	$ 3,630	$ 6,514
Decrease (increase) in payable for equipment purchased	(161)	590
Cash paid	$ 3,469	$ 7,104
Proceeds from sale of property, plant and equipment	$ 67	$ 52,070
Increase in other receivables	-	(3,000)
Cash received	$ 67	$ 49,070

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

(With Deloitte & Touche audit report dated August 1, 2011) (Concluded)

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, 2011 and 2010, the Corporation's number of employees was about 480 on both dates.

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").

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:

a. 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 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 shareholders' equity.

b. Accounting Estimates

Under above 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, plant and equipment, amortization of deferred charges, impairment of assets, income tax, pension cost and bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. Impairment of Accounts Receivable

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.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Corporation adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Corporation should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

1) Significant financial difficulty of the debtor;

2) Accounts receivable becoming overdue; or

3) It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

i. Factoring of Accounts Receivable

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

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

2) 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.

3) 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.

j. 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.

k. Inventories

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.

l. 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.

The cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the investment cost in excess of the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets of the investee in excess of the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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 from long-term investments is insufficient, the shortage is debited to retained earnings.

m. 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, 4 to 60 years; machinery and equipment, 3 to 10 years; transportation equipment, 4 to 9 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.

n. 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 life of 50 years.

Operating lease rentals are reported as nonoperating income.

o. Deferred Charges

Deferred charges, including the costs of steel cylinders, building service and computer software, are amortized over 1 to 9 years.

p. 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.

q. Income Tax

The Corporation applies the inter-year allocation method 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.

r. 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.

s. Revenue Recognition

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.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Corporation are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change resulted in an increase of NT$22,334 thousand in net income and an increase of NT$0.1 in after income tax basic earnings per share for the six months ended June 30, 2011.

Operating Segments

On January 1, 2011, the Corporation adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Corporation that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." This accounting change did not have significant effect of segment information disclosure on the Corporation.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2011	**2010**
Cash on hand	$ 751	$ 709
Checking accounts	1,885	49,784
Demand deposits	334,115	431,442
Foreign-currency accounts	115,943	130,565
Cash equivalents - commercial papers maturing within three months	-	399,761
	$ 452,694	$ 1,012,261

5. FINANCIAL INSTRUMENT AT FVTPL

	June 30	
	2011	**2010**
Financial assets designated as at FVTPL		
Convertible bonds	$ 113,760	$ 96,300
Less: Current portion	10,890	-
Noncurrent portion	$ 102,870	$ 96,300

Net loss on financial assets designated as at FVTPL for the six months ended June 30, 2011 and 2010 was NT$3,540 thousand and NT$2,230 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30 2011	June 30 2010
Stock listed on the Taiwan Stock Exchange	$ 38,454	$ 47,157
Mutual funds	706,323	445,015
Overseas quoted stocks	49,598	49,598
	794,375	541,770
Valuation adjustments	42,729	55,046
	837,104	596,816
Less: Current portion	735,192	465,516
Noncurrent portion	$ 101,912	$ 131,300

7. ACCOUNTS RECEIVABLE, NET

	June 30 2011	June 30 2010
Accounts receivable - unrelated parties	$ 5,108,980	$ 3,678,122
Less: Allowance for doubtful accounts	934	24,063
Allowance for sales discounts	36,830	29,229
	$ 5,071,216	$ 3,624,830
Accounts receivable - related parties	$ 873,704	$ 708,233
Less: Allowance for doubtful accounts	28	228
	$ 873,676	$ 708,005

Movements of allowance for doubtful accounts were as follows:

	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Balance, beginning of period	$ 19,269	$ 23,873
Add (deduct): Provision (reversal of provision) for doubtful accounts	(17,597)	418
Deduct: Amounts written off	710	-
Balance, end of period	$ 962	$ 24,291

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, 2011						
Bank SinoPac	Largan Precision	$ 126,799	$ 126,799	$ -	-	$ 1.5
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

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

The Corporation factored accounts receivable (without recourse) of NT$126,799 thousand and NT$371,650 thousand as of June 30, 2011 and 2010, respectively and offered Bank SinoPac the equivalent promissory note (Note 25). 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.

8. INVENTORIES

	June 30	
	2011	**2010**
Merchandise	$ 1,637,969	$ 1,185,553
Merchandise in transit	43,120	21,759
	$ 1,681,089	$ 1,207,312

As of June 30, 2011 and 2010, the allowance for inventory devaluation was NT$108,529 thousand and NT$111,960 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2011 and 2010 was NT$11,315,405 thousand and NT$7,772,637 thousand, respectively, which included the following.

	Six Months Ended June 30	
	2011	**2010**
Provision for (recovery of) loss on inventories	$ (21,545)	$ 8,737
Loss (gain) on physical inventories	(413)	246
Loss on disposal of inventories	4,219	2,002
Others	12	-
	$ (17,727)	$ 10,985

9. FINANCIAL ASSETS CARRIED AT COST

	June 30			
	2011		**2010**	
	Amount	**% of Owner-ship**	**Amount**	**% of Owner-ship**
Wah Yuen Technology Holding Limited	$ 71,604	1.24	$ 71,604	1.80
Tetrahedron Technology Corp.	14,778	16.95	14,778	16.95
Asahi Kasei Wahlee Hi-Tech Corp.	12,631	0.40	12,631	0.49
Onano Industrial Corp.	11,468	19.38	11,468	19.38
High Power Opto. Inc.	10,000	6.27	10,000	11.60
	$ 120,481		$ 120,481	

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			
	2011		2010	
	Amount	% of Owner-ship	Amount	% of Owner-ship
Based on audited financial statements				
Chang Wah Electromaterials Inc.	$ 524,620	28.98	$ 247,551	28.33
Wah Hong Industrial Corp.	69,525	16.98	123,452	16.99
	594,145		371,003	
Based on unaudited financial statements				
Wah Lee Holding Ltd.	1,589,874	100.00	1,510,033	100.00
Raycong Industrial (H.K.) Ltd.	1,193,823	53.69	1,107,397	100.00
Nagase Wahlee Plastics Corp.	578,355	40.00	577,372	40.00
Orc Technology Corp.	172,208	35.00	168,226	35.00
Wah Lee Japan Corp.	14,026	83.33	21,217	83.33
Wah Lee Korea	4,465	96.10	-	-
Investment in Chang Wah Electromaterials Inc.	479,602	28.98	604,778	28.33
Investment in Wah Hong Industrial Corp.	472,906	16.98	389,663	16.99
	4,505,259		4,378,686	
	$ 5,099,404		$ 4,749,689	

Fair values of listed equity-method investments calculated at their closing price as of June 30, 2011 and 2010, respectively were as follows:

	June 30	
	2011	2010
Chang Wah Electromaterials Inc.	$ 2,230,442	$ 2,838,335
Wah Hong Industrial Corp.	905,118	705,622
	$ 3,135,560	$ 3,543,957

Movements of the aforementioned difference allocated to goodwill for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	$ 43,865	$ 46,799
Amount recognized on business combination	33,039	-
Translation adjustments	(439)	165
Balance, end of period	$ 76,465	$ 46,964

Investment income (loss) under equity method based on the audited and unaudited financial statements of investee companies for the six months ended June 30, 2011 and 2010, respectively were as follows:

	Six Months Ended June 30 2011	2010
Based on audited financial statements		
Chang Wah Electromaterials Inc.	$ 57,214	$ 110,505
Wah Hong Industrial Corp.	3,643	10,067
	60,857	120,572
Based on unaudited financial statements		
Nagase Wahlee Plastics Corp.	44,791	45,484
Raycong Industrial (H.K.) Ltd.	100,153	105,290
Wah Lee Japan Corp.	(1,423)	(6,318)
Wah Lee Korea	(2,410)	-
Orc Technology Corp.	4,672	3,787
Wah Lee Holding Ltd.	102,016	150,828
Investment in Chang Wah Electromaterials Inc.	11,857	48,242
Investment in Wah Hong Industrial Corp.	29,540	24,646
	289,196	371,959
	$ 350,053	$ 492,531

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 capital 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 Corporation's cumulative investments in Wah Lee Japan Corp. amounted to NT$21,490 thousand (JPY75,000 thousand) for 83.33% shareholding as of June 30, 2011.

b. In August 2010, the Corporation invested in Wah Lee Korea Co., Ltd. which is mainly engaged in the trade of glass fiber, electronic equipment, optical machinery and so on and increased the investment by NT$5,041 thousand (KRW185,000 thousand) in June 2011; the percentage of ownership increased to 96.1%. The Corporation's cumulative investments in Wah Lee Korea Co., Ltd. amounted to NT$10,075 thousand (KRW370,000 thousand) as of June 30, 2011.

c. In May 1989, the Corporation invested in Chang Wah Electromaterials Inc., which is engaged in the agency of materials and equipment for IC packaging and increased the investment by NT$53,736 thousand in February and May 2011. The Corporation's cumulative investments in Chang Wah Electromaterials Inc. amounted to NT$265,710 thousand as of June 30, 2011.

d. In July 2001, the Corporation invested in Raycong Industrial (H.K.) Ltd. (100% shareholding), which is engaged in the trade of engineering plastic, composite materials and equipment.

   In December 2003, the Corporation invested in Wah Lee Holding Ltd. (100% shareholding) which is mainly engaged in investment in related business in British Virgin Islands. Wah Lee Holding invested in Global SYK Holding Ltd. (SYK, 100% shareholding) in Mauritius and SYK invested in Shanghai Yikang Co., Ltd., which is engaged in the trade of industrial materials.

In January 2011, the Corporation adjusted the investment structure to promote the management of investment performance. SYK transferred its ownership of Shanghai Yikang Co., Ltd. to Raycong Industrial (H.K.) Ltd. At the same time Raycong Industrial (H.K.) Ltd. made equity offerings for HK$251,645 thousand; the whole amount was subscribed by Wah Lee Holding Ltd. (46.31% shareholding). The Corporation did not participate in the share subscribption so the percentage of holdings changed to 53.69%. The Corporation and Wah Lee Holding Ltd. had joint cumulative investments in Raycong Industrial (H.K.) Ltd. which amounted to NT$1,247,277 thousand (HK$307,645 thousand) as of June 30, 2011.

e. 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, 2011. 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.

f. 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., Wah Lee Japan Corp. and Wah Lee Korea Co., Ltd.

11. PROPERTY, PLANT AND EQUIPMENT

a. In June 1997, the Corporation revalued its land. The amount as of June 30, 2011 and 2010 was as follows:

Revaluation increment	$ 12,029
Less: Reserve for land value increment tax	4,259
Net increment accounted for as unrealized revaluation increment	$ 7,770
Unrealized revaluation increment reported in stockholders' equity	$ 2,961

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	
	2011	**2010**
Buildings	$ 70,072	$ 59,547
Machinery and equipment	358	340
Transportation equipment	51,364	50,294
Miscellaneous equipment	128,882	110,625
Leasehold improvements	47,676	38,794
	$ 298,352	$ 259,600

12. RENTAL PROPERTIES

	June 30	
	2011	**2010**
Land	$ 18,966	$ 89,545
Buildings	15,229	38,051
	34,195	127,596
Less: Accumulated depreciation	3,621	6,172
	$ 30,574	$ 121,424

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, 2011 and 2010, respectively, the rental income amounted to NT$4,364 thousand and NT$5,063 thousand, respectively, and was recognized as nonoperating income.

13. SHORT-TERM LOANS

	June 30	
	2011	**2010**
Letters of credit, interest rate at 0.85%-0.98% and 0.8129%-1.2209% as of June 30, 2011 and 2010, respectively.	$ 218,200	$ 45,713
Loans for procurement of materials, interest rate at 1.45% and 1.26%-1.323% as of June 30, 2011 and 2010, respectively.	5,231	26,142
Foreign currency loans, interest rate at 0.76%-1.00% and 0.79%-1.59% as of June 30, 2011 and 2010, respectively.	1,945,603	1,378,832
	$ 2,169,034	$ 1,450,687

14. ACCRUED EXPENSES

	June 30	
	2011	**2010**
Salary and bonus	$ 208,617	$ 195,940
Bonus to employees, directors and supervisors - current period	129,972	137,560
Bonus to employees, directors and supervisors - prior period	261,495	140,099
Commission	21,223	10,433
Others	41,913	41,803
	$ 663,220	$ 525,835

15. LONG-TERM DEBT

	June 30	
	2011	**2010**
Syndicated bank loans (led by Bank SinoPac), already paid off in January 2011	$ -	$ 900,000
Syndicated bank loans (led by Hua Nan Bank)	900,000	-
Less: Syndicated loan fee	5,400	2,450
	894,600	897,550
Hua Nan Bank		
Mortgage loan repayable in 214 installments from December 2009 to October 2027, NT$753 thousand per installment, interest rate at 1.79% and 1.53% as of June 30, 2011 and 2010, respectively.	147,558	156,593
Less: Current portion	9,034	9,034
	138,524	147,559
	$ 1,033,124	$ 1,045,109

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, the interest rate was 1.445% per annum.

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 Corporation 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. The Corporation has paid off the syndicated bank land (2009) by new syndicated bank loan in January 2011.

The Corporation signed a syndicated loan agreement with seventeen banks led by Hua Nan Bank in January 2011. The contents of the syndicated loan agreement were as follows:

a. The loan is a 5-year mid-term revolving credit line up to NT$2.4 billion that commences from the initial drawdown date. From the beginning of fourth year, the maximum credit line should be reduced in 5 consecutive installments by NT$3.6 billion each for the first four installments and by NT$9.6 billion for the fifth 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 3 business days from original loan's maturity date subject to no occurrence of event of default. As of June 30, 2011, the interest rates was 1.4905% per annum.

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 150%.

   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$6 billion.

   Pursuant to the above loan agreement, the Corporation 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 agreement, 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, 2011, the Corporation had not 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, 2011. The Corporation paid off cash dividends of NT$809,865 thousand on July 21, 2011 and improved the financial ratios. The Corporation expected the majority banks not to impose sanction, so the syndicated loan was still recognized as long-term debt.

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$7,342 thousand and NT$6,750 thousand for the six months ended June 30, 2011 and 2010, 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$15,009 thousand and NT$12,041 thousand for the six months ended June 30, 2011 and 2010, respectively.

17. STOCKHOLDERS' EQUITY

Capital stock

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, 2011, the Corporation's paid-in capital was NT$2,313,901 thousand.

Capital surplus

Under the Company Law, capital surplus from 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 operating 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, 2011 and 2010, the bonus to employees was NT$119,106 thousand and NT$126,059 thousand, both representing 17%, of net income (net of the bonus to employees and remuneration to directors' and supervisors); the remuneration to directors and supervisors was NT$10,866 thousand and NT$11,501 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 2010 and 2009 had been approved in the stockholders' meetings in June 2011 and June 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Year 2010	For Year 2009	For Year 2010	For Year 2009
Legal reserve	$ 140,964	$ 80,992	$ -	$ -
Dividends on common stock				
Cash dividends	809,865	532,197	3.5	2.3
	$ 950,829	$ 613,189	$ 3.5	$ 2.3

The Corporation's board of directors approved the appropriations of the 2009 earnings to distribute dividend of $2.2 per share, but the Corporation's stockholders revised the amount to $2.3 per share.

The bonus to employees and the remuneration to directors and supervisors for 2010 and 2009 approved in the stockholders' meetings in June 2011 and 2010, respectively, were as follows:

	Year Ended December 31			
	2010		2009	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in board of directors or shareholders' meetings	$ 239,634	$ 21,861	$ 126,971	$ 13,128
Amounts recognized in respective financial statements	(239,634)	(21,861)	(126,971)	(13,128)
	$ -	$ -	$ -	$ -

As of June 30, 2011 and 2010, the unpaid cash dividends included in dividend payable amounted to NT$809,865 thousand and NT$532,197 thousand, respectively.

As of June 30, 2011 and 2010, the dividend payable included unpaid dividends of the past year was NT$1,649 thousand and NT$1,834 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, 2011 and 2010, movements of unrealized gain on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity-method Investment	Total
Six months ended June 30, 2011			
Balance, beginning of period	$ 65,099	$ 41,954	$ 107,053
Recognized in stockholders' equity	418	(32,431)	(32,013)
Transferred to profit or loss	(22,788)	-	(22,788)
Balance, end of period	$ 42,729	$ 9,523	$ 52,252
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

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% statutory rate for the six months ended June 30, 2011 and 2010 and income tax expense was as follows:

	Six Months Ended June 30	
	2011	2010
Income tax expense at the statutory rate	$ 146,664	$ 145,865
Permanent differences:		
Domestic investment income under equity method	(25,792)	(41,264)
Gain on disposal of land	-	(6,602)
Gain on disposal of investments	(3,874)	(62)
Others	1,028	586
	(28,638)	(47,342)

(Continued)

	Six Months Ended June 30	
	2011	**2010**
Temporary differences:		
Provision for (recovery of) loss on inventories	$ (3,663)	$ 1,485
Foreign investment income under equity method	(33,717)	(42,466)
Unrealized sales gross profit	2,272	960
Unrealized sales discounts	4,079	425
Accrued bonuses	5,293	1,510
Others	(296)	(1,480)
	(26,032)	(39,566)
Income tax under the Income Tax Law	91,994	58,957
Additional 10% income tax on unappropriated earnings	45,881	19,672
Others	18	-
Current income tax expense	137,893	78,629
Deferred income tax expense (benefit)		
Temporary differences	26,032	39,566
Effect of tax law changes on deferred income tax	-	(27,045)
Adjustments for other evaluation	-	27,569
	26,032	40,090
Adjustments of prior years' tax	253	(2,277)
	$ 164,178	$ 116,442

(Concluded)

In May 2010, 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 20% to 17%, effective January 1, 2010.

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

	June 30	
	2011	**2010**
Deferred income tax assets - current		
Unrealized allowance for loss on inventories	$ 18,450	$ 19,033
Allowance for sales discounts	6,261	4,969
Accrued bonuses	30,916	28,921
Intercompany unrealized gains	10,770	5,881
Others	2,618	132
	69,015	58,936
Deferred income tax liabilities - current		
Unrealized exchange gains	-	(1,569)
Net deferred income tax assets - current	69,015	57,367
Deferred income tax assets - noncurrent		
Permanent decline in value of foreign long-term investments	27,569	27,569
Pension cost	12,504	1,135
Others	194	195
	40,267	28,899
Less: Valuation allowance	(27,569)	(27,569)
	12,698	1,330

(Continued)

	June 30	
	2011	2010
Deferred income tax liabilities - noncurrent		
Investment income recognized on overseas equity method investment	$ (347,592)	$ (279,087)
Net deferred income tax liabilities - noncurrent	(334,894)	(277,757)
Total deferred income tax liabilities - net	$ (265,879)	$ (220,390)

(Concluded)

c. The tax returns through 2007 have been assessed by the tax authorities.

d. Information about integrated income tax was as follows:

	June 30	
	2011	2010
Unappropriated earnings generated on and after January 1, 1998	$ 2,513,329	$ 2,097,556

As of June 30, 2011 and 2010, the balance of the imputation credits which can be allocated to the stockholders amounted to NT$582,716 thousand and NT$582,094 thousand, respectively.

The creditable ratio for distribution of earnings of 2011 and 2010 was 21.07% 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 2010 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	
	2011	2010
Personnel		
Salary	$ 412,488	$ 418,955
Labor and health insurance	15,113	13,466
Pension	22,351	18,791
Others	11,655	9,661
	$ 461,607	$ 460,873
Depreciation	$ 20,397	$ 21,580
Amortization	16,943	18,069

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 were as follows:

a. Numerator - current net income

	Six Months Ended June 30			
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT$)				
Income for the period attributable to common stockholders	$ 862,727	$ 698,549	$ 858,028	$ 741,586

b. Denominator - shares in thousand

	Six Months Ended June 30	
	2011	2010
Weighted average issued common stock	231,390	231,390
Add: Dilutive potential common stock - bonus to employees	6,167	5,717
	237,557	237,107

Bonus to employees was previously recorded as appropriation 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			
	2011		2010	
Nonderivative Financial Instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Financial assets at fair value through profit or loss	$ 113,760	$ 113,760	$ 96,300	$ 96,300
Available-for-sale financial assets	837,104	837,104	596,816	596,816
Financial assets carried at cost	120,481	-	120,481	-
Refundable deposits	70,419	70,419	58,299	58,299

(Continued)

Nonderivative Financial Instruments	June 30 2011 Carrying Value	2011 Fair Value	2010 Carrying Value	2010 Fair Value
Financial liabilities				
Long-term debt (including current portion)	$ 1,042,158	$ 1,042,158	$ 1,054,143	$ 1,054,143
Guarantee deposits	1,228	1,228	1,372	1,372

(Concluded)

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 (including related parties), restricted assets, short-term loan, 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, 2011 and 2010, loss on fair values of financial assets determined by valuation techniques amounted to NT$3,540 thousand and NT$2,230 thousand, respectively.

d. As of June 30, 2011 and 2010, financial assets exposed to cash flow interest rate risk amounted to NT$450,378 thousand and NT$562,327 thousand, respectively; financial liabilities exposed to cash flow interest rate risk amounted to NT$1,550,948 thousand and NT$1,395,713 thousand, respectively.

e. As of June 30, 2011 and 2010, 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 2011	Six Months Ended June 30 2010
Total interest income	$ 518	$ 1,340
Total interest expense	18,217	14,696

f. Information about financial risks

1) Market risk

The Corporation invested in domestic and overseas listed stocks, mutual funds and convertible bonds. A change of 1% in market price will bring the risk of price variation of financial instrument of NT$9,509 thousand.

There are no significant risk on foreign exchange rate fluctuations and changes in prevailing interest rate.

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			
	2011		2010	
	Book Value	**Maximum Credit Risk**	**Book Value**	**Maximum Credit Risk**
Off-balance-sheet commitments and guarantees	$ -	$ 2,366,217	$ -	$ 1,803,546

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 rate 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$15,509 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
Chang Wah Technology Co., Ltd. (Chang Wah Technology)	Chang Wah's subsidiary
Nagase Wahlee Plastics Corp. (Nagase Wahlee)	Equity-method investee
Wah Hong Industrial Corp. (Wah Hong)	Equity-method investee
SIP Chang Hong Optoelectronics Ltd. (SIP Chang Hong)	Wah Hong's subsidiary
Sun Hong Optronics Ltd. (Sun Hong)	Wah Hong's subsidiary
Ningbo Chang Hong Optoelectronics Ltd. (Ningbo Chang Hong)	Wah Hong's subsidiary
Xiamen Guang Hong Optronics Co., Ltd. (Xiamen Guang Hong)	Wah Hong's subsidiary
Orc Technology Corp. (Orc)	Equity-method investee
Raycong Industrial (H.K.) Ltd. (Raycong)	Subsidiary
Dong Guan Hua Gang International Trading Co., Ltd. (Dong Guan Hua Gang)	Subsidiary
Wah Lee Japan Corp. (Wah Lee Japan)	Subsidiary
Wah Lee Korea Co., Ltd. (Wah Lee Korea)	Subsidiary
Wah Lee Holding Ltd. (Wah Lee Holding)	Subsidiary
SHC Holding Ltd. (SHC)	Subsidiary
Shanghai Hua Chang Trading Co., Ltd. (Shanghai Hua Chang)	SHC's Equity-method investee
Wah Lee Machinery Trading Ltd. (Wah Lee Machinery)	Subsidiary
Wah Lee Tech (Singapore) Pte., Ltd. (Wah Lee Tech)	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
Hsin Hao Corp. (Hsin Hao)	Vice chairman's relative
Asahi Kasei Wahlee Hi-Tech Corp. (Asahi Kasei Wahlee)	As director
Tetrahedron Technology Corp.	As director
Forcera Materials Co., Ltd.	As director
Bau-Guang Investment Ltd. (Bau-Guang)	As director
Chang Tsuen-Hsien	Chairman's relative

b. Significant transactions with related-parties:

1) For the six months ended June 30, 2011 and 2010, purchases from related parties were NT$711,999 thousand (6%) and NT$674,668 thousand (9%), respectively, and individual transaction amount was less than 10% of the amount of purchases of the Corporation. Terms of payment to related parties were similar to those with third parties.

2) For the six months ended June 30, 2011 and 2010, sales to related parties were NT$2,037,390 thousand (17%) and NT$1,375,293 thousand (16%), 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 30^{th} - 120^{th} day after the month of shipment.

3) Commission income and expense

	Commission Income		Commission Expense	
	Amount	%	Amount	%
Six months ended June 30, 2011				
Shanghai Yikang	$ 1,259	1	$ 14,150	49
Wah Hong	734	-	-	-
Raycon	7	-	1,473	5
Others	41	-	947	3
	$ 2,041	1	$ 16,570	57
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

4) The management services agreements, industry consulting and SAP-use contracts were signed by the Corporation and related parties and the contract period is until December 31, 2014. According to the agreements and contracts, the Corporation will provide certain management services to related parties. Consulting and service fee earned for the six months ended June 30, 2011 and 2010 was recognized as non-operating income as follows:

	Six Months Ended June 30	
	2011	2010
Shanghai Yikang	$ 22,282	$ 15,095
Raycong	14,321	9,755
Wah Hong	1,288	986
Wah Lee Tech	627	-
Others	42	-
	$ 38,560	$ 25,836

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, 2012, and the lease on computer software will expire on December 31, 2011. The rental income for the six months ended June 30, 2011 and 2010 recognized as non-operating income was as follows:

	Six Months Ended June 30	
	2011	2010
Orc	$ 1,020	$ 1,020
Wah Hong	826	681
Others	12	12
	$ 1,858	$ 1,713

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

	June 30	
	2011	2010
Nagase Wahlee	$ 500,000	$ 320,000
Asahi Kasei Wahlee	9,690	9,690
Wah Lee Japan	14,292	21,768
	(JPY 40,000 thousand)	(JPY 60,000 thousand)
Raycong	310,230	347,220
	(US$ 10,800 thousand)	(US$ 10,800 thousand)
Shanghai Yikang	315,879	291,493
	(US$ 10,997 thousand)	(US$ 9,067 thousand)
Raycong/Shanghai Yikang (Co-guarantees)	90,000	90,000
Shanghai Hua Chang	170,000	-
Shanghai Hua Chang	258,525	289,350
	(US$ 9,000 thousand)	(US$ 9,000 thousand)
Nilee	373,425	225,050
	(US$ 13,000 thousand)	(US$ 7,000 thousand)
Dong Guan Hua Gang	24,000	-
Wah Lee Machinery	-	64,300
		(US$ 2,000 thousand)
Wah Lee Tech	300,176	144,675
	(US$ 10,450 thousand)	(US$ 4,500 thousand)
	$ 2,366,217	$ 1,803,546

7) Payments received by the Corporation on behalf of Raycong for goods sold amounted to NT$6,585 thousand and NT$9,140 thousand as of June 30, 2011 and 2010, respectively, and were booked as other current liabilities.

End of the year

	June 30			
	2011		2010	
	Amount	%	Amount	%
Notes receivable				
Wah Hong	$ 210	-	$ -	-
Nagase Wahlee	58	-	121	-
	$ 268	-	$ 121	-

	June 30			
	2011		2010	
	Amount	%	Amount	%
Accounts receivable - related parties				
Shanghai Yikang	$ 568,839	10	$ 395,098	9
Raycong	205,003	3	214,149	5
SIP Chang Hong	32,734	1	-	-
Dong Guan Hua Gang	27,916	-	-	-
Wah Hong	19,551	-	37,763	1
Chang Wah	5,612	-	27,568	1
Others	14,049	-	33,655	1
	873,704	14	708,233	17
Less: Allowance for doubtful accounts	28	-	228	-
	$ 873,676	14	$ 708,005	17
Other receivable - related parties (include dividends)				
Shanghai Yikang	$ 66,267	35	$ 40,999	21
Raycong	14,326	8	9,905	5
Tetrahedron Technology	1,992	1	-	-
SIP Chang Hong	270	-	-	-
Sun Hong	251	-	-	-
Chang Wah	-	-	103,842	52
Nagase Wahlee	-	-	20,000	10
Others	1,915	1	1,167	1
	$ 85,021	45	$ 175,913	89
Notes payable - related parties				
Asahi Kasei Wahlee	$ 211,473	28	$ 195,800	28
Nagase Wahlee	384	-	2,152	-
	$ 211,857	28	$ 197,952	28
Accounts payable - related parties				
Asahi Kasei Wahlee	$ 69,698	3	$ 70,040	3
Wah Hong	63,648	3	44,225	2
Daily	29,304	1	44,679	2
Forcera Materials	5,656	-	9,450	-
Shanghai Yikang	3,321	-	7,061	1
Raycon	68	-	14,019	1
Others	2,078	-	265	-
	$ 173,773	7	$ 189,739	9
Receipts under custody (included in other current liabilities)				
Raycong	$ 6,585	53	$ 9,140	61

24. PLEDGED OR MORTGAGED ASSETS

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

	June 30	
	2011	2010
Property, plant and equipment		
Land	$ 232,817	$ 231,333
Buildings and improvements	187,654	175,093
	420,471	406,426
Rental assets		
Land	16,020	17,504
Buildings and improvements	11,607	31,878
	27,627	49,382
Restricted assets		
Pledged time deposits	320	320
	$ 448,418	$ 456,128

25. COMMITMENTS AND CONTINGENCIES AS OF JUNE 30, 2011

a. Operating lease:

Lessor	Lease Asset	Lease Period and Rental Rate	Rental Payment for the Six Months Ended June 30, 2011
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)	$7,447

As of June 30, 2011, future lease payments are as follows and the Corporation has paid guarantee deposits of NT$3,500 thousand.

	Amount
2011	$ 7,930
2012	15,860
2013	15,860
2014	15,860
2015	2,644
	$ 58,154

b. As of June 30, 2011, the Corporation has outstanding letters of credit aggregating US$9,247 thousand, JPY94,500 thousand and NT$91,637 thousand.

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

d. As stated in Note 7, accounts receivable factored to Bank SinoPac amounted to NT$126,799 thousand. The Corporation has offered the bank the equivalent promissory note.

26. OTHERS

The foreign-currency financial assets and liabilities that significantly impacted the Corporation were as follows:

(In Thousands of Foreign Currencies and New Taiwan Dollars Except Exchange Rate)

	June 30					
	2011			**2010**		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Financial assets						
Monetary items						
USD	$ 129,165	28.725	$ 3,710,263	$ 77,069	32.15	$ 2,477,764
JPY	511,611	0.3573	182,799	628,038	0.3628	227,852
EUR	-	-	-	2	39.32	73
CNY	22,794	4.4655	101,786	1,842	4.7409	8,734
Investments accounted for by the equity method						
USD	55,348	28.725	1,589,874	46,968	32.15	1,510,033
JPY	39,254	0.3573	14,026	58,480	0.3628	21,217
HKD	323,442	3.691	1,193,823	268,670	4.13	1,107,397
KRW	164,769	0.0271	4,465	-	-	-
Financial liabilities						
Monetary items						
USD	127,702	28.725	3,668,226	79,694	32.15	2,562,178
JPY	752,622	0.3573	268,912	986,899	0.3628	358,047
EUR	-	-	-	14	46.10	568
CNY	30	4.4655	132	-	-	-

27. OPERATING SEGMENT INFORMATION

Operating segment information was reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the six months ended June 30, 2011 and 2010, the Corporation disclosed the operating segment information on the semi-annual reviewed consolidated financial statements under SFAS No. 41.