

Test Rite International Co., Ltd.

2012 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System :

<http://newmops.twse.com.tw>

Test Rite's annual report is available at <http://www.testitegroup.com>

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Corporate Website

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I. Letter to Shareholders

Dear shareholders,

Our parent level revenue totaled NT\$ 11.9 bn in FY2012, a decrease of 10.3% YoY, and consolidated sale to NT\$35.25bn, a decline of 1.76% YoY. However, our after-tax income and after-tax EPS attributable to shareholders increased NT\$689.5mn and NT\$1.53 per share, up 8.4% YoY and 14.7% YoY respectively.

The parent level revenue's decline can be attributed to a challenging global macro environment. However, an improvement in gross margin of 1.2 ppt more accurately reflects the growth of our trading business, particularly the commission based agency business. Agency shipments increase by 30.9% YoY in FY2012, accounting for 27.5% of our total shipments. As a matter of fact, we have added four new accounts to our growing list of agency customers, as we continue to gain market share and remain committed to growing our agency business. Additionally, we completed the acquisition of International Art, a trading company that specializes in Christmas and seasonal décor in 1Q13. The acquisition will likely enhance our product portfolio and present cross-selling opportunities given a broader customer base of a combined operation of International Art and Test-Rite.

Our after-tax income and after-tax EPS increases can be attributed to the growths in non-operating income, which totaled NT\$452.2mn, up 27.3% YoY. This is the result of improving operations of Hola China and the acquisition of a 51% stake in TR USA, our distribution/logistics service arm in North American, and we currently hold 100% of TR USA. In fact, Hola China posted a loss of NT\$ 7.1mn in 4Q12, the smallest loss to date for a given quarter and we are encouraged by the turnaround of our China retailing subsidiary. Our retail business currently operate over 70 retail outlets in Greater China, including 25 TLW, a DIY specialist in Taiwan, 22 Hola stores in Taiwan and 32 Hola stores in China.

In August 2012, Test-Rite disposed our holdings in Tung Lung Metal (TLM) by participating in the tender offer of TLM by Stanley Black and Deckard. This is a significant event for Test-Rite from multiple perspectives. From a strategic and operational stand point, the TLM transaction will enable Test-Rite to refocus on our core competency in trading and retail businesses going forward. From a financial strategy's perspective, proceed from TLM transaction immediately strengthens our balance sheet. The NT\$ 2.1 bn proceed from the TLM transaction, combined with NT\$ 600 mn in working capital improvement, the result of a from the implementation of vendor financing program for our trading business, lowered our net debt-to-equity ratio to 75.3% on a consolidated basis, below our original year-end target of 80%.

Below is the detail result of our operations in 2012, our 2013 business plan summary, and future business strategy. We have also highlighted possible impacts from external competition, changes in both government regulations and global macroeconomic environment.

1. Operating result for 2012

(1) Operating result based on business plan for 2012:

(NT\$ mn)	2012A	2011A	YoY change by value	YoY change (%)
Net sales	11,902	13,273	(1,371)	-10.3
COGS	9,506	10,782	(1,276)	-11.8
Gross profit	2,396	2,491	(95)	-3.8
Operating Expense	2,096	2,175	(79)	-3.6
Operating profit	300	316	(16)	-5.1
Non-op.profit/(loss)	452	355	97	27.3
Net profit before tax	752	671	81	12.1
Net profit after tax	690	636	54	8.5

(2) Analysis of balance sheet & profitability

		2012A	2011A	YoY change (%)
Balance sheet	Total liability/total asset	51.5%	58.7%	-12.3
	Current ratio	158.1%	269.9%	-41.4
Profitability	ROE	10.2%	9.7%	5.2
	Net margin	5.8%	4.8%	20.8
	EPS	1.40	1.23	13.8

2. 2013 business plan and future development strategy

(1) Business plan and managerial principle:

- A. Meticulously cultivate relationship for existing clients for the trading business.
- B. Leverage our design capabilities to provide differentiating products and improve full range of sourcing services.
- C. Continue to integrate operations of trading and retail subsidiaries to realize potential synergy.

(2) Future development strategy:

- A. Aggressively expand the scope and identify new targets for Agency Business.
- B. Integrate and develop emerging markets such as Southeast Asia, India, and Latin America
- C. Target growth opportunities in Taiwan and China's retail market through brand licensing and new store openings.

3. Potential influence from external competition, regulation and macroeconomic environment

Faced with a rapidly changing competitive landscape, Test-Rite has leveraged its +30 years of experience in trading and continued to strengthen our product offering by developing Total Solution service for our trading business. These services encompass product and packaging design, logistics, and storage/warehousing capabilities that we believe is necessary to further strengthen our role within the supply chain to global retail operators. Since 4Q12, we have already signed on 4 new accounts for our agency business and our principle trading business is well positioned to benefit from the sustained recovery of the U.S. consumer demand.

Taiwanese and Chinese authorities have extended the tightening of the overheated real estate markets. In fact, the implementation of luxury tax, increase in utility rates and enactment of tax on dividend and interest income are likely to have further adverse impact on household's disposable income and consumer demand. However, we remain focused on maintaining our growth momentum in the retail business and plans for addition 5-7 new store opening (2 in Taiwan and 3 to 5 in China) in 2013.

Lastly, all staff of Test Rite Group will spare no efforts to adequately plan, and manage our trading, retail and other investment businesses in an honest, sincere and dedicated manner, with the objective to strengthen our balance sheet and further enhance returns on shareholder equity (ROE). We, on behalf of all the employees at Test-Rite, would like to take this opportunity to thank our shareholders for your continued support and encouragement.

Sincerely yours,

Chairman
Judy Lee

CEO & President
Sophia Tong

II. Company Profile

2.1 Date of Incorporation: August 10th, 1978

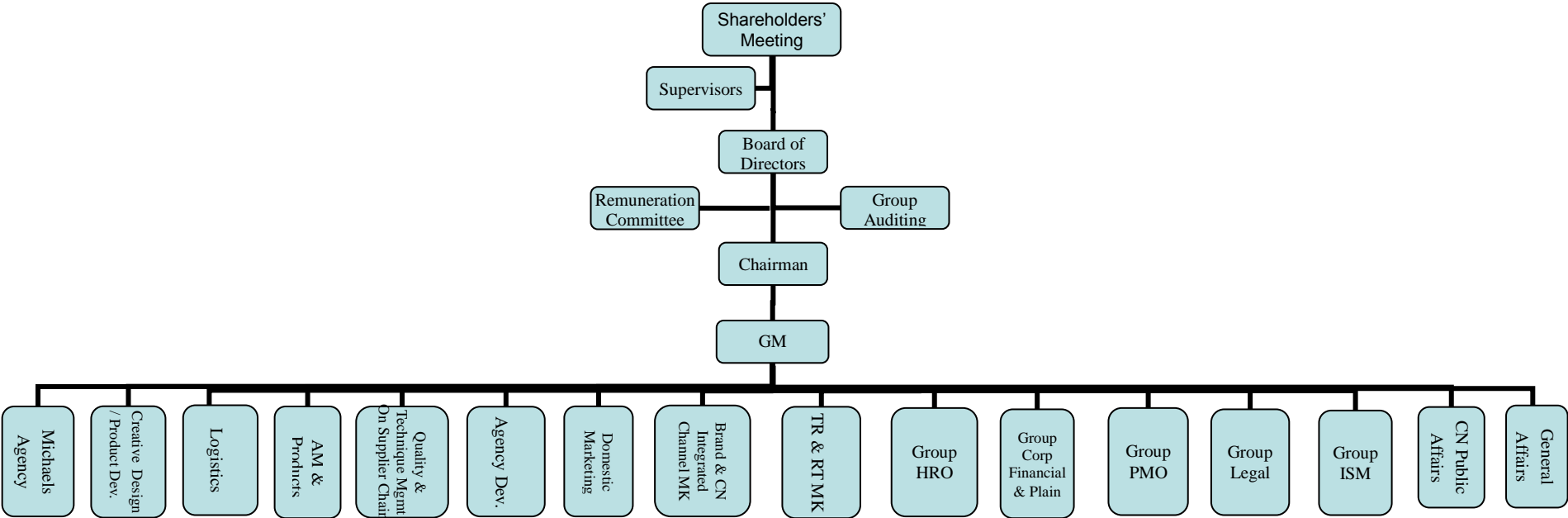
2.2 Company History

Year	Milestones
1978-91	Establishment and Growth
1988-00	“Best Supplier Award from Wal-Mart”
1993	Test Rite IPO (2908TT) –Taiwan Stock Exchange
1996-98	Launch of Retail Business B&Q TLW Taiwan 50-50 JV with Kingfisher HOLA –“House of Living Art”
2000	Packing facilities established in Shanghai and Shenzhen
2001	Named “The Best 200 Small Companies” by Forbes
2004	Retail: Inception of HOLA China
2006	HOLA (2921TT) IPO –Taiwan OTC Exchange Acquisition of Tong-Lung Metal (OTC listed 8705 TT)
2007	Nei-Hu HQ Building Sale-and-Leaseback Purchase of Kingfisher's 50% joint venture stake of TLW Taiwan (US\$100mn)
2009	4-in-1 Merger of Taiwan Retail channels: TLW (DIY), HOLA, Freer, and HOLA Casa.
2010	Accelerate pace of store openings of HOLA China Canceled 14.8mn treasury shares
2011	Décor House grand opening in September. Received Best Supplier Award from Wal-Mart. Received Best Cooperation Partner Award from Michaels.
2012	Sold TLM to Stanley Black & Decker(Proceed of NT\$2.3bn). Merged outstanding shares of TR USA(US\$13.8mn). Opened of discount household channel TAYOHYA in Taiwan.
2013	Acquired International Art, a trading company with specialization in Seasonal, House ware, Garden tools, and stationary.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Chairman Office	Foster smooth operation of the Group and strengthen business management mechanisms, to assist the chairperson in day-to-day administration of the Company, to arrange business schedules, and to carry out projects
GM Office	Responsible for evaluation/formulation of business strategy and other related matters of the company.
Group Audit	Responsible for internal audit functions; ensure the established internal control system is effectively carried out and implemented by the Company and its subsidiaries.
General Affairs	General administration and services, and asset/equipment management in Taiwan.
CN Public Affairs	General administration and services, and asset/equipment management in China.
Group ISM	Implementation and planning of computer hardware equipment for the Group and software planning, program design, and implementation for internal corporate applications
Group Legal	Management of corporate counsel, litigation; reviewing of contracts, trademark patents, legal affairs and regulatory compliance matters.
Group PMO	Strategy and project management, process management, and optimization of operations.
Group Corp Financial & Plain	Corporate governance implementation, investor relationship management, bank relationship management, fund allocation management, group insurance and risk management, shareholder services management, implementation of corporate governance, accounting management ,P&L analysis, the budgeting and investment planning matters of the Group.
Group HRO	Planning and integration of human resource, planning and implementation of employee benefits, coordination of labor relations, and education and training and staff development..
TR & RT MK	Development and expansion of trading business, planning for retailing business in Taiwan, providing quality and timely customer services
Brand & CN Integrated Channel MK	Brand development and marketing for retail markets in China, providing quality and timely customer services
Domestic Marketing	Planning and execution of marketing promotional activities.
Agency Dev.	Promotion of agency business; providing customers with information and services
Quality & Technique Mgmt On Supplier Chain	Support for quality assurance-related operations of business units.
AM & Product	Media and customer relationship maintenance, enhancing customer service, devoting more resources to customers to improve customer relationships and gain additional competitive advantage.
Logistics	Support for shipping, logistics management and other related operations of business units.
Creative Design / Product Dev.	Provide research and development designs, artwork, and marketing strategies for new products
Michaels Agency	Searching for and design and quality control of Michaels' authorized products and agency business

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

As of April 19, 2013

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Ms. Judy Lee	101.6.18	3	72.07.04	36,050,614	7.10	37,159,294	7.12	43,995,550	8.43	0	0	President of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd. ; Director of Tong Long Metal Industry Co., Ltd. ; Department of Bank and Insurance/ Tamkang University	Note 1	Director	Tony Ho Robin Ho	Family Family
Director	Mr. Tony Ho	101.6.18	3	72.07.04	42,682,905	8.41	43,995,550	8.43	37,159,294	7.12	0	0	Chairman of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Department of Philosophy/Fujen Catholic University	Note 2	Director	Judy Lee Robin Ho	Family Family
Director	Mr. Hsin Hsien Huang	101.6.18	3	98.06.16	0	0	0	0	0	0	0	0	Director of Jian Yuan law firm; Director of Jinghua Society Cultural Foundation; Legal Advisor of Taipei City Police Department Juvenile Affair Division; BL, Soochow University	Note 3	-	-	-
Director	Ms. Robin Ho	101.6.18	3	99.06.15	761,431	0.15	884,579	0.17	0	0	0	0	AVP of Test Rite Int'l Co., Ltd.; MBA of Fujen Catholic University Graduate Institute of Management	Note 4	Director	Tony Ho Judy Lee	Family Family
Director	Property Int'l Co., Ltd. Representative: Ms. Ai Chen Lee	101.6.18	3	95.06.09	588,000 1,030,880	0.12 0.20	606,083 1,022,583	0.12 0.20	0	0	0	0	Director of ShiFu industry Co., Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Commercial Senior High School	Note 5	-	-	-
Director	Property Int'l Co., Ltd. Representative: Mr. Chung Hsing Huang	101.6.18	3	98.06.16	588,000 0	0.12 0	606,083 0	0.12 0	0	0	0	0	Associate Dean of Business Administration College of National Taiwan University · CEO of EMBA of National Taiwan University · Director of school of Professional and Continuing Studies of National Taiwan University; Ph.D. Business Administration, University of Texas at Austin	Note 6	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Property Int'l Co., Ltd. Representative: Ms. Jaclyn Tsai	101.6.18	3	98.06.16	588,000 0	0.12 0	606,083 0	0.12 0	0	0	0	0	Senior partner and lawyer of Lee, Tsai & Partners ∙ General Counsel of IBM Greater China Group (China, Hong Kong, Taiwan) ∙ General Counsel of IBM Taiwan ∙ Judge of Taipei, Shih-Lin, Taoyuan and Chang Hwa District Courts BL, National Taiwan University	Note 7	-	-	-
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai	101.6.18	3	92.06.20	31,362,873 0	6.18 0	32,327,389 0	6.19 0	0	0	0	0	Partner and Director of Baker Tilly Clock & Co ∙ Research Assistant Treasury Tax Commission ∙ Management activities committee chairman of Chinese Knowledge Association; Supervisor of National Association of Small & Medium enterprises R.O.C.; Supervisor of Association for Research & Development of Corporate Organization; Associate Professor of National Taipei University of Technology; Master of Financial Research, National Chengchi University	Note 8	-	-	-
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	101.6.18	3	92.06.20	31,362,873 0	6.18 0	32,327,389 0	6.19 0	0	0	0	0	Lawyer of Zhao Ming law firm; Director of Muguangwen Education Foundation; Director of Youngsun Culture & Education Foundation; Director of Chew Foundation; consultant of Yilan County Government.; BL, National Taiwan University	Note 9	-	-	-

Note 1 : Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Hola Homefurnishings Co., Ltd. ∙ Director of Homy Homefurnishings Co., Ltd. ∙ Director of Freer Inc. ∙ Director of Chung Cin Enterprise Co., Ltd. ∙ Director of Lih Teh International Co., Ltd. ∙ Director of Lih Chiou Co., Ltd. ∙ Director of Fusion International Distribution Inc. ∙ Director of B&S Link Co., Ltd. ∙ Chairman of International Art Co., Ltd. ∙ Chairman of Test Rite Business Development Corporation(China) Co., Ltd. ∙ Chairman of B&S Link (Shanghai) Co., Ltd. ∙ Chairman of HOLA Shanghai Consultant Co., Ltd. ∙ Chairman of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Chairman of HOLA Beijing Retail & Trading Co., Ltd. ∙ Chairman of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Chairman of Light Up Shanghai Retailing Co., Ltd. ∙ Chairman of HOLA Hangzhou Retailing Co., Ltd ∙ Chairman of HOLA Shanghai Retail & Trading Ltd. ∙ Chairman of Energy Retailing Co., Ltd. ∙ Chairman of Test Rite (China) Investment Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Master Design, Inc. ∙ Director of Homezone International Corporation ∙ Director of Rollabind, LLC ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test Rite PTE Ltd. ∙ Director of Test Rite Products Ltd.. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test Rite South American Co., Ltd. ∙ Director of Hwa Hong International Co., Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ Director of TRS Investment Company Limited ∙ Director of Fortune Miles Trading Inc.

Note 2 : Chairman of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Chairman of Hola Homefurnishings Co., Ltd. ∙ Chairman of Homy Homefurnishings Co., Ltd. ∙ Chairman of Freer Inc. ∙

Chairman of Chung Cin Enterprise Co., Ltd.、Chairman of Lih Teh International Co., Ltd.、Chairman of Lih Chiou Co., Ltd.、Chairman of Fusion International Distribution Inc.、Chairman of Quality Master Co., Ltd.、Chairman of B&S Link Co., Ltd.、Director of Test Rite Int'l (U.S.) Co., Ltd.、Director of Test Rite Products Corp.、Director of Master Design, Inc.、Director of Homezone International Corporation、Director of Rollabind, LLC、Director of Test Rite Int'l (Canada) Ltd.、Director of Test Rite Int'l (Australia) Pty.、Director of Test Rite PTE Ltd.、Director of Test Rite Products Ltd.、Director of Test Rite Viet Nam Co., Ltd.、Director of Landia Home(HK) Limited、Director of Test Rite Retailing Limited、Director of Perfect Group International Limited、Director of Toppin(HK)Limited、Director of Test Rite South American Co., Ltd.、Director of Test Rite Trading Co., Ltd.、Director of Test Rite Retailing Co., Ltd.、Director of B&S Link Corporation、Director of Test-Rite Star Co., Ltd.、Director of Test Rite International Investment Co., Ltd.

Note 3：Remuneration committee member of Test Rite Int'l、Director of Jian Yuan law firm、Director of Jinghua Society Cultural Foundation、Legal Advisor of Taipei City Police Department Juvenile Affair Division

Note 4：Director of Test Rite Retail Co., Ltd.、Director of Test-Rite Home Service Co., Ltd.、Director of Test Rite Business Development Corporation (China) Co., Ltd.、Director of B&S Link (Shanghai) Co., Ltd.、Director of HOLA Shanghai Consultant Co., Ltd.、Director of HOLA Shanghai Retail & Trading Co., Ltd.、Director of HOLA Beijing Retail & Trading Co., Ltd.、Director of HOLA Shanghai Living Art Retailing Co., Ltd.、Director of Light Up Shanghai Retailing Co., Ltd.、Director of HOLA Hangzhou Retailing Co., Ltd.、Director of HOLA Shanghai Retail & Trading Ltd.、Director of Energy Retailing Co., Ltd.、Director of Test Rite (China) Investment Co., Ltd.、Director of Rollabind, LLC、Director of Test Rite Int'l (Australia) Pty.、Director of Test-Rite (UK) Ltd.、Director of Test Rite International (Thailand) Ltd.、Director of Citysource Inc.、Director of Rui Feng International Co., Ltd.、GM of Test-Rite International (U.S.)Co., Ltd.

Note 5：Chairman of Up Master Investment Co., Ltd.、Chairman of Li-Hsiung Co., Ltd.、Chairman of Property International Company Limited、Chairman of Tsai Ye Enterprise Company Limited.

Note 6：The vice dean of college of management of NTU、CEO of NTU EMBA、Director of Extension Education Center of NTU、Independent supervisor of Delta Electronics Inc.、Independent director of ShareHope Medicine Inc.

Note 7：Director of Union Insurance Company、Supervisor of Jess-Link Products Co., Ltd.、Chairman of Lee, Tsai & Partners Intellectual Property Consulting Inc., Shanghai、Supervisor of Microelectronics Technology Inc.、Director of New Bellus Enterprises Co., Ltd.、Director of Tec Synergy Inc. Taiwan Branch、Director of Very Mulan Corporation、Director of Golden Circle Global Inc.、Supervisor of Cleaner Production & Regional Development Foundation.、Director of Taiwan International Institute for Water Education

Note 8：Partner and Director of Baker Tilly Clock & Co.、Supervisor of Tong Lung Metal Industry Co., Ltd.、Supervisor of Test Rite Retail Co., Ltd.、Supervisor of Test-Rite Home Service Co., Ltd.

Note 9：Lawyer of Zhao Ming law firm、Director of Muguangwen Education Foundation、Director of Youngsun Culture & Education Foundation、Director of Chew Foundation、consultant of County Yilan Government.

Note 10：The data is the total outstanding shares as of April 19th, 2013.

Major shareholders of the institutional shareholders

As of April 19, 2013

Name of institutional shareholders	Major shareholders of the institutional shareholders
Property International Company Limited	Ms. Lee, Ai-Chen 100%
Tsai-Chi Co., Ltd.	Quality Master Co., Ltd. 100%

Major shareholders of the major shareholders that are juridical persons

As of April 19, 2013

Name of juridical persons	Major shareholders of the juridical persons
Quality Master Co., Ltd.	Judy Lee 76.8% 、Robin Ho 8.6% 、Joyce Ho 8.6% 、Kelly Ho 6%

Professional qualifications and independence analysis of directors and supervisors

As of April 19, 2013

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Ms. Judy Lee			V						V		V		V	V	0
Mr. Tony Ho			V						V		V		V	V	0
Mr. Hsin Hsien Huang		V	V		V	V	V	V	V		V	V	V	V	0
Ms. Robin Ho			V				V				V		V	V	0
Property Int'l Co., Ltd. Representative :Ms. Ai Chen Lee			V				V	V			V	V	V		0
Property Int'l Co., Ltd. Representative :Mr. Chung Hsing Huang	V		V		V	V	V	V	V	V	V	V	V		1
Property Int'l Co., Ltd. Representative: Ms. Jaclyn Tsai		V	V		V	V	V	V	V		V	V			0
Tsai-Chi Co., Ltd. Representative :Mr. Yung Chi Laii	V	V	V		V		V	V	V		V	V	V		0
Tsai-Chi Co., Ltd. Representative :Mr. Hsueh Hsing Liao		V	V		V	V	V	V	V		V	V			0

Note : Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

April 19, 2013

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Sophia Tong	3.23.2009	901,909	0.17%	0	0.00%	0	0.00%	GM of IBM Taiwan; BA, National Taiwan University	Note 1	—	—	—
VP	John Peng	9.1.1998	324,223	0.06%	951,601	0.18%	0	0.00%	Product manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 2	—	—	—
VP	Peter Dong	1.1.2003	198,827	0.04%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BC, Fujen Catholic University	—	—	—	—
VP	Alfred Chang	10.8.2005	298,870	0.06%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BA, National Cheng Kung University	—	—	—	—
VP	Hannis Chang	6.1.2006	345,461	0.07%	0	0.00%	0	0.00%	Senior finance manager of HannStar Display Corporation; MBA, National Taiwan University	Note 3	—	—	—
VP	Lawrence Wu	3.1.2007	77,668	0.01%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd.; Keelung Maritime Vocational High School	—	—	—	—
VP	Jane Peng	3.1.2008	30,922	0.01%	0	0.00%	0	0.00%	Chief Project Director of IBM Taiwan; MBA, University of Houston	—	—	—	—
VP	Gillian Joe	7.21.2008	10,307	0.00%	0	0.00%	0	0.00%	Managing consultant of IBM Taiwan; BS ,Oklahoma City State University College	—	—	—	—
VP	Bob Yueh	3.1.2009	13,454	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BS, Feng Chia University	—	—	—	—
VP	Edward Kao	3.1.2009	429,825	0.08%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, New Jersey Institute of Technology	—	—	—	—
VP	Paul Wang	3.1.2009	148,102	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Yudah Commercial High School	—	—	—	—
VP	Tracy Tsai	3.1.2009	137,232	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BC, Chinese Culture University	—	—	—	—
VP	Marshall Cheng	3.11.2009	0	0.00%	0	0.00%	0	0.00%	MBA, State University of Southern California	—	—	—	—
VP	Robin Ho	5.1.2009	884,579	0.17%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, Fujen Catholic University	Note 4	VP	Kelly Ho	Family
VP	James Lo	1.25.2010	0	0.00%	0	0.00%	0	0.00%	VP of Administration and Finance of Winbond Electronics(China); MBA, National Sun Yat-sen University	—	—	—	—
VP	CC Fan	6.10.2010	0	0.00%	0	0.00%	0	0.00%	Principal Consultant Of IBM Taiwan; MS, The University of North Alabama	—	—	—	—

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
VP	Kelly Ho	8.2.2010	565,120	0.11%	0	0.00%	0	0.00%	Chairman special assistant of Test Rite Int'l Co., Ltd.; MBA, Massachusetts Institute of Technology	Note 5	VP	Robin Ho	Family
VP	Lawrence Ger	9.21.2011	0	0.00%	0	0.00%	0	0.00%	Department of China Logistics and Distribution, Li & Fung Ltd./ General Manager Master, Department of International Business College of Management & Department of Electrical Engineering of National Taiwan University	—	—	—	—
VP	Jack Ueng	11.30.2011	238,865	0.05%	85,990	0.02%	0	0.00%	Vice president of B&S Link Co., Ltd. 、 Master, University of Missouri	—	—	—	—
VP	Maggy Chen	12.5.2011	295,512	0.06%	147	0.00%	0	0.00%	Freer Inc. / General manager BS, Department of Business Management, Soochow University	—	—	—	—
VP	Juliet Pai	7.4.2012	103,075	0.02%	0	0.00%	0	0.00%	IKEA/ Shopkeeper 、 DFS/ Taiwan merchandise manager 、 Chihlee International Trade/Department of international trade	—	—	—	—
VP	Michael Hou	9.10.2012	0	0.00%	0	0.00%	0	0.00%	ASUS/CHO 、 Yageo Corporation/CHO 、 Chinese Culture University/Department of Labor and Human Resources	—	—	—	—
VP	Lester Tsai	2.26.2013	0	0.00%	0	0.00%	0	0.00%	International Art Co., Ltd./VP 、 Tamkang University/Department of Industrial management & enterprise information	—	—	—	—
VP	David Cheng	2.26.2013	0	0.00%	0	0.00%	0	0.00%	International Art Co., Ltd./VP 、 Kainan High School of Commerce & Industry/Department of business	—	—	—	—
AVP	Linda Lin	1.1.2003	0	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; Ming Chuan College	Note 6	—	—	—
AVP	Alex Yu	2.1.2005	38,551	0.01%	0	0.00%	0	0.00%	Manager of SAMPO Co., Ltd.; BS, Chung Yuan Christian University	—	—	—	—
AVP	Lancy Wu	5.1.2007	3,184	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; ; Taipei College	—	—	—	—
AVP	Shelley Chen	5.1.2007	681	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; ; Ming Chuan College	—	—	—	—

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
AVP	Monica Chen	6.15.2009	110,408	0.02%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; Shih Chien College	—	—	—	—
AVP	Jack Chang	4.1.2010	173,166	0.03%	0	0.00%	0	0.00%	Yuanta Research (H.K.) Ltd./Senior Analyst Babson College(MBA)	Note 7	—	—	—
AVP	Constance Chuang	4.15.2010	11	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; BA, Fujen Catholic University	—	—	—	—
AVP	Arthur Chen	10.18.2010	41,230	0.01%	10,307	0.00%	0	0.00%	Acer China / Director East China; MBA, George Washington University	—	—	—	—
AVP	Gino Chen	11.15.2010	0	0.00%	0	0.00%	0	0.00%	CEO of GINO International Marketing Co., Ltd.; MBA, HEC Paris	—	—	—	—
AVP	Austin Lin	8.11.2011	0	0.00%	0	0.00%	0	0.00%	FUJITSU TAIWAN Ltd./Senior manager BC, Department of Computer Science and Information Engineering, Chung Hua University	—	—	—	—
AVP	CY Lin	8.11.2011	0	0.00%	0	0.00%	0	0.00%	SYSTEX Corporation/ Director of Technology Master, Institute of Industrial Engineering, National Taiwan University	—	—	—	—
AVP	Gilbert Du	8.11.2011	0	0.00%	0	0.00%	0	0.00%	International Integrated Systems Inc./ Chief Engineer BC, Department of Computer Science and Information Engineering, Fu Jen Catholic University	—	—	—	—
AVP	Sky Yuan	12.2.2011	0	0.00%	0	0.00%	0	0.00%	B&S Link Co., Ltd. /Senior Manager Master, Department of Computer Science & Information Engineering, National Taiwan University	—	—	—	—
AVP	Mercy Chen	12.5.2011	0	0.00%	0	0.00%	0	0.00%	Carrefour Co., Ltd./ Application Manager BC, Department of Information Management, National Central University	—	—	—	—
AVP	Johnson Lee	12.6.2011	31,766	0.01%	0	0.00%	0	0.00%	B&S Link Co., Ltd./ AVP VBC, Technology and Science Institute of Northern Taiwan Department of Electronic Engineering	—	—	—	—
AVP	Hampfrey Wang	7.2.2012	0	0.00%	0	0.00%	0	0.00%	Test Rite Group/ AVP 、National Taiwan University/ Department of History	—	—	—	—

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
AVP	Tracy Leu	10.15.2012	0	0.00%	0	0.00%	0	0.00%	Jetshoes Co., Ltd./Senior merchandiser 、Wal-Mart/merchandise manager 、Tamkang University/Department of Bank and Insurance	—	—	—	—
AVP	Dick Ko	12.25.2012	0	0.00%	0	0.00%	0	0.00%	Fu Jia Enterprise 、Fu Hsing Kang College/Department of Business English	—	—	—	—
AVP	Eddie Wei	2.18.2013	0	0.00%	0	0.00%	0	0.00%	Wisefame International Ltd./Creative Design Director 、English Name GoerTek Inc./Design Director 、Shih Chien University/Department of Industrial Design	—	—	—	—

Note :

- 1 : Director and GM of Test Rite Retail Co., Ltd. 、Director of Test-Rite Home Service Co., Ltd. 、Director of Chung Cin Enterprise Co., Ltd. 、Director of International Art Co., Ltd. 、Director of Test-Rite (UK) Ltd.
- 2 : Supervisor of Test Rite Business Development Corporation(China) Co., Ltd. 、Supervisor of B&S Link (Shanghai) Co., Ltd. 、Supervisor of Energy Retailing Co., Ltd. 、Supervisor of Test Rite (China) Investment Co., Ltd. 、Supervisor of HOLA Shanghai Consultant Co., Ltd. 、Supervisor of HOLA Shanghai Retail & Trading Co., Ltd. 、Supervisor of HOLA BEIJING RETAIL & TRADING Co., Ltd. 、Supervisor of HOLA Shanghai Living Art Retailing Co., Ltd. 、Supervisor of Light Up Shanghai Retailing Co., Ltd. 、Supervisor of HOLA HANGZHOU RETAILING Co., Ltd. 、Supervisor of HOLA SHANGHAI RETAIL & TRADING Ltd.
- 3 : Director of Test Rite Retail Co., Ltd. 、Director of Test-Rite Home Service Co., Ltd. 、Supervisor of HOLA Home furnishings Co., Ltd. 、Supervisor of Homy Home furnishings Co., Ltd. 、Supervisor of Freer Inc. 、Supervisor of Chung Cin Enterprise Co., Ltd. 、Supervisor of B&S Link Co., Ltd. 、Supervisor of Lih Teh International Co., Ltd. 、Supervisor of Lih Chiou Co., Ltd. 、Supervisor of Fusion International Distribution Inc. 、Supervisor of International Art Co., Ltd.

- 4 : Director of Test Rite Int'l Co., Ltd. ∙ Director of Tong Lung Metal Industry Co., Ltd. ∙ Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of B&S Link Co., Ltd. ∙ Director of Test Rite Business Development Corporation (China) Co., Ltd. ∙ Director of B&S Link (Shanghai) Co., Ltd. ∙ Director of HOLA Shanghai Consultant Co., Ltd. ∙ Director of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Director of HOLA BEIJING RETAIL & TRADING Co., Ltd. ∙ Director of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Director of Light Up Shanghai Retailing Co., Ltd. ∙ Director of HOLA HANGZHOU RETAILING Co., Ltd. ∙ Director of HOLA SHANGHAI RETAIL & TRADING Ltd. ∙ Director of Energy Retailing Co., Ltd. ∙ Director of Test Rite (China) Investment Co., Ltd. ∙ Director of Rollabind, LLC ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of CITYSOURCE INC. ∙ Director of Test Rite International (Thailand) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ GM of Test-Rite International (U.S.)Co., Ltd.
- 5 : Director of Test Rite Retail Co., Ltd. ∙ Director of HOLA Homefurnishings Co., Ltd. ∙ Director of Homy Homefurnishings Co., Ltd. ∙ Director of Freer Inc ∙ Director of Test Rite Business Development Corporation (China) Co., Ltd. ∙ Director of B&S Link (Shanghai) Co., Ltd. ∙ Director of HOLA Shanghai Consultant Co., Ltd. ∙ Director of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Director of HOLA BEIJING RETAIL & TRADING Co., Ltd. ∙ Director of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Director of Light Up Shanghai Retailing Co., Ltd. ∙ Director of HOLA HANGZHOU RETAILING Co., Ltd. ∙ Director of HOLA SHANGHAI RETAIL & TRADING Ltd. ∙ Director of Energy Retailing Co., Ltd. ∙ Director of Test Rite (China) Investment Co., Ltd.
- 6 : Director of Lih Chiou Co., Ltd. ∙ Director of Fusion International Distribution Inc.
- 7 : Director of Lih Teh International Co., Ltd.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

Remuneration of Directors

As of Dec. 31, 2012 : Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors(C)		Allowances (D)				Salary, Bonuses, and Allowances(E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)		Granted Employee Restricted Stock(I)						
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities		The company	From All Consolidated entities	The company	From All Consolidated entities		The company	From All Consolidated entities
Cash	Stock															Cash	Stock									
Chairman	Ms. Judy Lee	9,950	9,950	0	0	9,588	9,588	414	492	2.89%	2.67%	15,547	32,231	529	529	6,212	0	6,212	0	0	0	0	0	6.13%	7.86%	0
Director	Mr. Tony Ho																									
Director	Mr. Hsin-Hsien Huang*																									
Director	Ms. Robin Ho																									
Director	Property Int'l Co. Ltd. Representative: Ms. Ai Chen Lee**																									
Director	Property Int'l Co. Ltd. Representative: Mr. Chung Hsing Huang**																									
Director	Property Int'l Co. Ltd. Representative: Ms. Jaclyn Tsai**																									
Director	Mr. George Hsu*																									
Director	Li-Hsiung Co., Ltd. Representative: Ms. Ai Chen Lee*																									
Director	Li-Hsiung Co., Ltd. Representative : Mr. Chung Hsing Huang*																									
Director	Li-Hsiung Co., Ltd. Representative : Mr. Hsin Hsien Huang*																									

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	From All Consolidated entities	The company	From All Consolidated entities
Under NT\$ 2,000,000	Mr. Mr. HsinHsien Huang*、Property Int'l Co., Ltd. Representative：Ms. Ai-Chen Lee*、Mr. Chung Hsing Huang* and Ms. Jaclyn Tsai*、Mr. George Hsu**、Li-Hsiung Co., Ltd. Representative: Ms. Ai Chen Lee、Mr. Chung Hsing Huang and Mr. Hsin Hsien Huang	Mr. Mr. HsinHsien Huang*、Property Int'l Co., Ltd. Representative：Ms. Ai-Chen Lee*、Mr. Chung Hsing Huang* and Ms. Jaclyn Tsai*、Mr. George Hsu**、Li-Hsiung Co., Ltd. Representative: Ms. Ai Chen Lee、Mr. Chung Hsing Huang and Mr. Hsin Hsien Huang	Mr. Mr. HsinHsien Huang*、Property Int'l Co., Ltd. Representative：Ms. Ai-Chen Lee*、Mr. Chung Hsing Huang* and Ms. Jaclyn Tsai*、Mr. George Hsu**、Li-Hsiung Co., Ltd. Representative: Ms. Ai Chen Lee、Mr. Chung Hsing Huang and Mr. Hsin Hsien Huang	Mr. Mr. HsinHsien Huang*、Property Int'l Co., Ltd. Representative：Ms. Ai-Chen Lee*、Mr. Chung Hsing Huang* and Ms. Jaclyn Tsai*、Mr. George Hsu**、Li-Hsiung Co., Ltd. Representative: Ms. Ai Chen Lee、Mr. Chung Hsing Huang and Mr. Hsin Hsien Huang
NT\$2,000,000 ~ NT\$5,000,000	Ms. Robin Ho	Ms. Robin Ho	0	0
NT\$5,000,000 ~ NT\$10,000,000	Mr. Tony Ho、Ms. Judy Lee	Mr. Tony Ho、Ms. Judy Lee	Ms. Robin Ho	Ms. Robin Ho
NT\$10,000,000 ~ NT\$15,000,000	0	0	0	0
NT\$15,000,000 ~ NT\$30,000,000	0	0	Mr. Tony Ho、Ms. Judy Lee	Mr. Tony Ho、Ms. Judy Lee
NT\$30,000,000 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	11	11	11	11

Remuneration of Supervisors

As of Dec. 31, 2012; Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of total remuneration (A+B+C) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary
		Base Compensation(A)		Bonus to Supervisors(B)		Allowances(C)				
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai	0	1,500	2,824	2,824	156	318	0.43%	0.62%	0
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao									

Bracket	Name of Supervisors	
	Total of (A+B+C)	
	The company	From All Consolidated entities
Under NT\$ 2,000,000	0	0
NT\$2,000,000 ~ NT\$5,000,000	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai , Mr. Hsueh Hsing Liao	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai , Mr. Hsueh Hsing Liao
NT\$5,000,000 ~ NT\$10,000,000	0	0
NT\$10,000,000 ~ NT\$15,000,000	0	0
NT\$15,000,000 ~ NT\$30,000,000	0	0
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	2	2

Compensation of President and Vice President

As of Dec. 31, 2012; Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Granted Employee Restricted Stock		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	
								Cash	Stock	Cash	Stock							
CEO of strategy & new business development	Tony Ho	101,670	116,404	2,836	2,836	15,397	15,397	12,650	0	12,650	0	19.22%	19.63%	0	0	0	0	0
CEO of Corporate Governance and risk management	Judy Lee																	
President	Sophia Tong																	
VP	John Peng																	
VP	Hannis Chang																	
VP	Alfred Chang																	
VP	Peter Dong																	
VP	Lawrence Wu																	
VP	Jane Peng																	
VP	Gillian Joe																	
VP	Angeli Chan																	
VP	Bob Yueh																	
VP	Tracy Tsai																	
VP	Edward Kao																	
VP	Paul Wang																	
VP	Marshall Cheng																	
VP	Spencer Lee																	
VP	James Lo																	
VP	Robin Ho																	
VP	CC Fan																	
VP	Kelly Ho																	
VP	Lawrence Ger																	
VP	Jack Ueng																	
VP	Maggy Chen																	
VP	Juliet Pai*																	
VP	Michael Hou*																	
VP	Eva Ho*																	

* Juliet Pai joined in July 2012; Michael Hou joined in Sep. 2012.

* Eva Ho resigned in January 2012.

* Note : The Company's contribution to employee's pension account, not actual amount paid.

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Juliet Pai 、Michael Hou	Juliet Pai 、Michael Hou
NT\$2,000,000 ~ NT\$5,000,000	Peter Dong 、John Peng 、Bob Yueh 、Tracy Tsai 、Paul Wang 、Robin Ho 、Kelly Ho 、Alfred Chang 、James Lo 、Spencer Lee 、CC Fan 、Gillian Joe 、Angeli Chan 、Hannis Chang 、Lawrence Wu 、Lawrence Ger 、Maggy Chen 、Edward Kao 、Eva Ho	Peter Dong 、John Peng 、Bob Yueh 、Tracy Tsai 、Paul Wang 、Robin Ho 、Kelly Ho 、Alfred Chang 、James Lo 、Spencer Lee 、CC Fan 、Gillian Joe 、Angeli Chan 、Hannis Chang 、Lawrence Wu 、Lawrence Ger 、Maggy Chen 、Edward Kao 、Eva Ho
NT\$5,000,000 ~ NT\$10,000,000	Tony Ho 、Judy Lee 、Sophia Tong 、Jack Ueng 、Jane Peng 、Marshall Cheng	Sophia Tong 、Jack Ueng 、Jane Peng 、Marshall Cheng
NT\$10,000,000 ~ NT\$15,000,000	0	Judy Lee
NT\$15,000,000 ~ NT\$30,000,000	0	Tony Ho
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	27	27

As of Dec. 31, 2012; Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO of strategy & new business development	Tony Ho	0	15,978,268	15,978,268	2.52%
	CEO of Corporate Governance and risk management	Judy Lee				
	President	Sophia Tong				
	VP	John Peng				
	VP	Hannis Chang				
	VP	Alfred Chang				
	VP	Peter Dong				
	VP	Lawrence Wu				
	VP	Jane Peng				
	VP	Gillian Joe				
	VP	Angeli Chan				
	VP	Bob Yueh				
	VP	Tracy Tsai				
	VP	Edward Kao				
	VP	Paul Wang				
	VP	Marshall Cheng				
	VP	Spencer Lee				
	VP	James Lo				
	VP	Robin Ho				
	VP	CC Fan				
	VP	Kelly Ho				
	VP	Lawrence Ger				
	VP	Jack Ueng				
	VP	Maggy Chen				
	VP	Juliet Pai*				
	VP	Michael Hou*				
	VP	Eva Ho*				
	AVP	Linda Lin				
	AVP	Alex Yu				
	AVP	Lancy Wu				
	AVP	Shelly Chen				
	AVP	Monica Chen				
	AVP	Jack Chang				
	AVP	Constance Chuang				
	AVP	Arthur Chen				
	AVP	Gino Chen				
	AVP	CY Lin				
	AVP	Austin Lin				
	AVP	Gilbert Du				
	AVP	Sky Yuan				
	AVP	Mercy Chen				
	AVP	Johnson Lee				
	AVP	Tracy Leu*				
	AVP	Dick Ko*				
	AVP	Joseph Wang*				
	AVP	Andy Cheng*				
	AVP	Eric Chang*				

* Juliet Pai joined in July 2012; Michael Hou joined in Sep. 2012 ; Tracy Leu joined in Oct. 2012 ; Dick Ko joined in Dec. 2012.

* Eva Ho resigned in January 2012 ; Joseph Wang resigned in Feb. 2012 ; Andy Cheng resigned in March 2012 ; Eric Chang resigned in May 2012.

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Title \ Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) - Companies in the consolidated financial statements	
	2011	2012
Directors	9.05%	7.86%
Supervisors	0.46%	0.62%
Presidents and vice presidents	19.50%	19.63%

B. Guiding principles for compensation to directors and management executives :

The remuneration of directors and supervisors of the Company and the Group under consolidated financial statements includes transportation expenses, earning distribution for the remuneration of directors and supervisors and remuneration to concurrent employees. Transportation expenses are determined based on industry standards, and are paid based on the attendances of directors and supervisors. With respect to the remuneration of directors and supervisors of the Company and the Group under consolidated financial statements, transportation expenses are determined based on industry standards, and are paid according to the attendance status of the directors and supervisors in the board meetings. Earnings distributed to the directors and supervisors are determined based on the provisions of the Articles of Incorporation of the Company and of the Group under consolidated financial statements. The proposals for the distribution of earnings are drafted by the Board of Directors and approved at the shareholders' meeting. As for the remuneration to individual directors and supervisors, the shareholders' meeting will firstly approve the total remuneration amount. The Remuneration Committee of the Company will then review the individual remuneration based on the relevant company policies. The proposed remuneration will be submitted to the Board of Directors for approval before making the payment. The remuneration to the managerial staff (i.e. the president and the vice president, etc.) includes salary, cash awards and employee bonuses, etc. The Human Resources Department is responsible for establishing and adjusting the remuneration standards based on the internal compensation policies and performance management guidelines, while also considering the external benchmarks, industrial standards and remuneration standards in companies in similar fields. The proposed remuneration for managerial staff shall be reviewed by the Remuneration Committee of the Company and further submitted to the Board of Directors for approval before making the payment.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of thirteen meetings of the board of directors were held in the previous period. Director and supervisor attendance was as follows :

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Ms. Judy Lee	12	1	92.3%	Renewal of office
Director	Mr. Tony Ho	9	4	69.2%	Renewal of office
Director	Ms. Robin Ho	6	6	46.2%	Renewal of office
Director	Mr. Hsin Hsien Huang	5	0	83.3%	New office assumed (Elected on June 18, 2012)
Director	Property International Company Limited Representative: Ms. Ai Chen Lee	5	1	83.3	New office assumed (Elected on June 18, 2012)
Director	Property International Company Limited Representative: Mr. Chung Hsing Huang	3	2	50.0%	New office assumed (Elected on June 18, 2012)
Director	Property International Company Limited Representative: Ms. Jaclyn Tsai	6	0	100.0%	New office assumed (Elected on June 18, 2012)
Director	Mr. George Hsu	6	0	85.7%	Former director
Director	Li-Hsiung Co., Ltd. Representative: Ms. Ai Chen Lee	7	0	100.0%	Former director
Director	Li-Hsiung Co., Ltd. Representative: Mr. Chung Hsing Huang	4	2	85.7%	Former director
Director	Li-Hsiung Co., Ltd. Representative: Mr. Hsin Hsien Huang	5	2	71.4%	Former director

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B / A】	Remarks
Other notable items:					
1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified : None					
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified :					
Name of director	Content of proposal	Reason for abstention from voting participation		The result for each motion	
Mr. Hsin Hsien Huang	Discussion on the appointing the Company's Remuneration Committee member.	Director Hsin Hsien Huang is nominated candidates for the Company's Remuneration Committee member.		The proposal has been unanimously agreed by other attending directors.	
All directors	Discussion on the Company's directors' and supervisors' remuneration distribution proposal for fiscal year 2011.	When the board is reviewing the remuneration proposal of any individual director, the said director shall recues himself/herself from the voting, to avoid conflicts of interest.		The proposal has been unanimously agreed by other attending directors.	
Ms. Judy Lee and Ms. Robin Ho	Discussion on merging outstanding shares of Test-Rite International (U.S.)Co., Ltd.	Chairwoman Judy Lee and Director Robin Ho are the related persons of shareholders of TR-US under this proposal.		The proposal has been unanimously agreed by other attending directors.	
Ms. Judy Lee, Mr. Tony Ho and Ms. Robin Ho	Discussion on the Company's managers' Employee bonus distribution proposal for fiscal year 2011 and annual bonus for 2012.	Because Chairwoman Judy Lee, Director Tony Ho and Director Robin Ho act as managers of the Company, the said director shall recues himself/herself from the voting, to avoid conflicts of interest.		The proposal has been unanimously agreed by other attending directors.	
3.Measures taken to strengthen the functionality of the Board :					
1、The board approved the “Rules and Procedures Governing Board of Directors’ Meetings,” which was modeled after the “Regulations Governing Procedures for Meetings of Listed Companies’ Board of Directors.” The Company announces on the Market Observation Post System (MOPS) the attendance records of the monthly board meetings, as well as any significant information resolved in the board meetings.					
2、The Board of Directors of the Company has, on August 16, 2011, established the Organizational Regulations of the Remuneration Committee. On December 21 of the same year, the Board also resolved the establishment of the Remuneration Committee and appointed the committee members for the first year. On June 18, 2012, the Board approved the appointment of the second Remuneration Committee members, who are required to exercise the due care of good administrators and faithfully fulfill their responsibilities in accordance with the Organizational Regulations.					
3、To effectively increase its information transparency and fulfill its corporate governance obligations, the Company has sufficiently disclosed various business and financial information on its annual report, company website and the MOPS. To enhance the function of the Board of Directors, the Company also encourages the directors and supervisors to participate in various corporate governance courses arranged by the Company each year.					

3.3.2 Attendance of Supervisors for Board Meetings

A total of thirteen meetings of the board of directors were held in the previous period. Supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	Attendance rate (%) 【 B / A 】	Remarks
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai	13	100.0%	Renewal of office
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	13	100.0%	Renewal of office

Other notable items:

1. Composition and responsibilities of supervisors:

(1) Communications between supervisors and the Company's employees and shareholders : All supervisors participate in the annual shareholders' meeting; they also have effective communication with the Chief Financial Officer and Chief Accounting Officer.

(2) Communications between supervisors and the Company's Chief Internal Auditor and CPA

- Communications with Chief Internal Auditor : In addition to providing regular reports to the Board of Directors on the findings and areas of improvement determined via internal audits, the head of Internal Audit also submits monthly audit operations plans and reports to supervisors.
- Communications with the CPA : Supervisors communicate and confirm the review of business reports, earning distribution statements, and the results of annual audit reports with accountants; clear and effective communication is maintained.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified: None.

3.3.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>1.Shareholding Structure & Shareholders’ Rights</p> <p>(1)Method of handling shareholder suggestions or complaints</p> <p>(2)The Company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3)Risk management mechanism and “firewall” between the Company and its affiliates</p>	<p>(1)The Company has a spokesman and deputy spokesman, and has set up a mailbox dedicated to investors to handle investor-related issues.</p> <p>(2)The Company has a dedicated team responsible for carrying out shareholder services, and has appointed the shareholder services agent of a securities firm to assist with matters related to shareholder services. The Company also has access to the list of major shareholders and ultimate controllers of major shareholders.</p> <p>(3)The Company has established and implemented the following internal control guidelines: Subsidiary Supervision Guidelines, Internal Control System for the Supervision of Subsidiaries and Auditing for the Supervision of Subsidiaries.</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>2.Composition and Responsibilities of the Board of Directors</p> <p>(1)Independent Directors</p> <p>(2)Regular evaluation of CPAs’ independence</p>	<p>(1)The Company does not currently have independent directors</p> <p>(2)Assessment is conducted annually</p>	<p>(1) The Company does not have independent directors currently, but does conduct a thorough assessment yearly and will appoint independent directors based on actual requirements or if required by law.</p> <p>(2)Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>3.Communication channel with stakeholders</p>	<p>The Company has a spokesperson and deputy spokesperson, shareholder services and public relations departments, as well as a mailbox dedicated to investors, the purpose of which is to establish an effective channel of communication with stakeholders</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>4.Information Disclosure</p> <p>(1)Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status</p> <p>(2)Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)</p>	<p>(1) We take proper care of our employees based on the Company's principles of integrity and good faith, and we abide by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of our employees, which are carried out in accordance with the Company's internal regulations and management guidelines. The Company's website (www.testritegroup.com), has been established for the purpose of disclosing relevant information about the Company. Investors may also consult the official Market Observation Post System (MOPS) set up by the competent authority at http://mops.twse.com.tw.</p> <p>(2)In addition to a website with information written in Chinese, the Company has also established an English version of the website; the Company also disclosed information on the MOPS website in accordance with regulatory requirements, appointed a spokesperson, and completed various reporting requirements. Searchable excerpts of briefings of institutional investor conferences are available at the corporate website.</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>5.Operations of the Company’s Nomination Committee, Compensation Committee, or other committees of the Board of Directors</p>	<p>The Company has established the Remuneration Committee on Dec.21st, 2011 and has appointed the first members of the committee.</p>	<p>The Company has established the Remuneration Committee. Other functional committees shall be</p>

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons												
		established as needed in accordance with business or regulatory requirements												
6. If the Company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation : The company has not established the Corporate Governance Best-Practice Principles .The Company's corporate governance best-practice principles are currently being developed; however, the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies shall be adopted as the basis for the Company's corporate governance practices.														
7. Other important information to facilitate better understanding of the Company’s corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors):														
<div>1、employee rights : The Company takes proper care of employees based on the Company's principles of integrity and good faith and abides by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of employees and provide equal employment opportunities; The Employee Welfare Committee established by the Company has implemented an employee pension system, offers employee group insurance, and organizes various training courses for employees, etc.</div> <div>2、employee wellness : The Employee Welfare Committee is established in accordance with the law and organizes various recreational activities, medical checkups, employee travel, and employee shopping days from time to time. The Committee also provides subsidies to social clubs organized by employees. In addition, the Company has made available a large number of parking spaces to employees in order to resolve employee parking issues. With respect to emergency assistance, in addition to providing employees with protection through group insurance, the Company's responsible person shall also take the initiative to call for voluntary contributions from employees to render assistance to fellow employees in the event of major emergencies.</div> <div>3、investor relations : The Company discloses relevant information in accordance with the law and has appointed a dedicated investor relations officer who is responsible for managing investor relations and associated activities in order to protect the interests of investors and stakeholders and fulfill our corporate responsibility to shareholders.</div> <div>4、supplier relations and rights of stakeholders : The Company's business philosophy lies in achieving success together with our suppliers. We have always maintained a positive and healthy relationship with each supplier and requests made to both vendors and stakeholders have been reasonable. We always offer the opportunity for communication and respect the legitimate rights and interests of all parties involved.</div> <div>5、directors’ and supervisors’ training records :</div> <table><tr><th>Title</th><th>Name</th><th>Study Date</th><th>Sponsoring Organization</th><th>Course</th><th>Training hours</th></tr><tr><td>Director</td><td>Huang, Chung-Hsing</td><td>10.29.2012</td><td>Securities & Futures Institute</td><td>The conflict of interest and the avoidance by directors and supervisors.</td><td>3</td></tr></table> <div>6、Implementation of risk management policies and risk measurement standards: The Company's internal control, risk management system and essential management regulations and guidelines are subject to approval by the Board of Directors. For the status of implementation of other relevant risk management policies and risk measurement standards, please refer to the "Risk Management" section of this Annual Report.</div> <div>7、Customer policy implementation: The Company adheres to the provisions of the contracts entered into with customers and is committed to protecting their rights and to providing good service quality.</div> <div>8、Insurance coverage purchased by the Company on liability of directors and supervisors: The Company has purchased liability insurance coverage for directors and supervisors.</div>			Title	Name	Study Date	Sponsoring Organization	Course	Training hours	Director	Huang, Chung-Hsing	10.29.2012	Securities & Futures Institute	The conflict of interest and the avoidance by directors and supervisors.	3
Title	Name	Study Date	Sponsoring Organization	Course	Training hours									
Director	Huang, Chung-Hsing	10.29.2012	Securities & Futures Institute	The conflict of interest and the avoidance by directors and supervisors.	3									
8. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: In the annual internal control self-evaluation operation conducted by the Company, no material deficiencies requiring rectification or improvement have been found.														

3.3.4 Composition, Responsibilities and Operations of Remuneration Committee :

1、Information on the Company's Remuneration Committee members is detailed below :

Title	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a remuneration committee member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Other	Mr. Hong Xun Ding		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Other	Mr. Ting Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Director	Mr. Hsin Hsien Huang		✓	✓	✓		✓	✓	✓	✓	✓	✓	0	-

Note : Please tick the corresponding boxes if remuneration committee members have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not been a person of any conditions defined in Article 30 of the Company Law.

Operations of Remuneration Committee :

- (1) The Company's remuneration committee includes three members.
- (2) The Remuneration Committee members' respective tenures are from June 18, 2012 to June 17, 2015. The Remuneration Committee convened four regular meetings from June 18, 2012 to May 20, 2013. The Committee members' attendance status is as follows :

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【 B / A 】	Remark
Chair	Mr. Hong Xun Ding	4	0	100%	Renewal of office
Member	Mr. Ting Yang Liu	4	0	100%	Renewal of office
Member	Mr. Hsin Hsien Huang	4	0	100%	Renewal of office
Other notable items:					
1. If the directors' meetings objected to or modified the proposal of remuneration committee, the dates of meetings, sessions, contents of motions, the resolution of directors meeting and the Company's response to remuneration committee's opinion should be specified : None.					
2. If the remuneration committee member objected to or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all members' opinion and the Company's response to members' opinion should be specified : None.					

3.3.5 Social Responsibility

Item	Implementation Status	Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>1. Implementing corporate governance practices</p> <p>(1) The Company establishes corporate social responsibility policies or systems to review the effectiveness of the implementation.</p> <p>(2) Status of the Company's dedicated (or participating) unit on the promotion of corporate social responsibility.</p> <p>(3) The status of the Company's practice of organizing regular training sessions and awareness programs on business ethics for directors, supervisors and employees, and establishing a clear and effective incentive and disciplinary system by integrating the results of the training with employee performance appraisal.</p>	<p>(1) The Company's corporate social responsibility policies or rules are currently being formulated.</p> <p>(2) The Company's dedicated (or participating) unit on the promotion of corporate social responsibility practices: The Company has established a Corporate Social Responsibility Committee internally. The heads of all business units are the ex-officio members of the Committee. The Company endeavors to fulfill its corporate social responsibilities on a continuous basis.</p> <p>(3) The Company organizes education and training programs as well as awareness initiatives on a regular basis. Currently we have implemented a clear and effective incentive and disciplinary system by integrating the results of the training with employee performance appraisal.</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>2. Developing a sustainable environment</p> <p>(1) The Company's commitment to improving the efficiency of the utilization of various resources and to the use of renewable materials that have a lower impact on the environment.</p> <p>(2) The Company's practice on the establishment of an appropriate environment management system in accordance with the nature and characteristics of the industry to which it belongs.</p> <p>(3) The status of a dedicated environment management unit or personnel established to maintain and protect the environment.</p> <p>(4) The status of the Company's awareness of the effects of climate change on business activities and the development of corporate strategy on the reduction of carbon emissions and greenhouse gases.</p>	<p>(1)(2) The Company's main products and services revolve around international trade. The Company is not engaged in actual manufacturing. However, we require that the manufacturing processes of our suppliers comply with the environmental standards and requirements of our customers in European and North America. The Company has also installed recycling bins in its retail outlets, and paper boxes are widely offered to customers. Additionally, actions such as tangible price discounts are used to encourage the use of eco-friendly shopping bags. These measures will help comprehensively reduce plastic bag consumption.</p> <p>(3) The Company's general administration unit is the dedicated department responsible for environmental management.</p> <p>(4) Climate change has become an important issue to enterprises. The Company has implemented policies on conservation of energy and the reduction of carbon emissions and greenhouse gases. Examples are recycling, temperature control for air-conditioning, use of energy-saving light fixtures as well as adoption of water-conserving faucets. In terms of logistics operations, we are continuously reducing carbon emissions in the transportation process through various approaches, including the reuse of boxes and pallets during transportation, and adequate planning of the transportation routes, etc.</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>

Item	Implementation Status	Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>3. Promoting social welfare</p> <p>(1) The Company observes the relevant labor laws and internationally-recognized labor right principles, aiming to protect the lawful rights and interests of its employees and to ensure a non-discriminating employment policy. The Company has established adequate management methodologies, procedures and monitoring mechanisms.</p> <p>(2) The Company's practices in providing employees with a safe and healthy working environment and in implementing training on safety and health for employees on a regular basis.</p> <p>(3)The Company has also implemented a periodic employee communication mechanism. Employees are advised, through reasonable channels, of any operational changes which may cause significant impact on them.</p>	<p>(1) We take proper care of our employees based on the Company's principles of integrity and good faith, and we abide by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of our employees, which are carried out in accordance with the Company's internal regulations and management guidelines.</p> <p>(2) The Company endeavors to provide employees with a safe and healthy working environment and arrange for employees to participate in annual medical checkups. In addition, the Company has engaged the Employee Assistance and Services Center and professional consultants to provide the staff with specialized psychological counseling, adjustment to work, sleep disorder counseling and related services. The Company also organizes health workshops and provides health education information from time to time to enable the staff to take better control of their health.</p> <ol style="list-style-type: none"> 1. The Company has passed all the yearly fire safety inspections. 2. We have also entered into cooperative agreements with many professional physical examination centers, providing free annual physical examinations to our employees. 3. The employees are also offered free psychological counseling services up to five times (60 minute for session) per year through our contracted agent, the Employee Assistance Center of Hsinchu City Lifeline Association. 4. The Company also organizes health workshops and provides health education information from time to time to enable the staff to take better control of their health. <p>(3)The Company regularly issues employee communication documents and CEO's letters, and arranges employee seminars to improve the internal communication. From time to time, the Company also arranges employee activities, communication forums and one-on-one discussions to enable two-way communication on various topics. A designated e-mail address is made available to receive opinions from the employees.</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>

Item	Implementation Status	Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>(4) Establishment and announcement of the company's consumer protection policy, as well as the existence of transparent and effective procedures for handling consumers' complaints over products and services.</p> <p>(5) The Company's cooperation and joint efforts with suppliers to improve their corporate social responsibility.</p> <p>(6) How the Company engages in the donations of commodities, enterprise volunteer services or the provision of other free professional services, participation in community development and in the work of charities through its commercial activities.</p>	<p>(4) The Company has a designated business unit which reports directly to the CEO and handles all customer complaint issues on a full-time basis. Consumers may send their complaints through various channels including the retail outlets, the website message boards, customer service hotlines and e-mails, etc. All complaint channels are openly announced to customers. All customer complaints will be responded to by the designated staff, and will be documented and followed up through the internal monitoring system.</p> <p>(5) The Company is increasing the percentage of green products procured year by year. It has comprehensively upgraded the suppliers' operational platforms, being the first company in the industry to implement a paperless order processing system and electronic invoice system. In the future, we will ask our suppliers to gradually improve their operating systems and collectively contribute to the fulfillment of our corporate responsibilities.</p> <p>(6) The Company is actively involved in community activities and charities with its Test Rite Happy Community project Sponsorship of Formosa Charity Group; Members of the Company's staff are involved with activities such as traveling to schools in remote towns and villages as volunteers, donating books, and participating in charity bazaars and providing donations to the Chinese Christian Relief Association's project, "After School Reading Program for Children of Disadvantaged Families."</p>	
<p>4. Enhancing information disclosure</p> <p>(1) The manner in which the Company discloses information related to corporate social responsibility that concerns relevance and reliability.</p> <p>(2) The status of the Company compiling the Corporate Social Responsibility Report and disclosing its work on the promotion of corporate social responsibility.</p>	<p>(1)(2) The Company has reconstructed its official website to provide clearer, more timely and more comprehensive disclosure of information including corporate governance and financial performance, etc. The Company has not yet drafted the Corporate Social Responsibility Report, but will do so depending on practical needs in the future and to enhance disclosure of the Company's practices of corporate social responsibility.</p>	<p>The Company has not yet drafted the Corporate Social Responsibility Report, but will do so depending on practical needs in the future.</p>
<p>5、If the Company has established its own corporate social responsibility codes of conduct based on "Corporate social responsibility codes of practice of listed companies," describe its operations and discrepancies with the standards: The Company's Code of Practice for Corporate Social Responsibility and associated guidelines are currently being formulated.</p>		
<p>6、Other important information that may help to clarify the status of the Company's corporate social responsibility (such as the systems and measures adopted by the</p>		

Item	Implementation Status	Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>Company's on environmental protection, community involvement, contributions to the society, social services, social welfare, consumer rights and human rights as well as security and health, together with the results of these activities):</p> <p>(1) The Company of trading business unit is engaged only in international trade without any involvement in manufacturing, but we require that the manufacturing processes of our suppliers be compliant with the environmental standards and requirements of our customers in European and North America. The retailing business TLW has won the “Green Marketing Award” for 4 years running from the Environmental Protection Administration. (TLW has 23 retail locations across Taiwan and is the only mega-store to have passed the “Green Store” certification island-wide; Ministry of Economic Affairs presented TLW with “Voluntary Energy Conservation Award” in 2010. Taipei City Government awards “Energy Conservation Products Promotion Award” every year). With the guidance of the Ministry of Economic Affairs, Test Rite took the lead in acquiring for the latest ISO50001 International Energy Management System certification in 2012, becoming the first and the only one company in the domestic wholesale/logistic industry to receive the certification.</p> <p>(2) Community involvement, social contributions, social services, social welfare, human rights, security, health and other social responsibility activities: Test Rite Group expresses concern for the community, participates in activities benefiting the society and devotes efforts in practicing corporate social responsibility, such as the Test Rite Happy Community project; Sponsorship of Formosa Charity Group; Sponsorship and support of the sport of archery in Taiwan; Support Chung-Yu Foundation of public car washing activities; Support Men-Nuo Foundation of simple repair volunteer services; Donation to Fu Jen Catholic University of campus outdoor learning platform; Joined the Friends of the Flower Expo to build Taiwan's international image; Donating NT\$10 million material to assist the reconstruction in disaster of Typhoon Morakot (August 2009); Participated in the Japan 311 flood donations to express the care for tsunami victims; Continuously held The Group's Volunteer Day of 2011, "Let Love Guide Us in Moving Forward," and 2012”The Unlimited Love of Test Rite”, company organized charity bazaars and donations to the Chinese Christian Relief Association's project, "After School Reading Program for Children of Disadvantaged Families," which helps children in desperate need of education and family support; Members of the Company's staff are involved with activities such as traveling to schools in remote towns and villages as volunteers and donating books. Participated in World Vision Taiwan, the 23rd "Hunger 12" experience, company hope to raise community donations to help emergency needs of families in Taiwan, and to bring hope of survival to poor children , AIDS orphans and war children in the world.</p> <p>7. Provide description for any of the Company's products or corporate social responsibility reports that have received certifications from relevant accreditation bodies: The Company has received certification for ISO9001: 2008 Quality Management System.</p>		

3.3.6 Corporate Governance Guidelines and Regulations : The company established a set of operational procedures for significant information and disclosed in the company's website and internal document system. The company also provides relevant laws and advocacy for new directors, supervisors and managers when they are on board.

Item	Implementation Status	Non-implementation and Its Reason(s)
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) The company's guidelines on corporate conduct and ethics are provided in internal policies and disclosed publicly. The Board of Directors and the management team demonstrate their commitments to implement the policies.</p> <p>(2) The company establishes relevant policies for preventing any unethical conduct. The implementation of the relevant procedures, guidelines and training mechanism are provided in the policies.</p> <p>(3) The company establishes appropriate measures for preventing bribery and illegal political contribution for higher potential unethical conduct in the relevant policies.</p>	<p>1. Our corporate culture is based on the integrity of business management. The Company has included in its internal rules the Employee Integrity Policy and the "Group Guidelines Governing Employee Award and Disciplinary Actions". The Company has also expressed explicitly its business principles of integrity and abiding by the law in all commercial agreements with the customers and suppliers.</p> <p>2. It is scheduled to be completed within the year.</p> <p>3. According to the internal rules of the Company, violators of the rules shall be subject to disciplinary actions. The Company is also covered by crime insurance.</p>	<p>The Company has incorporated into its internal rules the Employee Integrity Policy and the "Group Guidelines Governing Employee Award and Disciplinary Actions", providing a code of conduct and disciplinary provisions against dishonest behavior by employees. Based on the "Code of Ethics for Business Management for TWSE/GTSM Listed Companies", the Company shall also complete the "Code of Ethics for Business Management" for the Company within this year, to clearly define the dishonest behaviors and the relevant rules.</p>
<p>2. Corporate Conduct and Ethics Compliance Practice</p> <p>(1) The company shall prevent doing business with whom has unethical records and include business conduct and ethics related clauses in the business contracts.</p> <p>(2) The company sets up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics. The board of directors supervises such execution and compliance of the policies.</p> <p>(3) The company establishes policies to prevent conflict of interest and provides appropriate communication and complaint channels.</p> <p>(4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance.</p>	<p>1. The Company has incorporated into all commercial agreements the relevant provisions on the integrity of behavior.</p> <p>2. The Company shall establish its "Code of Ethics for Business Management" within this year and shall assign a full-time business unit to take charge the related business and report the actual status to the Board of Directors from time to time.</p> <p>3. From time to time, the Company communicates with its employees on the integrity of business operations and reminds them to observe the principles of honesty and abiding by the law. The Company also provides an email address and telephone number to its Human Resources Department for reporting violations.</p> <p>4. The Company shall incorporate the "Code of Ethics for Business Management" into the annual internal audit plan of the next year after it is approved by the board of directors.</p>	<p>1 、Executed.</p> <p>2 、Implementing.</p> <p>3 、Executed.</p> <p>4 、Implementing.</p>

Item	Implementation Status	Non-implementation and Its Reason(s)
3. The company establishes the channels for reporting any ethical irregularities and sets up punishment for violations of the policies.	1. Integrity is a part of the Company's corporate culture. According to the "Group Guidelines Governing Employee Award and Disciplinary Actions", employees violating the integrity principles of the Company shall be dismissed. 2. Violations may be reported through the email address or telephone number provided by the Human Resources Department. Where necessary, employees are welcome to contact HR directly. 3. The Company shall facilitate a Group Reporting Mechanism this year, thereby activating the group reporting and investigation procedures.	Executed.
4. Information Disclosure (1) To set up a corporate website that publishes information relating to company's corporate conduct and ethics. (2) Other information disclosure channels (e.g. maintaining an English website, designating personnel to handle information collection and disclosure)	(1) On the 5th and 20th of each month, the Company announces on its internal website the awards and disciplinary actions implemented during the month. (2) The Company has clearly disclosed its corporate values on its official website, which are: integrity, accountability, modesty, customer focus and high performance.	Executed.
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation. We plan to complete the "Code of Ethics for Business Management" of the Company within this year, which shall be submitted at a recent board meeting for discussion.		
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promote and demonstrate the company's commitment to ethical standard and provide training to its business partners; review the company's corporate conduct and ethics policy). The HR department of the Company requests all employees to sign an "Integrity Declaration and Undertaking" on a regular basis. The purpose is to communicate with the employees the importance of personal integrity and honesty at work, as well as the obligations they should fulfill. We have been, from time to time, communicating with our suppliers the corporate values of integrity, accountability, modesty, customer focus and high performance. We have also incorporated into our commercial agreements the relevant provisions on the integrity of behavior.		

7. Other information enabling better understanding of the company's corporate governance:

Other information enabling better understanding of the company's corporate governance: Please refer to the "Investor Relationship" section of the company website (<http://www.testritegroup.com/GWS/en/>) or the official website of the Market Observation Post System (<http://mops.twse.com.tw/index.htm>, company stock code: 2908)

3.3.7 Other Important Information Regarding Corporate Governance :

1、Managers' training records :

Title	Name	Study Date	Sponsoring Organization	Course	Training hours
Accounting AVP	Linda Lin	10/18~10/19/2012	Accounting Research and Development Foundation in Taiwan	Accounting manager training course of securities of issue providers of TWSE	12
Auditing AVP	Lancy Wu	3/7/2012	Computer Audit Association	Database stocktaking and audit practices	2
		6/29/2012	the Institute of Internal Auditors	Experience sharing of words and deeds of CSR report gap	3
		7/27/2012	the Institute of Internal Auditors	Legal Issues Case Study for Internal audit performs business	3
		8/6/2012	Computer Audit Association	Protection of personal data security practices	2
		9/21/2012	the Institute of Internal Auditors	The 5th CAE Forum	8
		10/25/2012	Securities & Futures Institute	The 8th Taipei Corporate Governance Forum	3
		11/1/2012	Computer Audit Association	IFRS Internal Control Practices Discussion	2
		11/22-11/23/2012	the Institute of Internal Auditors	Audit personnel management skills series – Lead Auditors' Tools and Techniques	14

2、Employees' certification related to financial transparency :

Name	certification
Lancy Wu	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Basic examination on internal controls by the Securities and Futures Institute
Paul Chen	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Certification in Control Self-Assessment 、 Internal Control of Corporation Test of Securities and Futures Institute
Lynn Lee	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Weilin Chen	Internal Control of Corporation Test of Securities and Futures Institute
Jason Lee	Internal Control of Corporation Test of Securities and Futures Institute
Vivian Ko	Internal Control of Corporation Test of Securities and Futures Institute
Marilyn Ho	Internal Control of Corporation Test of Securities and Futures Institute
Claire Lin	Proficiency Test for Financial Planning Personnel 、 The Securities Specialist 、 For taking Investment Trust and Consulting Regulations(including Professional Ethics Rules) 、「 、 Proficiency Test for Trust Operations Personnel
Jack Chang	Senior Securities Specialist 、 Paper 1
Eva Huang	CPA(USA)
Doris Yang	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA)

3.3.8 Internal Control System :

Test Rite International Co., Ltd.

Statement of Declaration on Internal Control System

Date: March 28, 2013

The Company conducted an internal audit for 2012 in accordance with its Internal Control Regulation and hereby declares as follows:

1. The company acknowledges and understands that the establishment, enforcement and preservation of the internal control system are the responsibility of the Board, and that the company has already established such a system. The purpose is to reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately.
3. The Company determines the effectiveness of the internal control system in design and enforcement in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The Regulations is instituted for judging the effectiveness of the design and enforcement of the internal control system. There are five components of effective internal control as specified in the Regulations with which the procedure for effective internal control is measured, namely: 1. Control environment, 2. Risk assessment and response, 3. Control operation, 4. Information and communication, 5. Supervision. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company has adopted the aforementioned internal control system for an internal audit on the effectiveness of the design and enforcement of the internal control system.
5. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the aforementioned with the internal control system as of December 31, 2012 (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the company and will be publicly announced. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement of declaration was unanimously approved by the Board on March 28, 2013 in the presence of 7 directors.

Test Rite Int'l Co., Ltd.

Chairman : Judy Lee

President : Sophia Tong

3.3.9 Major Resolutions of Shareholders' Meeting and Board Meetings

As of May 20, 2013

Date/Item	Major resolutions
5/21/2012 Board meeting	Approved the Company to sign the Lock-Up Agreement of selling TLM shares to Stanley Black & Decker Inc. Approved the Company to acquire the existing appliance/kitchenette assembly businesses from TLM.
5/30/2012 Board meeting	Approved the Company's 13th share buyback program.
6/18/2012 Board meeting	Elected the Company's Chairwoman. Approved the appointing members of Remuneration Committee member.
6/28/2012 Board meeting	Approved the Company's earning distribution and cash dividend proposal for fiscal year 2011 and related matters has been passed. Approved the Company's directors' and supervisors' Remuneration distribution proposal for fiscal year 2011.
7/27/2012 Board meeting	Approved the proposal for the cancellation of treasury shares for the purpose of capital reduction. Approved the Company's stock dividend proposal for fiscal year 2011 and related matters has been passed.
8/30/2012 Board meeting	Approved the Company's Financial Statements and Consolidated Financial Statements for the first half year of 2012. Approved changing CPA of financial statements. Approved to merged outstanding shares of Test-Rite International (U.S.)Co., Ltd.
11/14/2012 Board meeting	Approved the Company's managers' Employee bonus distribution proposal for fiscal year 2011 and annual bonus for 2012. Approved cash injection in Test-Rite International (U.S.) Co., Ltd. Approved of Acquired International Art Enterprise Company Limited and its subsidiary.
12/19/2012 Board meeting	Approved the Company's business plan and budget review for fiscal year 2013. Approved the Company's Internal Audit Plan for fiscal year 2013. Approved the modified of Acquired International Art Enterprise Company Limited and its subsidiary. Approved Company's US\$5 million indirect capital injection in Test Rite Business Development Corporation (China) Co., Ltd. through Test Rite Trading Co., Ltd. Approved Company's US\$9 million indirect capital injection in Test Rite (China) Investment Co., Ltd. through Test Rite Retailing Co., Ltd. Approved the partial amendments to the Company's Articles of Incorporation. Approved the partial amendments to the Company's Rules of Procedure for Board of Directors Meetings.
1/18/2013 Board meeting	Approved changing the Company's registrar & transfer agency institution.
2/1/2013 Board meeting	Approved the Company's managers' performance bonus distribution proposal for 2012.
3/28/2013 Board meeting	Approved the Company's 2012 Business Report and financial statements and consolidated financial reports. Approved the earning distribution proposal for 2012. Approved the 2012 Statement of Declaration on Internal Control System. Approved the partial amendments to the Company's Endorsement / Guarantee Procedures. Approved the partial amendments to the Company's Procedures for Lending Funds to Others. Approved the convening of the Company's annual shareholders' meeting for 2013. Approved loans extended to subsidiary Test Rite Retail Co., Ltd.
4/23/2013 Board meeting	Approved the capitalization of retained earnings issuance of new shares. Approved the partial amendments to "Acquisition or disposal of the asset process " Approved the amendments to the agenda and topics for Company's annual shareholders' meeting for 2012.
5/3/2013 Board meeting	Reported the Company's Consolidated Financial Statements for the first quarter year of 2013.

3.3.10 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors : None

3.3.11 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports :

December 31, 2012

Title	Name	Effective date	Resignation Date	Resign reason
Financial VP	Eva Ho	April 28, 2009	January 11, 2012	Personal career planning

3.4 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders :

(Unit : Share)

Title	Name	2012		As of Apr. 30, 2013	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Judy Lee	1,108,680	0	0	0
Director	Tony Ho	1,312,645	0	0	0
Director	Hsin-Hsien Huang	0	0	0	0
Director	Robin Ho	123,148	0	0	0
Director	Property Co., Ltd.	18,083	0	0	0
Supervisor	Tsai-Chi Co., Ltd.	964,516	0	0	0
President	Sophia Tong	26,909	0	0	0
VP	John Peng	(109,582)	0	0	0
VP	Hannis Chang	10,307	0	0	0
VP	Gillian Joe	307	0	0	0
VP	Alfred Chang	1,303	0	(70,000)	0
VP	Peter Dong	5,932	0	0	0
VP	Lawrence Wu	2,317	0	0	0
VP	Jane Peng	922	0	0	0
VP	Bob Yueh	401	0	0	0
VP	Edward Kao	7,973	0	0	0
VP	Paul Wang	4,418	0	0	0
VP	Tracy Tsai	4,094	0	0	0
VP	Marshall Cheng	0	0	0	0
VP	James Lo	0	0	0	0
VP	Robin Ho	123,148	0	0	0
VP	Kelly Ho	263,877	0	0	0
VP	CC Fan	0	0	0	0
VP	Lawrence Ger	0	0	0	0
VP	Jack Ueng	7,126	0	0	0
VP	Maggy Chen	8,816	0	0	0
VP	Michael Hou	0	0	0	0
VP	Juliet Pai	0	0	0	0

Title	Name	2012		As of Apr. 30, 2013	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Lester Tsai*	NA	NA	0	0
VP	David Cheng*	NA	NA	0	0
AVP	Alex Yu	1,150	0	0	0
AVP	Lancy Wu	(18,000)	0	(5,000)	0
AVP	Shelly Chen	20	0	0	0
AVP	Linda Lin	(15,455)	0	0	0
AVP	Monica Chen	3,294	0	0	0
AVP	Jack Chang	5,166	0	0	0
AVP	Constance Chuang	0	0	0	0
AVP	Arthur Chen	1,230	0	0	0
AVP	Gino Chen	0	0	0	0
AVP	CY Lin	0	0	0	0
AVP	Austin Lin	0	0	0	0
AVP	Gilbert Du	0	0	0	0
AVP	Sky Yuan	0	0	0	0
AVP	Mercy Chen	0	0	0	0
AVP	Johnson Lee	947	0	0	0
AVP	Humphrey Wang	0	0	0	0
AVP	Tracy Leu	0	0	0	0
AVP	Dick Ko	0	0	0	0
AVP	Eddie Wei*	NA	NA	0	0

* Lester Tsai and David Cheng joined in Feb. 2013; Eddie Wei joined in Feb. 2013.

3.4.1 Shares Trading with Related Parties : None.

3.4.2 Shares Pledge with Related Parties : None.

3.5 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

As of 4/19/2013

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks %
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tony Ho	43,995,550	8.43	37,159,294	7.12	0	0	Judy Lee	Spouse	-
Judy Lee	37,159,294	7.12	43,995,550	8.43	0	0	Tony Ho	Spouse	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	34,983,789	6.70	0	0	0	0	-	-	-
Tsai-Chi Co., Ltd. Representative: Ms. Lee, Li-Heng	32,327,389	6.19	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Chang Qiu Dun	27,052,714	5.18	0	0	0	0	-	-	-
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	25,731,395	4.93	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Tsai Ye Enterprise Company Limited	20,290,635	3.89	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Chang Lin Rui Feng	20,163,416	3.86	0	0	0	0	-	-	-
UPAMC Quality Growth	17,168,229	3.29	0	0	0	0	-	-	-
Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	13,623,263	2.61	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-

3.6 Long-term Investment Ownership

As of 12/31/2012 ; Unit : Share : %

Long-term Investment	Ownership by Test Rite		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Test-Rite Retail Co., Ltd.	24,999,999	25.00%	75,000,001	75.00%	100,000,000	100.00%
Test-Rite Home Service Co., Ltd.	0	0.00%	19,800,000	100.00%	19,800,000	100.00%
Hola Homefurnishings Co., Ltd.	0	0.00%	30,000	100.00%	30,000	100.00%
Homy Homefurnishings Co., Ltd.	0	0.00%	30,000	100.00%	30,000	100.00%
Freer Inc.	0	0.00%	30,000	100.00%	30,000	100.00%
Chung Cin Enterprise Co., Ltd.	72,800,000	100.00%	0	0.00%	72,800,000	100.00%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	3,250,000	100.00%	3,250,000	100.00%
Tony Construction Co., Ltd.	0	0.00%	23,000,000	100.00%	23,000,000	100.00%
Chung Cin Interior Design Construction Co., Ltd.	0	0.00%	1,200,000	100.00%	1,200,000	100.00%
B&S Link Co., Ltd.	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Lih Teh International Co., Ltd.	16,269,479	100.00%	0	0.00%	16,269,479	100.00%
Lih Chiou Co., Ltd.	419,414,000	100.00%	0	0.00%	419,414,000	100.00%
Fusion International Distribution, Inc.	5,499,838	100.00%	0	0.00%	5,499,838	100.00%
Test-Rite Pte. Ltd.	3,520,000	100.00%	0	0.00%	3,520,000	100.00%
Test-Rite Int'l (Thailand) Ltd.	220,497	49.00%	229,500	51.00%	449,997	100.00%
Test-Rite Vietnam Co., Ltd.	1,120,000	100.00%	0	0.00%	1,120,000	100.00%
Test-Rite Product (Hong Kong) Ltd.	9,999	100.00%	0	0.00%	9,999	100.00%
Test-Rite Int'l (U.S.) Co., Ltd.	3,335.1	88.04%	452.8	11.96%	3,788	100.00%
Test-Rite Canada Co., Ltd.	100	100.00%	0	0.00%	100	100.00%
Test-Rite Int'l (Australia) Pty Ltd.	1,800,000	100.00%	0	0.00%	1,800,000	100.00%
Test-Rite (UK) Co., Ltd.	1,475,930	100.00%	0	0.00%	1,475,930	100.00%
Test-Rite Development Co., Ltd.	9,670,000	100.00%	0	0.00%	9,670,000	100.00%
Test-Rite Star Co., Ltd.	1,089,000	100.00%	0	0.00%	1,089,000	100.00%
Test-Rite Investment Co., Ltd.	500,000	100.00%	0	0.00%	500,000	100.00%
Test-Rite Retailing Co., Ltd.	78,331,000	100.00%	0	0.00%	78,331,000	100.00%
Test-Rite Trading Co., Ltd.	39,126,495	100.00%	0	0.00%	39,126,495	100.00%
Fortune Miles Co., Ltd.	30,000	100.00%	0	0.00%	30,000	100.00%
TRS Investment Co., Ltd.	2,275,590.58	100.00%	0	0.00%	2,275,590.58	100.00%
Upmaster Int'l Co., Ltd.	6,400,000	100.00%	0	0.00%	6,400,000	100.00%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of 04/19/2013

Month / Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
67.07	10	200,000	2,000,000	200,000	2,000,000	Initial issue NT\$2,000,000	-	
70.12	10	700,000	7,000,000	700,000	7,000,000	Capital injection NT\$5,000,000	-	
72.09	10	1,700,000	17,000,000	1,700,000	17,000,000	Capital injection NT\$5,800,000 Capitalization of earnings NT\$4,200,000	-	
73.12	10	4,700,000	47,000,000	4,700,000	47,000,000	Capital injection NT\$25,000,000 Capitalization of earnings NT\$5,000,000	-	
76.10	10	8,000,000	80,000,000	8,000,000	80,000,000	Capital injection NT\$9,400,000 Capitalization of earnings NT\$23,600,000	-	
78.11	10	19,000,000	190,000,000	19,000,000	190,000,000	Capital injection 78,000,000 Capitalization of earnings NT\$32,000,000	-	
79.12	10	36,100,000	361,000,000	36,100,000	361,000,000	Capital surplus NT\$171,000,000	-	
80.07	10	45,125,000	451,250,000	45,125,000	451,250,000	Capital surplus NT\$90,250,000	-	
81.07	10	56,406,250	564,062,500	56,406,250	564,062,500	Capitalization of earnings NT\$67,687,500 Capital surplus NT\$45,125,000	-	
82.08	10	100,000,000	1,000,000,000	71,018,816	710,188,160	Capitalization of earnings NT\$28,203,120 Capital surplus NT\$112,812,500 Employee bonuses NT\$5,110,040	-	

83.08	10	150,000,000	1,500,000,000	116,137,660	1,161,376,600	Capitalization of earnings NT\$139,999,948 Employee bonuses NT\$11,376,652 Capital surplus NT\$10,000,000 Capital injection 289,811,840	-	
84.07	10	150,000,000	1,500,000,000	129,400,000	1,294,000,000	Capital surplus NT\$116,137,660 Employee bonuses NT\$16,485,740	-	
85.09	10	150,000,000	1,500,000,000	136,400,000	1,364,000,000	Capital surplus NT\$64,700,000 Employee bonuses NT\$5,300,000	-	
86.08	10	183,680,000	1,836,800,000	150,920,000	1,509,200,000	Capitalization of earnings NT\$13,640,000 Employee bonuses NT\$8,800,000 Capital surplus NT\$122,760,000	-	No : (86) 111752
87.07	10	230,000,000	2,300,000,000	167,600,000	1,676,000,000	Capitalization of earnings NT\$15,092,000 Employee bonuses NT\$15,880,000 Capital surplus NT\$135,828,000	-	No : (087) 087118452
88.07	10	250,000,000	2,500,000,000	200,000,000	2,000,000,000	Capitalization of earnings NT\$301,680,000 Employee bonuses NT\$22,320,000	-	No : (088) 088126231
89.10	10	370,000,000	3,700,000,000	233,500,000	2,335,000,000	Capitalization of earnings NT\$300,000,000 Employee bonuses NT\$35,000,000	-	No : (089) 135122
90.03	10	370,000,000	3,700,000,000	239,890,794	2,398,907,940	CB conversion: NT\$63,907,940	-	No : (90) 09001094870
90.09	10	470,000,000	4,700,000,000	283,792,955	2,837,932,670	Capitalization of earnings NT\$280,029,350 Employee bonuses NT\$34,000,000 CB conversion: NT\$124,995,380	-	No : (90) 09001369620
90.11	10	470,000,000	4,700,000,000	287,242,245	2,872,422,450	CB conversion: NT\$34,489,780	-	No : (90) 09001414970
91.01	10	470,000,000	4,700,000,000	287,970,127	2,879,701,270	CB conversion: NT\$7,278,820	-	No : 09101028620
91.03	10	470,000,000	4,700,000,000	292,106,179	2,921,061,790	CB conversion: NT\$41,360,520	-	No : 09101091570

91.05	10	470,000,000	4,700,000,000	292,126,587	2,921,265,870	CB conversion: NT\$204,080	-	No : 09101138780
91.08	10	550,000,000	5,500,000,000	344,989,749	3,449,897,490	CB conversion: NT\$200,142,040 Capitalization of earnings NT\$285,593,580 Employee bonuses NT\$42,896,000	-	No : 09101339470
91.10	10	550,000,000	5,500,000,000	347,892,171	3,478,921,710	CB conversion: NT\$29,024,220	-	No : 09101433810
92.01	10	550,000,000	5,500,000,000	347,940,951	3,479,409,510	CB conversion: NT\$ 487,800	-	No : 09201019620
92.10	10	550,000,000	5,500,000,000	370,738,598	3,707,385,980	Capitalization of earnings NT\$173,970,470 Employee bonuses NT\$54,006,000	-	No : 09201288970
93.04	10	550,000,000	5,500,000,000	387,516,315	3,875,163,150	CB conversion: 167,777,170	-	No : 09301077730
93.10	10	550,000,000	5,500,000,000	392,676,369	3,926,763,690	CB conversion: NT\$ 1,041,610 Employee bonuses NT\$50,558,930	-	No : 09301187640
94.01	10	550,000,000	5,500,000,000	397,311,347	3,973,113,470	CB conversion: NT\$ 46,349,780	-	No : 09401009700
94.05	10	550,000,000	5,500,000,000	397,946,375	3,979,463,750	CB conversion: NT\$6,350,280	-	No : 09401087750
94.09	10	550,000,000	5,500,000,000	411,269,302	4,112,693,020	Capitalization of earnings NT\$73,589,270 Employee bonuses NT\$59,640,000	-	No : 09401189620
94.10	10	550,000,000	5,500,000,000	413,743,746	4,137,437,460	CB conversion:NT\$24,744,440	-	No : 09401212030
94.12	10	550,000,000	5,500,000,000	416,717,612	4,167,176,120	CB conversion:NT\$29,738,660	-	No : 09401246200
95.08	10	660,000,000	6,600,000,000	441,307,884	4,413,078,840	CB conversion:NT\$173,910 Capitalization of earnings NT\$193,358,810 Employee bonuses NT\$52,370,000	-	No : 09501194080
95.11	10	660,000,000	6,600,000,000	448,792,415	4,487,924,150	CB conversion: NT\$ 74,845,310	-	No : 09501265640
96.03	10	660,000,000	6,600,000,000	448,864,578	4,488,645,780	CB conversion: NT\$ 721,630	-	No : 09601053530
96.09	10	660,000,000	6,600,000,000	448,916,123	4,489,161,230	CB conversion: NT\$ 515,450	-	No : 09601233820

96.12	10	660,000,000	6,600,000,000	465,243,433	4,652,434,330	CB conversion:NT\$47,865,120 Capitalization of earnings NT\$84,857,980 Employee bonuses NT\$30,550,000	-	No : 09601312360
97.09	10	660,000,000	6,600,000,000	473,666,067	4,736,660,670	Capitalization of earnings NT\$42,696,340 Employee bonuses NT\$41,530,000	-	No : 09701225500
98.09	10	660,000,000	6,600,000,000	481,222,872	4,812,228,720	Capitalization of earnings NT\$63,957,910 Employee bonuses NT\$11,610,140	-	No : 09801200020
98.10	10	660,000,000	6,600,000,000	531,222,872	5,312,228,720	Capital injection NT\$500,000,000	-	No : 09801236000
99.09	10	660,000,000	6,600,000,000	516,422,872	5,164,228,720	Cancellation of Treasury Stock NT\$148,000,000	-	No : 09901205520
100.11	10	660,000,000	6,600,000,000	507,422,872	5,074,228,720	Cancellation of Treasury Stock NT\$90,000,000	-	No : 10001272200
101.08	10	660,000,000	6,600,000,000	521,955,558	5,219,555,580	Capitalization of earnings NT\$145,326,860	-	No : 10101179940

B. Type of Stock

As of 4/19/2013

Share Type	Authorized Capital				Remarks
	Issued Shares	Treasury Stock	Un-issued Shares	Total Shares	
Common Stock	487,087,558	34,868,000	138,044,442	660,000,000	-

C. Information for Shelf Registration : None.

4.1.2 Status of Shareholders

As of 4/19/2013

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	2	69	23,100	88	23,263
Shareholding (shares)	289,371	14,208,935	166,791,581	267,682,240	72,983,431	521,955,558
Percentage	0.06	2.72	31.96	51.28	13.98	100.00

4.1.3 Shareholding Distribution Status

A. Common Shares (The par value for each share is NT\$10)

As of 4/19/2013

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 - 999	11,388	2,352,299	0.45
1000 - 5000	7,801	15,901,743	3.05
5001 - 10000	1,802	11,481,228	2.20
10001 - 15000	954	10,715,413	2.05
15001 - 20000	269	4,582,277	0.88
20001 - 30000	390	8,916,099	1.71
30001 - 40000	168	5,591,213	1.07
40001 - 50000	81	3,569,964	0.68
50001 - 100000	177	12,269,880	2.35
100001 - 200000	114	14,873,271	2.85
200001 - 400000	44	12,067,087	2.31
400001 - 600000	18	8,450,804	1.62
600001 - 800000	9	6,078,356	1.16
800001 - 1000000	8	7,459,278	1.43
1000001 or over	40	397,646,646	76.19
Total :	23,263	521,955,558	100.00

B. Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/19/2013

Shareholder's Name	Shareholding	
	Shares	Percentage
Tony Ho	43,995,550	8.43
Judy Lee	37,159,294	7.12
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	34,983,789	6.70
Test Rite Int'l Co. Ltd. Treasury Stock	34,868,000	6.68
Tsai-Chi Co., Ltd.	32,327,389	6.19
Chang Qiu Dun	27,052,714	5.18

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Item		2011	2012	1/1/2013-3/31/2013
Market Price per Share	Highest Market Price	28.30	22.60	23.05
	Lowest Market Price	18.85	18.80	21.50
	Average Market Price	22.45	20.84	22.12
Net Worth per Share	Before Distribution	13.29	12.92	13.26
	After Distribution	13.29	11.92	13.26
Earnings per Share	Weighted Average Shares	517,347,225	493,689,891	487,087,558
	Diluted Earnings Per Share	1.23	1.40	0.50
Dividends per Share	Cash Dividends	0.8	1.08	-
	Stock Dividends	0.3	0	-
	Accumulated Undistributed Dividends	0	0	-
Return on Investment	Price / Earnings Ratio (Note)	18.25	14.89	-
	Price / Dividend Ratio (Note)	28.06	19.30	-
	Cash Dividend Yield Rate (Note)	3.56	5.18	-

Note : Price / Earnings Ratio = Average Market Price / Earnings per Share; Price / Dividend Ratio = Average Market Price / Cash Dividends per Share; Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

The landscape of the industry in which the Company engages business in contains various risks and uncertainties. As the life cycle of the Company's development enters the stable and mature phase and taking into account the Company's diversification, future operating plans, capital requirements and long-term financial planning, as well as considering shareholders' interests, our dividend policy shall be formulated in accordance with the provisions of the Company Act and other relevant regulatory requirements to ensure the soundness and balance of dividend distribution. The distribution of dividends to shareholders shall be conducted via the following three methods: earned surplus-turned capital increase, capital reserve-turned capital increase and cash dividends. Here cash dividends may not be less than ten percent of the total dividends, although in the event that the cash dividend is less than NT\$0.1 per share, no cash dividends will be distributed and instead the dividends will be distributed via stock dividends.

B. Proposed Distribution of Dividend

The Company's audited 2012 financial statements indicate that the net profit totaled to NT\$689,536,324, and together with the retained earnings of NT\$16,591,054 in the previous years, less the allocated statutory surplus reserve of NT\$68,953,632, the surplus available for distribution was NT\$637,173,746.

The Company intends to allocate shareholder's dividends in the amount of NT\$526,054,563 in accordance with the provisions of the Articles of Incorporation (with priority given to the allocation of earnings of the current year). With the total number of shares issued as of April 19, 2013 (ex-dividend date) being 521,955,558 shares, net of 34,868,000 treasury shares, the total actual number of outstanding shares is determined to be 487,087,558, and consequently the cash dividend per share is NT\$1.08.

4.1.7 The impact of the company's operating performance and earnings per share on stock dividends proposed in the shareholders' meeting

It's not applicable because the company does not disclose the financial prediction of 2012.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

A. As pursuant of the Company Act and Article of Incorporation, the Company, after reporting positive earnings for a given fiscal year and paying applicable taxes, should first reserve its earnings to cover any losses from prior years. Thereafter, the company should reserve 10% of its earnings for legal reserve before allocating no less than 2% of its earnings for employee bonus, and 2% of its earnings for the salary for the Board of Directors and Supervisors.

B. A portion or all of employees' bonus can be issued via new shares, but within the pre-approved ratio according the company's Article of Incorporation. The Chairman can decide, which employees of the company will receive employee stock bonus, once their eligibility is confirmed. Estimated employee bonuses as well as compensation of the Board of Directors and Supervisors for this period are calculated at 8% and 2% of after-tax net profits, respectively. After the end of the fiscal year, should the Board of Directors resolve that the amount of monies to be distributed is to be changed significantly, the original provision of annual expenditure shall be adjusted; if there is further adjustment of the aforesaid monies up to the date of the Board's meeting, then the Board of Directors shall resolve that annual adjustment entries be recorded in accordance with accounting estimates thereof.

C.1. On March 28th, 2013, the Board of Directors approved employee cash bonus of NT\$ 49,646,615 and total salary for the Board of Directors and Supervisors of NT\$12,411,654.

Items for Distribution	As proposed by the Board (A)	Estimated expense (B)	Difference (A)-(B)	Remark
Employee cash bonus	49,646,615	49,200,000	446,615	Difference is between estimate and actual expense. Since, the difference is minor; the amount will be applied to 2013 earnings.
Total salary for the Board of Directors and Supervisors	12,411,654	12,100,000	311,654	

C.2. The ratio of the proposed allotment of employee stock bonus amount and account for the ratio of current net income: It's not applicable because the company does not have the proposed allotment of employee stock bonus in 2011.

C.3. The earnings per share of proposed allotment to employees bonus and directors and supervisors earnings: NT\$1.39.

- D. The actual allocation of employee dividends and remuneration to directors and supervisors in the previous year compared with the distribution plan originally approved by the Board: The Company's earning distribution for fiscal year 2011 was approved at the annual shareholders' meeting on June 18, 2012. Remuneration to directors and supervisors accounted for NT\$10,989,124 and employee bonuses amounted to NT\$43,956,497 both of which were paid out in cash.

Items for Distribution	As resolution by the Board (A)	Estimated expense (B)	Difference (A)-(B)	Remark
Employee cash bonus	43,956,497	42,674,000	1,282,497	Difference is between estimate and actual expense. Since, the difference is minor; the amount will be applied to 2012 earnings.
Total salary for the Board of Directors and Supervisors	10,989,124	10,669,000	320,124	

4.1.9 Buyback of Treasury Stock

As of 4/30/2013

Treasury stocks in Batches	11th Batch	12th Batch	13th Batch
Purpose of Buy-back	Transfer to employees	Transfer to employees	Transfer to employees
Timeframe of Buy-back	100/8/12~100/10/7	100/12/2~101/1/18	101/5/31~101/7/30
Price range	NTD22~28	NTD20~28	NTD 19~28
Class, quantity of shares bought back	20,000,000	3,000,000	11,868,000
Value in KNT\$ of bought-back shares	442,500,680	62,811,352	243,342,848
Shares sold/transferred	0	0	0
Accumulated number of company shares held	20,000,000	23,000,000	34,868,000
Percentage of total company shares held (%)	3.83%	4.41%	6.68%

4.2 Issuance of Corporate Bonds : None.

4.3 Preferred Shares : None.

4.4 Issuance of Global Deposit Receipts : None.

4.5 Employee Stock Options : None.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None.

4.7 Financing Plans and Implementation : None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1)

1. E605010 Computing Equipments Installation Construction
2. E801010 Building Maintenance and Upholstery
3. F101081 Wholesale of Seedling
4. F101100 Wholesale of Flowers
5. F101120 Wholesale of Aquarium Fishes
6. F101130 Wholesale of Vegetable and Fruits
7. F102020 Wholesale of Edible Oil
8. F102030 Wholesale of Tobacco Products and Alcoholic Beverages
9. F102040 Wholesale of Nonalcoholic Beverages
10. F102170 Wholesale of Food and Grocery
11. F103010 Wholesale of Animal Feeds
12. F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
13. F105050 Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures
14. F106010 Wholesale of Ironware
15. F106020 Wholesale of Articles for Daily Use
16. F106030 Wholesale of Die
17. F106040 Wholesale of Water Containers
18. F106050 Wholesale of Pottery, Porcelain and Glassware
19. F107030 Wholesale of Cleaning Preparations
20. F107050 Wholesale of Manure
21. F108040 Wholesale of Cosmetics
22. F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
23. F110010 Wholesale of Clocks and Watches
24. F110020 Wholesale of Spectacles
25. F111090 Wholesale of Building Materials
26. F113010 Wholesale of Machinery
27. F113020 Wholesale of Household Appliance
28. F113030 Wholesale of Precision Instruments
29. F113050 Wholesale of Computing and Business Machinery Equipment
30. F113060 Wholesale of Metrological Instruments
31. F113070 Wholesale of Telecom Instruments
32. F113090 Wholesale of Traffic Signal Equipments and Materials
33. F114010 Wholesale of Automobiles
34. F114020 Wholesale of Motorcycles
35. F114030 Wholesale of Motor Vehicle Parts and Supplies
36. F114040 Wholesale of Bicycle Parts and Supplies
37. F115010 Wholesale of Jewelry and Precious Metals
38. F116010 Wholesale of Photographic Equipment
39. F118010 Wholesale of Computer Software
40. F119010 Wholesale of Electronic Materials
41. F199990 Other Wholesale Trade
42. F201010 Retail sale of Agricultural Products
43. F201020 Retail sale of Husbandry Products
44. F201061 Retail sale of Seedling
45. F201070 Retail sale of Flowers
46. F201090 Retail Sale of Aquarium Fishes
47. F202010 Retail sale of Animal Feeds
48. F203020 Retail Sale of Tobacco and Alcoholic Drinks

49. F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
50. F205040 Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
51. F206010 Retail Sale of Ironware
52. F206020 Retail Sale of Articles for Daily Use
53. F207030 Retail Sale of Cleaning Preparations
54. F207050 Retail Sale of Manure
55. F208040 Retail Sale of Cosmetics
56. F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
57. F210010 Retail Sale of Watches and Clocks
58. F210020 Retail Sale of Spectacles
59. F211010 Retail Sale of Building Materials
60. F213010 Retail Sale of Household Appliance
61. F213030 Retail sale of Computing and Business Machinery Equipment
62. F213040 Retail Sale of Precision Instruments
63. F213050 Retail Sale of Metrological Instruments
64. F213080 Retail Sale of Other Machinery and Equipment
65. F214010 Retail Sale of Automobiles
66. F214030 Retail Sale of Motor Vehicle Parts and Supplies
67. F214040 Retail Sale of Bicycles and Parts
68. F215010 Retail Sale of Jewelry and Precious Spectacles Metals
69. F216010 Retail Sale of Photographic Equipment
70. F218010 Retail Sale of Computer Software
71. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified
72. F301020 Supermarkets
73. F399040 Retail Business Without Shop
74. F399010 Supermarkets
75. F401010 International Trade
76. F401071 Export and Import of Seedling
77. F501060 Restaurants
78. G801010 Warehousing and Storage
79. H701020 Industrial Factory Buildings Lease Construction and Development
80. H701010 Residence and Buildings Lease Construction and Development
81. H703090 Real Estate Commerce
82. H703100 Real Estate Rental and Leasing
83. I102010 Investment Consultancy
84. I103060 Management Consulting Services
85. I301010 Software Design Services
86. I301020 Data Processing Services
87. I301030 Digital Information Supply Services
88. I401010 General Advertising Services
89. I501010 Product Designing
90. I503010 Landscape and Interior Designing
91. IZ99990 Other Industry and Commerce Services Not Elsewhere Classified
92. J801030 Athletics and Recreational Sports Stadium
93. JE01010 Rental and Leasing Business
94. ZZ99999 Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations
95. A102060 Grain Commerce
96. F108031 Wholesale of Drugs, Medical Goods
97. F208031 Retail sale of Medical Equipments
98. C501060 Wooden Container Manufacturing
99. C805990 Other Plastic Products Manufacturing

100. C901010 Pottery and Ceramics Products Manufacturing
101. CA02050 Metal Valves Manufacturing
102. CA02060 Metal Containers Manufacturing
103. CB01010 Machinery and Equipment Manufacturing
104. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
105. CN01010 Furniture and Fixtures Manufacturing
106. CR01010 Fuel Gas Equipments, Materials and Parts Manufacturing
107. D301010 Water Supply
108. E502010 Fuel Pipe Construction
109. E599010 Pipe Lines Construction
110. E601010 Electric Appliance Construction
111. E601020 Electric Appliance Installation
112. E603130 Gas water heater Appliance Construction
113. E604010 Machinery Installation Construction
114. E801070 Kitchen and Bath Facilities Construction
115. F113990 Wholesale of Other Machinery and Equipment
116. F206040 Retail Sale of Water Containers

(2) Percentage of total revenue of each product or service

(Unit : NTD thousand)

Main Item	Sale of 2012	percentage (%)
House ware	6,766,881	56.85
Hard Lines	1,995,292	16.76
Electrical	553,286	4.65
Commission	195,719	1.47
Seasonal & others	2,391,046	20.09
Subtotal	11,902,223	100.00

- (3) Currently the Company's main products (services) are as follows: The Company engages in the import and export of household products, including DIY hand tools, hardware, ceiling fans, lighting fixtures and other electrical appliances, bathroom facilities, indoor/outdoor furniture, and other household items.

(4) New products (services) under development:

1. Development of effort-saving hand tools and related products: Hand tools remain one of the major categories of products shipped by the Company and accounted for approximately 30% of total export amount in 2010. In addition to the providing comprehensive features in professional tools, effort-saving is a major point of consideration for consumers. With the principles of structural mechanics and leverage, the design of hand tools must take into account not only the innovative appearance but also ergonomics in order to meet market demand.

2. Development energy-saving lamps and related products:

The advocacy for energy conservation is no longer merely a slogan in Europe and North America. Governments have incorporated relevant measures into legislations and policies to encourage investments by private enterprises. Lamps and light fixtures are also a category of products exported by the Company. Apart from the modern designs of their exterior, lamps shipped by the Company contain automatic cut-off loop control circuitry to prevent consumers from misusing light bulbs that do not conform to the correct specifications and wasting energy; this helps to put the concept of energy conservation into practice effectively in product design.

5.1.2 Industry Overview

(1) Current status and development of the industry

The Company was founded in the August, 1978. During its earlier years, the Company focused on the export of hand tools and hardware. As the Company's customer base expanded, the product offerings also increased, including DIY hand tools and hardware to ceiling fans, light fixtures and other electrical appliances, bathroom equipment, indoor/outdoor furniture and other household items. The Company also gradually expanded operations into China, Southeast Asia (Hong Kong, Thailand and Singapore), Europe (Germany and the U.K.) and Australia by setting up subsidiaries, representative offices or branch offices. In 1989, the Company targeted Taiwan's domestic retail market and established a domestic sales/import team, targeting major discount store customers in Taiwan. By leveraging the company's sourcing capabilities, the domestic sales/import team introduced +1,000 products to Taiwan consumers that were exclusively sourced for the export market originally. Below we describe the industries in which the Company engages by trading business and by main product category:

1. Current status of trading business

From the early import-substitution policy and export expansion policy in the 1960s to the current policy of trade liberalization and internationalization, Taiwan has experienced rapid trade expansion. During a period of 19 years spanning from 1993 to 2011, Taiwan's total import/export trade has continued to see substantial growth (see table below). In recent years, trading activities with mainland China have become increasingly important given the emergency of China as the world's manufacturing hub. In 2011 and 2012 Taiwan's the amount of export to China accounted for 40% and 39% of the island's total exports, and import from China amounted to 16% of total imports for both 2011 and 2012.

Test Rite Group has aggressively expanded its presence in China. Since Shanghai trading subsidiary was founded in 2005, the Group has maintained a solid relationship with Chinese suppliers. In 2006, the company opened its Shenzhen office to tap into the vast supplier/vendor network in the Pearl River Delta and Southern China. Most recently, Test-Rite further entrenched its presence in Shenzhen by acquiring 100% stake in International Art, a trading company specializes in the design and sourcing of Seasonal and Home Décor products.

Rising consumer demand in Taiwan and China also offers another growth opportunity for Test-Rite. The company is the agent for home furnishing/home décor/other home related products such as Frette, La-Z-Boy, Joseph Joseph, OXO, 7th Generation, and Joyoung. The company intends to further strengthen its agent brand portfolio and leverage its retail channels Hola and TLW to gain additional access to the rapidly growing consumer market in Taiwan and China.

Import/Export Amounts by Year - Taiwan

(Unit : USD 100million)

Year	Total exports	Export Growth rate (%)	Total imports	Import Growth rate (%)	Total amount of trade	Total trade growth rate %
1993	851	4.44	771	7.02	1632	5.67
1994	930	9.35	853	10.76	1784	9.99
1995	1117	20.00	1035	21.33	2152	20.62
1996	1159	3.84	1024	-1.14	2183	1.44
1997	1221	5.29	1144	11.78	2365	8.33
1998	1106	-9.42	1047	-8.53	2152	-9.01
1999	1216	9.96	1107	5.76	2323	7.95
2000	1483	21.98	1400	26.49	2883	24.11
2001	1229	-17.16	1072	-23.41	2301	-20.19
2002	1306	6.29	1125	4.94	2431	5.65
2003	1442	10.41	1273	13.16	2715	11.68
2004	1740	20.67	1679	31.89	3419	25.93

Year	Total exports	Export Growth rate (%)	Total imports	Import Growth rate (%)	Total amount of trade	Total trade growth rate %
2005	1984	14.02	1826	8.76	3810	11.44
2006	2240	12.90	2027	11.01	4267	11.99
2007	2466	10.12	2193	8.17	4659	9.19
2008	2556	3.63	2404	9.67	4960	6.46
2009	2037	-20.3	1744	-27.5	3781	-23.77
2010	2,746	34.8	2,514	44.2	5,260	39.12
2011	3,083	12.3	2,816	12.1	5,899	12.1
2012	3,012	-2.3	2,705	-3.9	5,717	-3.1

Source : Department of Statistics, Ministry of Finance, R.O.C.

The overall business operation of an import/export business can be more complex relative to other industries. The major factors that affect trading business include FOREX fluctuations and non-economic barriers to trade such as government policy, trade protectionism, customs, and regional alliances. The fluctuations of exchange rates can be regarded as the main factor that would affect the profitability, i.e. margins of the trading business, where as non-economic barriers can create challenging hurdles especially when expanding overseas presence in various markets.

Regional economic integration has become the mainstream of international trade and economic development at present. And with the formation of the World Trade Organization (WTO) and later the Association of Southeast Asian nations (ASEAN), when combined with the increasing frequency of cross-strait trades, the trading sector in Taiwan is now facing a new challenge. In the following we present our view of Taiwan's current trade development from the viewpoints of trade concentration, development of triangular trade, increasing scale and internationalization of customers and the trends toward multi-function trading companies.

A、Degrees of export/import concentration have increased while trading with Asian countries have become more frequent

Taiwan has forged closer trading relations with major partners such as China (including Hong Kong) and ASEAN countries According to statistics compiled by the Department of Statistics, Ministry of Finance, in 2012,. Exports to China for the year amounted to US\$118.7 billion, a decline of 4.3% YoY and imports from China were valued at US\$43.6 billion, a drop of 3.76%. As for ASEAN nations, total exports in 2012 were US\$50.74 billion, up 22.7% YoY. As for Japan, total imports were US\$52.20 billion, an increase of 0.5% YoY. Despite the YoY decline in 2012, exports from Taiwan to China have increase 1.2 x since 2003 and nearly 2.4x for imports. In fact, the trading activity will likely to be even more frequent between Taiwan and China, following the signing of Economic Cooperation Framework Agreement (ECFA) in 2009.

In 2012, the top three countries/regions for Taiwan's exports are: China/Hong Kong, ASEAN countries, United States; the top three countries/regions from which Taiwan imports are: Japan, China/Hong Kong, ASEAN countries.

Regional trade concentration indicator

(Unit : USD100million; %)

Year	Total amount of trade	Export value	Import value	Taiwan to China export amount	Taiwan to China import amount	Taiwan - Top three countries with highest degrees of export concentration	Taiwan - Top three countries with highest degrees of import concentration
2001	2301	1229	1072	336.1	79.5	54.82	47.30
2002	2431	1306	1125	434.9	98.8	55.77	51.88
2003	2715	1442	1273	537.6	129.4	45.91	47.46
2004	3419	1740	1679	692.5	191.0	40.89	48.80
2005	3810	1984	1826	776.8	222.0	43.60	48.90

Year	Total amount of trade	Export value	Import value	Taiwan to China export amount	Taiwan to China import amount	Taiwan - Top three countries with highest degrees of export concentration	Taiwan - Top three countries with highest degrees of import concentration
2006	4267	2240	2027	891.9	266.6	54.26	46.24
2007	4659	2466	2193	1,004.0	298.4	53.72	45.81
2008	4074	2556	2404	995.7	328.8	51.00	43.36
2009	3781	2037	1744	836.9	255.5	52.65	45.17
2010	5,260	2,746	2,514	1,147.4	375.7	68.40	47.10
2011	5,899	3083.0	2,816	1,240.4	452.7	52.26	47.74
2012	5,717	3,012	2,705	1,186.7	435.7	66.07	35.57

Source : Department of Statistics, Ministry of Finance, R.O.C.

B 、Proportion of triangular trade has increased

The Majority of Taiwanese trading companies are small to medium in size and have performed well historically, given their wealth of experience in foreign trade, knowledge and flexibility in operations, and the relative political stability of Taiwan in the past several decades relative to Southeast Asian countries and China. In recent years, labor intensive manufacturing businesses have graduated shifted their operational base out of Taiwan. Likely destinations include China and other ASEAN nations, which offer tax benefits and skilled, yet low cost labor. This has shifted the fundamentals the trading sector as companies begin to source from suppliers outside of Taiwan, resulting in the increase in triangular trade.

Moreover, distributors and retailers serving consumers in end markets have benefited from increase in scalability and internalization. As a result, the supply and demand structure of the upstream and downstream sectors of trading sector in Taiwan have shifted to accommodate the change in the competitive landscape. In fact, trading companies must rely on triangular trade to thrive and to seek cheaper resources from overseas markets in order to fill the void left by the loss of price competitiveness as manufacturing base relocate to China and ASEAN regions.

C 、Impact on Taiwan's trading sector due to the growth in size of manufacturers, trading companies and retailers

Following decades of industrial development both at home and abroad, manufacturers have benefited from significant increase in production scale. Given the increase in scale, large manufacturers has benefitted from more efficient production given lower production and labor costs, while improving their relationships with key customers. Larger trading companies too are also able leverage development of global trades and benefit from scalable logistics and procurement capabilities. However, this scenario enervates the impact for small and medium trading companies, who are forced to accept lower margins with higher complexity for single orders such as smaller quantity and higher SKUs compared with more mainstream, scalable and repeatable orders.

The rapid development of sales channels has also contributed to the growth of large multinational retail chains. These large retailers have not only gained dominating pricing powers; their transnational procurement activities have also contributed to domestic traders developing multinational logistics and procurement services, thereby furthering increasing the speed of the transformation of the trading business where smaller players are phased out..

D 、Trading firms are equipped with multiple functions such as after-sales services, warehousing and logistics

As global retailers continue to increase in size, they are able to gain bargaining leverage on their suppliers, which include manufacturers, distributors and trading

companies. Consequently, these global retailers continues to demand better pricing, the newest and exclusive designs, and other services such as financing, and logistic.

As such, role player traditional companies have evolved from companies providing simple buy and sell functions to companies with multi-national and multi-functional teams that able to provide services such as product marketing, warehouse logistics, QA/QC, and after sale customer service.

Taiwan's trade industry is expected to benefit from the signing of Economic Cooperation Framework Agreement (ECFA) with China. As economic activities increase, Taiwanese trading companies can benefit from their experience in international trade to strengthen communication between multi-national retailers (customers) and various players along the supply chain.

Trading companies are also well positioned to benefit from to develop additional brand licensing opportunities to tap the fast growing demand of Chinese consumers. For Test-Rite, we have already partnered with various global houseware/product brands, including La-Z-Boy, 7th Generation, Umbra, Bissell, Joseph Joseph, and OXO for Taiwan and China markets.

2. Principal trading

Test Rite major products include hand tools (including hand tools and gardening tools; which account for 20% of total revenue) and household items (including sanitary equipment, automo supplies, fireplace equipment and supplies, furniture, Christmas and seasonal products, and barbecue utensils; which account for 60% of total revenue), making Test Rite the largest professional hand tools and household products trading company in Taiwan. Below we provide further analysis on the Company's key product offerings.

The regions with the highest demand for hand tools and household products are the developed countries, with North America and Europe representing nearly 70% of the export markets for hand tools. Typically, hand tools have been relatively stable and mature in terms of their types and forms, with relatively less needs for innovation. In recent years, multifunction tools have enjoyed phenomenal growth. However, in order to create market demand, the trend is for hand tools and household products to include multiple functions that is combined with unique designs and made with differentiating materials/colors/shapes. And in several instances, creative marketing campaigns are aligned/partnered with globally appealing pop culture there by create demand various products.

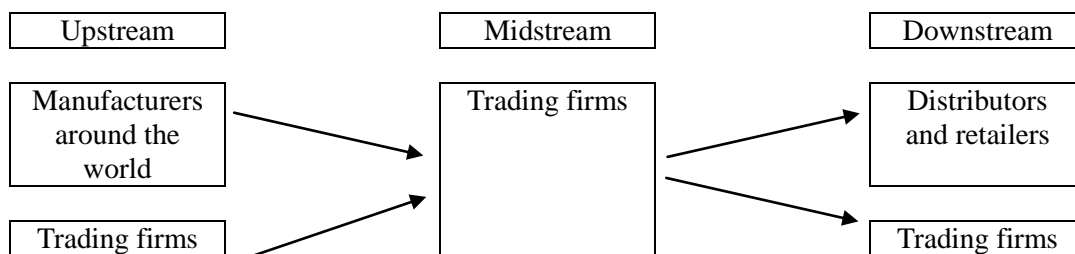
Apart from certain manufacturers of brand-name bathroom and sanitary equipment and automotive repair supplies, most of the manufacturers of these products remain relatively smaller in size. In fact, they do not have the scale or resources to brand their products nor do they have the advantages of retail operators with sales channels that have access to retail customers. In terms of manufacturers of hand tools, Japanese and German companies possess dominant technologies, though Taiwan also enjoys a high degree of competitiveness at the global level. However, China, India, and countries in Southeast Asia and Eastern Europe have flourished in the hand tools industry in recent years, as they introduced low- to medium priced products.

Although the export value of furniture, bedding and lighting equipment has declined gradually over the years due to fierce competition in the market, in 2010 the industry has rebounded with the recovery of the economy. While products in these categories are quite mature, the size of the market remains quite substantial, with largest demand originating from North America and Asia.

(2) Industry's upstream, midstream, and downstream relationships

1. Trading industry's upstream, midstream, and downstream relationships

The main function of the trading industry is to broker trades and bridge gaps between supply and demand. The upstream and downstream structures vary depending on the types of products traded, but below is an example of the structure for trading companies that sources finished goods and sells them to distributors and/or retailers:



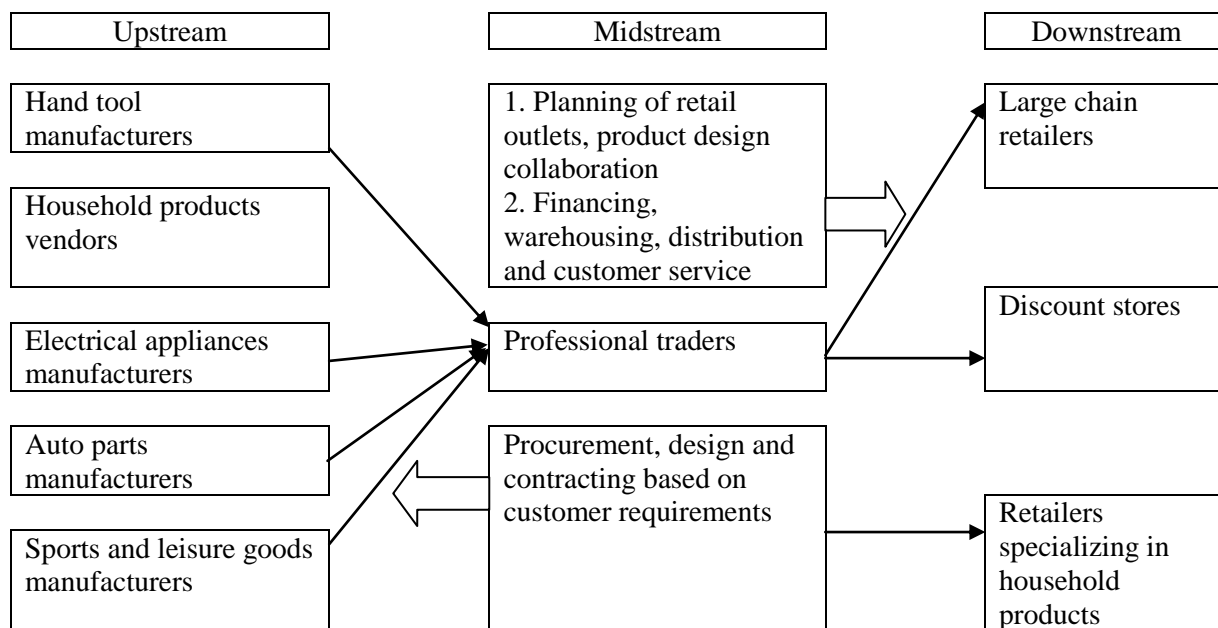
The so-called 'barriers to information access' is mainly geographic isolation and regulatory restrictions as well as the need of upstream and downstream vendors for working capital, as well as advantages to either buyers or sellers as a result of product characteristics or structure of the sales channel. This situation requires trading companies to bridge the gap of potential sellers and potential buyers of products.

Upstream, i.e. manufacturers or suppliers, are no longer confined to only one country or one region. As a result, sourcing products from upstream manufacturers or suppliers are increasingly complex, especially when factors such as rising labor cost in China is adding pressure to the supply chain to look for alternatives in order to diversify/or reduce reliance on manufacturers or suppliers in one country. Overall, today's trading companies play an increasingly important role in global economic activities and have deepening relationships with both upstream and downstream vendors..

2. Upstream, midstream and downstream relationships for hand tools and household products industries

The upstream suppliers of trading companies in hand tools and household products are the manufacturers, and the corresponding downstream customers are various channel distributors and retailers. Trading companies receive purchase orders from downstream customers by through product marketing and via exhibitions. Trading companies then place orders with their upstream manufacturers and are also responsible for arranging transportation, delivery, distribution, and warehousing services.

Most often, upstream manufacturers of hand tools and household products are often smaller operations, and they aim to sell products quickly with the intermediary services provided by trading companies. As for large downstream retailers, the benefit of placing orders with trading companies with sufficient economies of scale would mean a more streamlined ordering process. Larger trading companies can provide services beyond just order fulfillment but "Total Solution Services" that include packaging, logistics, warehousing, and potentially financing services. The relationships of traders with their upstream, midstream and downstream partners are depicted in the following diagram:



In order to provide customers with comprehensive services and identify new sourcing opportunities in local markets, trading companies often open branch offices in both domestic and overseas markets. Trading companies have also provide OEM or ODM products for downstream customers and some trading companies have created or acquired own brands to add to their distribution channels along with the existing products they already source for global retail customers. In addition, trading companies can also increase their on size/scalability by acquire special niche players to bolster their our product portfolio. The most recent example for Test-Rite is the 1Q13 acquisition of International Art, a Christmas and seasonal specialist based in Shenzhen, China.

(3) Developing Trends

With global economies becoming more interdependent, combine with the rise of large scale discount chains, hypermarkets in the retail industry, the trading industry will likely face increasingly more challenging competitive landscape in the future. Only by seeking to provide more value added and efficient services, while expanding the size of its own operations and enhancing product and service offerings, can trading companies survive the challenges that lie ahead. Future trends of the trading industries include the following:

1. Specialization in Products and Customer Services

As competition becomes more intense, the role of trading companies must evolve beyond order fulfillment functions including sourcing and re-selling. Many larger trading companies already evolved to become full service suppliers by provide product consultation and after-sales service as well as logistics and distribution functions. Since these services often involve specialized products, trading companies have also become more focused in specific product categories with complete product lines in order to demonstrate their specialization and competency.

2. New markets and new competitors following accession to WTO 、 the signing of ECFA and the signing of FTA between China, Japan and South Korea.

Global trade liberalization remains a key force driving the changes for the competitive landscape for trading companies. Following Taiwan's accession to WTO as a full member, once trade practices are deemed unfair or damaging to Taiwanese businesses can be resolved through the WTO. This enables all parties involved to have effective access to international trade regulations and trends in a more regulated environment thereby mitigating regulatory risk of trading and investing activities. Following the signing of Economic Cooperation Framework Agreement (ECFA), economic activities between

Taiwan and mainland China have flourished and cross-strait trade and investment opportunities have become increasingly accessible. But as China, Japan and South Korea held the first round of FTA negotiation in March 2013, there will likely be negative impact on the competitiveness of Taiwanese businesses. Taiwan government will need to accelerate negotiations on economic cooperation agreements with other countries in order to mitigate this impact and further eliminations of trade barriers will likely presents trading companies with many different challenges and opportunities. These include increased pressure from overseas competitors, threats from expansion of emerging markets and more transparent information of competitors and suppliers in other markets.

3 、 Applications to accommodate e-Commerce

Use of the Internet has already become commonplace among enterprises. As such, online (i.e., electronic) procurement has become the new norm. According to a study conducted by the Aberdeen Group, successfully adopting electronic procurement will enable an enterprise to lower the procurement cost by 70% compared with a more traditional approach. Major manufacturers both in Taiwan and abroad, including industry giants such as IBM and Intel, are aggressively pursuing the implementation of electronic procurement systems and electronic component trading with their upstream and downstream partners.

Following the completion of the Taiwan Product Procurement Portal by the Ministry of Economic Affairs (MOEA), a total of 180,000 importers and exporters began to conduct transactions in the B2B e-Commerce market. The ministry has also made available subsidies from the Trade Promotion Fund to trade associations in the following industries: machinery, automobiles, computers, electronics, electromechanical, and textiles. The purpose of the subsidies is to implement specialized websites (ICP) to propel the trading practices of Taiwan into the Internet era.

While value-added services such as logistics, distribution, and after-sales services cannot be completely replaced by the lower cost procurement offered by online sourcing, trading companies will need to develop its own online strategy in order to prevent being replaced, or circumvented, by global retailers desire to go direct to manufacturers to fulfill lower cost sourcing needs. Test-Rite has its on e-market place platform developed by our subsidiary B&S Link. The platform enables full range of of order fulfillment services to both our customers and suppliers.

4 、 the Capabilities of Manufacturers

With the liberalization of global trade, distributors and retailers have undergone significant changes in terms of their business structures. They have evolved from traditionally small, regional based, or brick-and-mortar sales points in the past, to larger companies that have gained sizable economies of scale that enjoys significant operating leverage while becoming multi-national or global entities.

Under these market conditions, smaller manufacturers can work with larger trading companies to become a partner of trading companies' net work of suppliers. This will enable smaller manufacturers to leverage the service platform established by the trading companies and at the same time minimize the financial pressure from tougher payment terms demanded by larger, global retailers. Smaller manufacturers can also leverage trading companies' logistics capabilities and services or even act as representatives for functions such as product sales, warehousing and distribution.

(4) Competition Status

Currently there are no competitors of comparable size in Taiwan as Test-Rite is the largest trading company in Taiwan. However, there are still many small and medium trading companies in the North American and European markets (which are much smaller than the Company in terms of the size of business operations). Large trading companies such as Test Rite will be able to widen the gap versus small and medium trading firms given their relative scale, add on services such as QA/QC, logistics, and warehousing capabilities.

5.1.3 Research and Development : This is not applicable, as the Company is engaged in the traditional trading industry and is not involved in R&D other than product design.

5.1.4 Long-term and Short-term Development

(1). Operational Guidelines

1. Steady Growth of Trading, the Company's Primary Business

A. The Company utilizes the experience and resources accumulated over the years in services such as product design, packaging design, logistics and warehousing. We have also developed new businesses services and products for multi-national retail operators with comprehensive solutions for cross-border procurement. In addition, the Company will also be actively developing brand distribution rights for the domestic and mainland Chinese markets, in order to benefit from rapidly growing consumer demand. In addition, the Company will continue to expand its partnerships in procurement agency services with existing customers such as Michaels, AutoZone, Tractor Supply, AAFES, Spotlight, OSH, Arteriors, Express gift, and the Pep Boys,, and will continue to cultivate additional opportunities to growth our agency business..

B. With wage levels in China rising steadily, significant growth in consumer spending power can be expected. The Company will be actively developing product distribution rights on both sides of the Taiwan Strait and taking advantage of opportunities for high growth in the domestic consumption market. We will also continue to plan for and develop new potential procurement sources and regions in order to improve our production and marketing cost efficiency. In particular, we have added procurement teams in Southeast Asia, while setting set up a new office in India as well.

2. Maintaining Growth in the Retail Business

A. With consumer confidence in Taiwan rising, the pursuit of a higher quality of life is becoming more widespread. Test Rite retail outlets and HOLA TW are expanding their presence and provide a more complete selection of products. We are also considering the possibility of providing different types of services to be able to enter the community home improvement sector or to formulate business strategies such as store-within-the-store in order to improve our operational efficiency. The operating performance of our mainland Chinese retail operations and HOLA China outlets also continues to improve. After rapidly expanding 9 small to medium stores in 2010, the company emphasis on enhancing store operating performance. In 2011, the company opened a new store and closed one store. The total number of stores remains the same. Otherwise, the operating income increase to RMB\$77,500 million, up 25.6% YoY. HOLA China posted a loss of NT\$ 7.1mn in 4Q12, the smallest loss to date for a given quarter and we are encouraged by the turnaround of our China retailing subsidiary.

B. Taiwan's consumer market is a relatively more mature market, but it is a market where more and more consumers are looking to make purchases to improve their standard of living. Meanwhile with China's 12th five-year plan aimed at driving demand for domestic consumption, considerable growth opportunities exist in China as well.

3. Group Integration

The Group continues with its integration effort. Trading business will look to become distribution agent for global brands in both Taiwan and China.

(2). Important Marketing and Development Strategies

1. Product Marketing:

A. Strengthen marketing and promotional capability; continue to develop well-known customers; take advantage of the Company's existing ISO-9002 certification and specialty in hardline trading product development and packaging; develop new customers and new markets.

B. Increase sales and profits by leveraging efficient cross-departmental functions to provide consistent service, on-time delivery, and high quality products; as a result, retaining customers trust as a reliable supplier. Additionally, Test-Rite can work with marketing/promotion strategies of the customers and offer additional logistics services that is tailored to the needs of retail customers who operates in multiple consumer markets.

- C. To accommodate different cultures and situations in various countries, we actively collect market information to develop new products and product mix to expand into domestic and foreign markets in order to maximizing the packaging and design in appropriate quantities.
- D. Enhancing our presence in Taiwan and China by establishing additional stores, we provide a tight service network aimed at domestic and overseas customers, thus enabling us to enter new markets and to collect information on market supply and demand as well as on products.
2. Product Development:
- A. Continue to development of hardware, hand tools and household products, thereby reinforce the image of Test Rite as a trading company specializing in hardware/houseware products. Product innovations to encompass new design concepts, ergonomic benefits, multi-function/specialized functional capabilities, in order to meet the fast changing consumer demands.
- B. Taking advantage of Test Rite's specialty in hardware trading, the Company intends to explore the possibility of entering relevant product domains and expand its product lines and realize the synergies when combining new and existing products.
- C. Through investing in other companies, we aggressively expand our domestic downstream hardware hand tools and household products and retail channels to achieve vertical integration efficiency as well as to create more formidable entry barriers and increase our market share.
- D. In response to the ongoing development of E-commerce, the Company seeks domestic and overseas strategic partners and explores the types of products that are more suited to the online sales in order to participate in this new market.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1). Sales (Service) Region

(Unit : NTD thousand)

Year Division	2011		2012	
	Amount	%	Amount	%
America	6,935,010	53.72	5,872,940	51.24
Europe	2,028,685	15.72	1,496,287	13.05
Other area	1,468,090	11.37	1,989,955	17.36
Sub total	10,431,785	80.81	9,359,182	81.66
Taiwan	2,476,732	19.19	2,102,294	18.34
Total	12,908,517	100.00	11,461,476	100.00

A. Export Markets

In 2012, U.S. economy continue to recover from the financial crisis as unemployment rate continues to decline and the property market saw meaningful price recovery, especially in the 2H12. As the economy in the U.S. rebounded ahead of other developed markets, North American region accounted for 51% of our principle trading's shipment. Conversely, the stagnant demand outlook for much of the Eurozone has led to further declines of shipments in 2012, which dropped to 13% of our principle trading's shipments. The Asian domestic consumption markets continue to grow amidst brisk economic development. With the trading arm of Test Rite being present in every corner of the world, the Company will be able to take the initiative to provide comprehensive services to customers in the retail sector and benefit from the growing markets.

Currently, hand tools account for approximately 20% of the Company's total export revenue, while electrical appliances and household products represent about 3.9% and 58.4%, respectively. The Company will actively engage in development of a more comprehensive series of products and product mix, which will enable us to compete more effectively in the markets and to spread the risk of having only a

single product line.

B. Domestic Market

Test Rite Retail currently operates 25 DIY stores and 22 HOLA TW outlets, and remains a dominant player in the DIY and home furnishing business. We offer comprehensive home improvement and decoration services and leveraging our retail outlets to penetrate the regional markets in Taiwan. We also opened a Décor' House shopping mall in Nankan, Taoyuan in September, 2011. With a thriving real-estate market in Taiwan, the Company's overall domestic business is well positioned to benefit from steady improvement of the domestic demand in Taiwan.

(2) Market Share

A. Hand Tools

The Company's shipment was NT\$1.995 billion in 2012. The hand tools business is expected to benefit from the growth of our retail business as well.

B. Household Products: As there are numerous products in this category, no relevant statistics are currently available.

(3) Future Supply and Demand and Market Growth

The economy and job markets in North America are seeing sustained level of recovery since 2H12. European economy while has not shown meaningful recovery yet, basic demand for household items remain. Taiwan's domestic demand has remained steady following the financial crisis as property prices have recover to levels higher than pre-financial crisis level. The outlook for demand, for products related DIY and home improvement is expected to increase both at home and abroad, especially given the recovery of the property market in the U.S.

(4) Competitive Niche

A. Steady and continuing growth of the Company's primary business - Trading

We continue to expand our operations with five principal strategies: new products, customer development, product design, brand licensing, and development of regional markets. In addition to principal trading, our agency business has secured contracts with customers including AutoZone, Michaels, Tractor Supply, AAFES and Spotlight and OSH.

B. Product innovation contributing to our sales advantages and added value

Competition in the market is becoming more intense. As such, the Company increasingly attaches greater important on product design and R&D. In addition to collaborating with manufacturers to produce product packaging and exteriors that meet our customers' requirements, we have also solicited the help from a dedicated industrial design team to create unique products for the company's product portfolio.

C. Transforming trading experience and branching out into retail outlet operations, benefiting from rising domestic demand and economic growth

The Company's trading operations provided valuable insight to how the retail industry is evolving globally. We then leveraged this experience to enter the retail business and have built a leading DIY and home furnishing retail chains in Taiwan and China. We expect to continue to further integrate our trading and retail business going forward.

(5) Favorable and unfavorable factors for the Group's outlook and response measures

Favorable Factors:

A. The Company has a sound financial structure, access to working capital and a comprehensive global procurement and sales network. This enables us to readily take advantage of market information and customer trends and gain access to products with a sufficient and stable supply as well as quality that is controlled under stringent conditions. We also have strong marketing and procurement teams which are essential in giving us a competitive edge in international markets and for the expansion of triangular trade.

B. Focusing on product, our procurement network extends its reach to geographically diverse suppliers throughout the world. With a solid foundation of

business operation, we are able to provide comprehensive services to our customers, which are among the world's leading retail enterprises. Our customers' growth will drive the growth of the Company.

- C. An increasing number of retailers are engaging procurement agents to conduct procurement on their behalf. The Company is also actively pursuing the expansion of our agency operations to tap into a major growth driver of revenue.
- D. Our DIY business is growing at a steady pace. HOLA's furniture and decoration business mains in an expansion mode. Our retail outlets encompass the home improvement and decoration services markets, and Décor House provides comprehensive and integrated home improvement solutions. The potential for domestic sales growth is very promising. The operating of HOLA China is improving, reaching single-month profit for the first time in December, 2009. There were 12 stores get profit in 2010 and 16 sores reached the profit in the first quarter of 2012.
- E. We continue to explore the possibility of expanding into emerging markets with great potential, such as Southeast Asian and Central and South American countries.

Unfavorable Factors:

- A. As demand from emerging economies rises, prices of raw materials is expected to soar
- B. Fluctuation of U.S. dollar relative to Asian currencies
- C. Faster than expected increase in labor cost in China
- D. Pressure on the Company's gross profit margin as difficult to pass on higher ASPs

The Company's response strategies are as follows:

- A. Continuing to expand our agency business to provide retail customers and suppliers with more cost-effective communication channels, as well as reducing the Company's own working capital requirements
- B. Cooperating with suppliers in the supply chain to improve deisgn and product development capabilities, enhancing purchasing and bargaining power and raising the added value of products as well as reducing procurement costs.

5.2.2 The Production Procedures of Main Products

A. Major Products and Their Main Uses :

Major Products		Main Uses
Hard Lines Category	General Hand Tools (including axes, saws, wrenches, and pliers)	These are tools for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories.
	Gardening Tools (shovels and sprinklers)	Maintenance of gardens and beautifying home environment.
	Hardware Components (e.g. screws)	Spare parts necessary for general repair and maintenance.
Electrical Appliances	Ceiling fans, electric fans	Ventilation and Interior Decoration.
	Lamps and light fixtures (including wall lamps, table lamps and floor lamps)	Used for indoor or outdoor lighting and decoration.
	Other Electrical Accessories (e.g. Hair dryers, electric razors and infrared detectors)	Small personal or family electrical appliances for daily use.
House Ware Products	Bathroom and sanitary equipment, automotive repair and maintenance supplies, fireplace accessories, furniture, Christmas gifts, barbecue utensils	Products essential for the family or recreational products

Major Products		Main Uses
General merchandise for domestic market	OA Furniture (e.g. desks and office chairs)	Essential furniture for the office.
	Recreational Products (mainly bicycles and ice chests)	Leisure products that make life more fun.
	DIY TOOL	These are tools for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories.
	Automobile accessories and supplies (e.g. automobile mats and windshield wipers)	Accessories and general merchandise for cars.
	Stationery (e.g. office supplies, file folders and document holders)	Essential accessories and supplies for the office.

B. Major Products and Their Production Processes : N/A. The Company is engaged in the traditional trading industry and is not involved in manufacturing.

5.2.3 Supply Status of Main Materials

The Company does not manufacture any products, thus no issues exist with regard to supply of raw materials. Upstream suppliers are mainly manufacturers of hardware and hand tools, household products, furniture, office supplies, and IT products. The Company maintains long-term relationships and is on good terms with upstream suppliers. We collaborate with them extensively on product specifications and delivery dates, and the supply of products has not been a problem.

5.2.4 Major Suppliers and Clients

A. Major Suppliers Information for the Last Two Calendar Years

Unit : NT\$ thousand

Company Name	2011			2012		
	Amount	Percent	Relation with the Company	Amount	Percent	Relation with the Company
A Co.	2,183,132	17%	Subsidiary of TR	1,935,017	17%	Subsidiary of TR
B Co.	2,108,627	17%	Subsidiary of TR	1,736,328	15%	Subsidiary of TR
C Co.	1,929,750	15%	Subsidiary of TR	1,407,705	13%	Subsidiary of TR

B. Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years

5.2.5 Production over the Last Two Years : N/A: The Company is engaged in the traditional trading industry and is not involved in manufacturing.

5.2.6 Shipments and Sales over the Last Two Years

Unit : NTD\$ million

Year	2011		2012	
	Local	Export	Local	Export
	Amount	Amount	Amount	Amount
Major Products				
Hard Lines	0	2,236	0	1,995
Electrical	0	511	0	553
House ware	0	7,647	0	6,767
Seasonal & others	2,411	0	1,998	0
Commission	0	144	0	196
Rental	324	0	336	0
e-market place	0	0	57	0
Total	2,735	10,538	2391	9511

5.3 Human Resources

Year		2011	2012	Until April 30, 2013
No. of Employees		461	432	461
Average Age		39	40	40
Average Years of Service		8.1	8.65	7.97
Education	Ph.D.	0%	0%	0%
	Masters	13.81%	11.88%	12.03%
	Bachelor's Degree	74.52%	75.29%	73.94%
	Senior High School	10.95%	11.88%	13.14%
	Below Senior High School	0.72%	0.95%	0.89%

5.4 Labor Relations

(1) The Company's various employee welfare programs, education, training, retirement system, and their implementation; agreement between management and labor as well as the fulfillment of labor rights.

1. Employee Welfare Programs:

To promote the welfare of our employees and to create an environment in which our employees can enjoy working in, the Company established the Employee Welfare Committee on April 6, 1983 to implement various employee welfare activities. The sources of funding for the committee consist of 0.05% of the Company's total monthly revenue and 0.5% of employees' total monthly salary. In addition, the Company's employee welfare programs include healthcare plans, loans and employee stock ownership plans.

2. Employee Education and Training Programs

Continuous learning is one of the key factors that affect the survival of an enterprise in the marketplace. The company has a long-term, systematic training program that offers leadership courses for managers of various levels, key specialized training courses, and general knowledge courses. In addition, a corporate university consisting of a management college, a trade college, and a general knowledge college has been established by the company, with its human resources development system transformed into a learning organization. The program has been designed to work closely with the company's operating strategies and development needs. At the beginning of each year, the department in charge of training will submit an annual training program for approval. The training results are periodically evaluated to provide the basis for the drafting of the next program.

A. Management training: The courses are designed and categorized based on the skills required for the different levels of leadership management. Basic-level management courses focus on personnel management, with the aim of training internal lecturers, who will pass down the company's management philosophy and culture, based on the concept of leaders mentoring leaders. These courses include the roles and duties of executives, performance management, motivation, and interpersonal communication for executives. Mid-level management courses concentrate on teamwork and creating synergy through self-regulated team learning. Furthermore, the Action Learning technique is introduced for trainees to learn to simultaneously address organizational issues and fully apply what they have learned to their work. Examples include courses that teach trainees to establish teamwork, how to cultivate employees' potential, etc. High-level management courses are designed with an emphasis on forward-looking strategic thinking and self-improvement. Senior management is given advice on the operation of the company by the board members, with external consultants hired to help inspect the situations encountered and come up with countermeasures, in an effort to enable senior management to continue to develop strategies and look ahead as it endeavors to expand the company. At the same time, the company attaches much importance to the self-improvement of its senior executives. Based on individual needs, they are sent to participate in external humanistic and leadership training programs.

B. Specialized training: Specialized training roadmaps are drawn up based on various key specialized functions. A series of specialized courses on subjects including purchasing, marketing, and trading are designed for both beginners and advanced learners. In recent years, career roadmaps have been formulated to encourage employees to develop a second specialty and accumulate different kinds of

specialized experience. In addition, to enable employees to quickly adapt themselves to external changes, apart from internal training sessions the company periodically sends employees to external training sessions or workshops, in an attempt to raise their awareness of market changes and maintain their level of specialized skills. Moreover, the company provides employees with the opportunity to work overseas and subsidizes their foreign language learning expenses.

- C. General knowledge training and orientation: Various general knowledge courses for various levels of the management are designed based on individual employees' general knowledge functions, with the aim of helping them improve their efficiency. These courses include communication skills, presentation skills, work management, problem analysis and resolution, and customer service. The company attaches much importance to employees' level of identification with the company's culture. During orientation, senior executives personally introduce the company's development and strategies. Courses are also designed to introduce the company's values, so that employees understand that the company values 'honesty, responsibility, and humility.' In addition, a mentor system has been introduced to provide continuous attention to new employees and help them to quickly adapt to the company's environment.

Additionally, the company has introduced a digital learning platform, and developed a wide variety of e-learning courses to provide employees with diverse learning channels and resources.

Training programs	Training sessions	attendees	Training Hours	Training expense
General knowledge training	32	621	4,006	3,743,000
Specialized training	24	811	4,029	
Management training	6	106	3,296	
Total	62	1,538	11,331	

3. Retirement programs and status of implementation:

The Labor Standards Act is applicable to the Company. However, in order to reward our employees for their dedication and to protect their livelihood, the Company established an Employee Pension Plan in 1982. Prior to 1991, 8% of actual total gross salary matched by the Company was set aside in a dedicated account for the pension plan, and starting in 1992, the percentage was changed to 4%. The Company has a sound retirement program, and according to the actuarial report, the fair value of the assets in our pension plan is NT\$41,315,000 as of year-end 2011. In addition, pursuant to the Labor Pension Act, the Company has adopted the new pension system and has been setting aside 6% of employees' monthly salary as employee pension since July 1, 2005.

4. Labor-management agreement:

The provisions of the Labor Standards Act apply to the Company, and labor-related affairs are carried out in accordance with this Act. An employee suggestion box has been set up to take into consideration the opinions of employees and to address their complaints, as well as to solicit feedback and recommendations from them as the basis for improving the Company's operations going forward. Since the Company has always attached great importance to employee welfare and valued two-way communication with employees, we have had very amicable labor relations since the Company's inception and there have not been any incidents of labor dispute.

5. Fulfillment of labor rights and interests

The Company has established a set of human resources management guidelines and has been reinforcing the rules contained therein to protect the rights and interests of our employees.

- (2) As of the current fiscal year up to the date of publication of the annual report, all losses due to labor disputes shall be reported and the estimated amount of losses likely to occur at present and in the future as well as corresponding measures adopted by the Company shall be disclosed. If it is not possible to provide a reasonable estimate, the reasons should be clearly stated:

For the past two years and up to the present, the Company has suffered no losses due to labor disputes. It is difficult to provide a reasonable estimate to current or future losses. However, the Company is committed to strengthening communication with employees and we intend to maintain benefit programs that are satisfactory to them so as to promote more harmonious labor relations and to reduce the likelihood of any labor disputes in the future.

5.5 Important Contracts

As of Dec. 31, 2012

Agreement	Counterparty	Period	Major Contents	Restrictions
AR Factoring Agreement	Taishin International Bank	May 31,2012 to May 31,2013	The agreement declared that the bank has no right of further recourse against Test-Rite.	According to the agreement, the bank should pay 90% of the proceeds to Test-Rite at the time of sale. Test-Rite only has to be responsible for loss that resulted from business disputes.
Lease Agreement	Tsai Wang Enterprise Company Limited	December 26, 2011 to December 25,2017	Lease TR building	The yearly rent for the building is NTD\$28,000 million. During leasing year, the yearly rental has to be increased by 3% of previous year agreement
Long-term debt	The First Bank's Syndicate Loan	June 24, 2011 to June 24, 2016.	Unsecured loan	Total Liabilities Ratio not more than 200%. Current Ratio not less than 100%. EBITDA Ratio less than 250%. Minimum Tangible Net Worth not less than \$5,200,000 thousand.
Long-term debt	Bank SinoPac Co., Ltd.	June 18, 2012 to June 18, 2015.	Unsecured loan	Total Liabilities Ratio not more than 200%. Current Ratio not less than 100%. EBITDA Ratio less than 250%. Minimum Tangible Net Worth not less than \$5,200,000 thousand.
Long-term debt	Taishin International Bank	Sep. 19, 2012 to Sep. 19, 2014 June 20, 2011 to July 20, 2013.	Unsecured loan	Total Liabilities Ratio not more than 200%. Current Ratio not less than 100%.
Long-term debt	Jihsun Bank	December 29, 2011 to July 1, 2013.	Unsecured loan	Total Liabilities Ratio not more than 200%. Current Ratio not less than 100%.
Long-term debt	Taiwan Business Bank	November 22, 2010 to November 22, 2015.	Unsecured loan	N.A.
Long-term debt	Shanghai Commercial & Savings Bank	November 22, 2010 to November 22, 2014	Unsecured loan	N.A.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Unit : NTD\$ thousand

Item		Year	March 31, 2013 (note)
Current Assets			10,786,782
Property, Plant and Equipment			6,185,200
Intangible Assets			188,467
Other Assets			5,134,058
Total Assets			22,294,507
Current Liabilities	Before allocation		10,319,835
	After allocation		-
Non-Current Liabilities			5,051,607
Total Liabilities	Before allocation		15,371,442
	After allocation		-
Equity attributable to owners of the parent			6,895,920
Capital Stock			5,219,555
Capital Surplus			694,476
Retained Earnings	Before allocation		1,713,747
	After allocation		-
Other Equity			(2,734)
Treasury Stock			(729,124)
Non-Controlling Interest			27,145
Total Equity	Before allocation		6,923,065
	After allocation		-

Note : 1Q/2013 financial data have been reviewed by independent auditors.

6.1.2 Condensed Balance Sheet-ROC GAAP

Unit : NTD\$ thousand

Item \ Year		Five-Year Financial Summary				
		2008	2009	2010	2011	2012(note1)
Current assets		4,837,116	3,624,004	3,585,822	5,423,893	4,305,395
Funds & Long-term investments		8,533,082	8,923,554	9,640,944	9,555,569	8,323,373
Fixed assets		594,648	623,274	609,447	592,999	571,917
Intangible assets		12,168	48,609	63,453	53,836	53,994
Other assets		732,288	773,712	682,149	686,926	652,917
Total assets		14,709,302	13,993,153	14,581,815	16,313,223	13,907,596
Current liabilities	Before allocation	2,385,572	1,760,559	1,574,074	2,009,690	2,723,659
	After allocation	2,539,141	1,886,384	1,911,510	2,397,228	3,249,714
Long-term liabilities		4,500,000	3,966,667	4,819,980	5,950,590	3,319,760
Other liabilities		2,478,213	2,230,744	1,847,846	1,610,156	1,118,216
Total liabilities	Before allocation	9,363,785	7,957,970	8,241,900	9,570,436	7,161,635
	After allocation	9,517,354	8,083,795	8,579,336	9,957,974	7,687,690
Capital stock	Before allocation	4,736,660	5,312,228	5,164,228	5,074,228	5,219,555
	After allocation	4,812,228	5,312,228	5,164,228	5,219,555	5,219,555
Capital surplus		520,130	721,731	701,623	694,476	694,476
Retained earnings	Before allocation	910,300	833,878	1,082,099	1,354,667	1,511,339
	After allocation	675,440	708,053	744,663	821,802	985,284
Unrealized gain or loss on financial instruments		(9,385)	(267)	(4,134)	1,682	25
Cumulative translation adjustments		121,037	120,332	84,896	133,069	109,560
Net loss unrecognized as pension cost		(35,928)	(55,422)	(72,380)	(104,021)	(59,870)
Unrealized revaluation increments		0	0	0	25,825	0
Treasury stock		(897,297)	(897,297)	(616,417)	(437,139)	(729,124)
Total shareholders' equity	Before allocation	5,345,517	6,035,183	6,339,915	6,742,787	6,745,961
	After allocation	5,191,948	5,909,358	6,002,479	6,355,249	6,219,906

Note1 : The earnings allocation plan is passed by the board of directors on March 28, 2013 and is up for voting at the shareholders' meeting.

Note2 : 2008-2012 financial data have been duly audited by independent auditors.

6.1.3 Condensed Statement of Income

Unit : NTD\$ thousand

Item	Year	March 31, 2013 (note)
Revenue		8,868,902
Operating revenue		2,576,967
Gross profit		274,999
Non-operating income and expense		1,353
Income before tax		276,352
Income from operations of continued segments - after tax		0
Income from discontinued operations		0
Profit or loss for the period		248,482
Other comprehensive income		25,714
Total comprehensive income		274,196
Allocations of profit or loss for the period attributable to owners of the parent.		245,376
Allocations of profit or loss for the period attributable to non-controlling interest.		3,106
Allocations of total comprehensive income for the period attributable to owners of the parent.		266,126
Allocations of total comprehensive income for the period attributable to non-controlling interest.		8,070
Earnings per share		0.50

Note : 1Q/2013 financial data have been reviewed by independent auditors.

6.1.4 Condensed Statement of Income-ROC GAAP

Unit : NTD\$ thousand

Item \ Year	Five-Year Financial Summary				
	2008	2009	2010	2011	2012
Operating revenue	13,517,390	10,627,889	11,513,995	13,272,554	11,902,223
Gross profit	2,220,850	1,961,003	2,233,536	2,490,684	2,396,207
Income from operations	340,745	166,638	222,257	315,212	300,358
Non-operating income	376,692	283,473	534,982	538,244	742,770
Non-operating expenses	411,824	284,340	140,521	182,923	290,491
Income from operations of continued segments - before tax	305,613	165,711	616,718	670,533	752,637
Income from operations of continued segments - after tax	285,113	136,771	486,818	636,133	689,537
Income from discontinued operations	0	0	0	0	0
Extraordinary gain or loss	0	0	0	0	0
Cumulative effect of accounting principle changes	0	0	0	0	0
Net income	285,113	136,771	486,818	636,133	689,537
Earnings per share	0.62	0.30	0.98	1.23	1.40

Note : 2008-2012 financial data have been duly audited by independent auditors.

6.1.5 Auditors' Opinions from 2008 to 2012

Year	CPA's Name	CPA's Opinion
2008	YU, HONG-BIN, LU, CHI-CHANT	Modified Unqualified opinion
2009	YU, HONG-BIN, LU, CHI-CHANT	Unqualified opinion
2010	YU, HONG-BIN, LU, CHI-CHANT	Unqualified opinion
2011	YU, HONG-BIN, HUNG, KUO-TIEN	Unqualified opinion
2012	HUNG, KUO-TIEN, WU, KER-CHANG	Unqualified opinion

6.2.1 Five-Year Financial Analysis

Item		Year	March 31, 2013(note)
Financial structure (%)	Ratio of liabilities to assets		68.95
	Ratio of long-term capital to Property, Plant and Equipment		193.60
Solvency (%)	Current ratio		104.52
	Quick ratio		55.29
	Times interest earned ratio		9.15
AR/AP (turnover)	Accounts receivable turnover (turns)		-
	Average collection period		-
	Inventory turnover (turns)		-
	Accounts payable turnover (turns)		-
	Average days in sales		-
	Property, Plant and Equipment turnover (turns)		-
	Total assets turnover (turns)		-
Profitability	Return on total assets (%)		-
	Return on stockholders' equity (%)		-
	Ratio to issued capital (%)	Operating profit	5.27
		Pretax income	5.29
	Profit ratio (%)		2.80
Cash flow	Earnings per share (\$)		0.50
	Cash flow ratio (%)		-
	Cash flow adequacy ratio (%)		-
Leverage	Cash reinvestment ratio (%)		-
	Operating leverage		-
		Financial leverage	1.14

Note : 1Q/2013 financial data have been reviewed by independent auditors.

6.2.2 Five-Year Financial Analysis-ROC GAAP

Year		Financial analysis in the past five years				
Item		2008	2009	2010	2011	2012
Financial structure (%)	Ratio of liabilities to assets	63.66	56.87	56.52	58.67	51.49
	Ratio of long-term capital to fixed assets	1,655.69	1,604.73	1,831.15	2,140.54	1,760.00
Solvency (%)	Current ratio	202.77	205.84	227.81	269.89	158.07
	Quick ratio	194.22	194.97	210.93	245.39	145.47
	Times interest earned ratio	2.33	2.8	9.27	8.21	9.48
AR/AP (turnover)	Accounts receivable turnover (turns)	4.53	3.76	4.57	4.17	3.45
	Average collection period	81	97	80	88	105.79
	Inventory turnover (turns)	128.86	121.66	134.38	92.88	63.85
	Accounts payable turnover (turns)	11.75	9.64	11.54	11.79	6.87
	Average days in sales	3	3	3	4	6
	Fixed assets turnover (turns)	22.96	17.45	18.68	22.08	20.43
	Total assets turnover (turns)	0.9	0.74	0.81	0.86	0.79
Profitability	Return on total assets (%)	3.04	1.44	3.84	4.62	5.05
	Return on stockholders' equity (%)	4.98	2.4	7.87	9.72	10.22
	Ratio to issued capital (%)	Operating profit	7.1	3.14	4.30	6.21
		Pretax income	6.45	3.12	11.94	13.21
	Profit ratio (%)	2.11	1.29	4.23	4.79	5.79
Cash flow	Earnings per share (\$)	0.65	0.31	1.01	1.27	1.40
	Cash flow ratio (%)	13.97	31.88	19.83	18.47	96.76
	Cash flow adequacy ratio (%)	26.02	23.36	21.16	17.49	42.55
Leverage	Cash reinvestment ratio (%)	(0.75)	3.31	1.41	0.23	19.82
	Operating leverage	3.52	6.75	5.26	4.43	4.37
	Financial leverage	3.14	2.24	1.51	1.42	1.42

Note 1 : 2008-2012 financial data have been duly audited by independent auditors.

Note 2 : Formulas for the above table:

1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term capital to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest cover = Income before interest and tax / Interest expense

3. A/R, A/P and other turnover ratios

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover ratio

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover ratio

(6) Fixed asset turnover = Net revenue / Net fixed assets

(7) Total asset turnover = Net revenue / Total assets

4. Profitability

(1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net sales

(4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

5. Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use 0 if working capital value is negative)

6. Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

6.3 Supervisors' Report in the Most Recent Year

To: The General Meeting of Shareholders as of year 2012

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2012, and found the same to be true and correct. Therefore, the Supervisors' Report is hereby issued in accordance with Article 219 of Company Law.

Test Rite International Co., Ltd.

Supervisors: Tsai-Chi Co., Ltd.

Representative: Mr. Yung-Chi Lai

Representative: Mr. Hsueh-Hsin Liao,

March 28, 2013

6.4 Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Test-Rite International Co., Ltd.

We have audited the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 28, 2013

Notice to Readers

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,881,727	8	\$ 2,095,773	8	Short-term bank borrowings (Note 16)	\$ 1,764,129	8	\$ 3,397,071	12
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	299,925	1	249,736	1	Short-term bills payable (Note 17)	-	-	159,842	1
Available-for-sale financial assets, current (Notes 2 and 6)	-	-	2,141	-	Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	21,085	-	33,755	-
Notes receivable (Notes 2 and 7)	5,207	-	39,343	-	Notes payable	18,372	-	21,100	-
Accounts receivable (Notes 2 and 7)	2,406,456	11	2,922,471	11	Accounts payable	4,512,979	20	4,450,756	16
Other receivables (Note 8)	364,285	2	310,823	1	Income tax payable (Notes 2 and 27)	134,184	1	180,359	1
Other financial assets, current	599	-	613	-	Other payables (Note 18)	2,147,951	9	1,860,066	7
Inventories (Notes 2 and 9)	4,840,887	21	5,928,469	21	Liability component of preferred stocks, current (Note 21)	-	-	335,361	1
Prepayments	547,474	2	915,460	3	Advance receipt	411,071	2	457,602	2
Other current assets	<u>129,729</u>	<u>1</u>	<u>260,980</u>	<u>1</u>	Current portion of long-term debt (Note 20)	200,000	1	-	-
Total current assets	<u>10,476,289</u>	<u>46</u>	<u>12,725,809</u>	<u>46</u>	Other current liabilities (Note 19)	<u>405,890</u>	<u>2</u>	<u>582,137</u>	<u>2</u>
LONG-TERM INVESTMENTS					Total current liabilities	<u>9,615,661</u>	<u>43</u>	<u>11,478,049</u>	<u>42</u>
Long-term equity investments at equity method (Note 10)	-	-	1	-	LONG-TERM LIABILITIES				
Available-for-sale financial assets, noncurrent (Note 11)	-	-	30,450	-	Long-term debt (Note 20)	<u>5,013,197</u>	<u>22</u>	<u>7,150,590</u>	<u>26</u>
Financial assets carried at cost, noncurrent (Note 12)	73,709	1	109,989	1	ESTIMATED LAND VALUE INCREMENT TAX PAYABLE	<u>-</u>	<u>-</u>	<u>41,791</u>	<u>-</u>
Bond investments without active market, noncurrent (Note 13)	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	OTHER LIABILITIES				
Total long-term investments	<u>123,709</u>	<u>1</u>	<u>190,440</u>	<u>1</u>	Accrued pension cost (Notes 2 and 22)	85,667	-	291,829	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 14)					Refundable deposits received	180,471	1	157,853	1
Cost					Deferred credit (Note 14)	939,154	4	1,173,942	4
Land	527,853	2	664,663	3	Other liabilities - others	<u>31,536</u>	<u>-</u>	<u>37,654</u>	<u>-</u>
Buildings and improvements	2,351,429	11	3,373,492	12	Total other liabilities	<u>1,236,828</u>	<u>5</u>	<u>1,661,278</u>	<u>6</u>
Machinery and equipment	70,472	-	921,239	3	Total liabilities	<u>15,865,686</u>	<u>70</u>	<u>20,331,708</u>	<u>74</u>
Transportation equipment	59,256	-	106,930	-	EQUITY ATTRIBUTED TO STOCKHOLDERS OF THE PARENT				
Other equipment	<u>8,542,764</u>	<u>38</u>	<u>8,587,202</u>	<u>31</u>	Capital stock (Note 23)				
Total cost	11,551,774	51	13,653,526	49	Common stock	5,219,555	23	5,074,228	18
Revaluation increments	-	-	148,423	1	Capital surplus				
Less accumulated depreciation	(5,490,749)	(24)	(6,153,069)	(22)	Additional paid-in capital	689,395	3	689,395	2
Prepayments for property, plant and equipment	<u>100,948</u>	<u>-</u>	<u>60,187</u>	<u>-</u>	Treasury stock transactions (Notes 2 and 25)	5,081	-	5,081	-
Property, plant and equipment, net	<u>6,161,973</u>	<u>27</u>	<u>7,709,067</u>	<u>28</u>	Retained earnings (Note 24)				
INTANGIBLE ASSETS (Note 2)					Legal reserve	805,210	4	744,159	3
Computer software cost	219,730	1	209,675	1	Unappropriated earnings	706,129	3	610,508	2
Goodwill	2,880,444	13	3,647,854	13	Other adjustments of stockholders' equity				
Deferred pension cost (Notes 2 and 22)	376	-	19,692	-	Cumulative translation adjustments (Note 2)	109,560	-	133,069	1
Other intangible assets	<u>68,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	Net loss not recognized as pension costs (Note 2)	(59,870)	-	(104,021)	-
Total intangible assets	<u>3,169,287</u>	<u>14</u>	<u>3,877,221</u>	<u>14</u>	Unrealized holding gain on available-for-sale financial assets (Note 2)	25	-	1,682	-
OTHER ASSETS (Notes 2 and 15)					Unrealized revaluation increment	-	-	25,825	-
Refundable deposits paid	841,804	4	833,364	3	Treasury stock (Notes 2 and 25)	<u>(729,124)</u>	<u>(3)</u>	<u>(437,139)</u>	<u>(2)</u>
Deferred income tax assets, noncurrent (Note 27)	1,028,117	4	1,002,504	4	Total equity attributed to stockholders of the parent	6,745,961	30	6,742,787	24
Other assets - others	<u>829,543</u>	<u>4</u>	<u>1,224,003</u>	<u>4</u>	MINORITY INTEREST	<u>19,075</u>	<u>-</u>	<u>487,913</u>	<u>2</u>
Total other assets	<u>2,699,464</u>	<u>12</u>	<u>3,059,871</u>	<u>11</u>	Total stockholders' equity	<u>6,765,036</u>	<u>30</u>	<u>7,230,700</u>	<u>26</u>
TOTAL	<u>\$ 22,630,722</u>	<u>100</u>	<u>\$ 27,562,408</u>	<u>100</u>	TOTAL	<u>\$ 22,630,722</u>	<u>100</u>	<u>\$ 27,562,408</u>	<u>100</u>

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$ 35,247,274	100	\$ 35,877,572	100
OPERATING COST	<u>24,664,192</u>	<u>70</u>	<u>25,038,562</u>	<u>70</u>
GROSS PROFIT	10,583,082	30	10,839,010	30
OPERATING EXPENSES	<u>9,739,286</u>	<u>28</u>	<u>9,936,960</u>	<u>28</u>
OPERATING INCOME	<u>843,796</u>	<u>2</u>	<u>902,050</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Interest income	16,960	-	20,947	-
Investment income recognized under equity method (Notes 2 and 10)	6,798	-	-	-
Gain on disposal of property, plant and equipment	320	-	297	-
Gain on sale of investments, net	48,482	-	-	-
Foreign exchange gain, net	194,698	-	89,328	-
Gain on valuation of financial assets	-	-	37,641	-
Gain on valuation of financial liabilities	11,588	-	10,273	-
Others	<u>194,986</u>	<u>1</u>	<u>304,529</u>	<u>1</u>
Total nonoperating income and gains	<u>473,832</u>	<u>1</u>	<u>463,015</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	193,299	1	210,536	1
Investment loss recognized under equity method (Notes 2 and 10)	-	-	2,789	-
Loss on disposal of property, plant and equipment	5,621	-	12,242	-
Loss on disposal of investments, net	-	-	3,437	-
Amortization of liability component of preferred stocks, noncurrent	5,229	-	8,365	-
Dividends paid on liability component of preferred stocks, noncurrent	8,726	-	14,000	-
Impairment loss	-	-	3,713	-
Investment loss	1,717	-	-	-
Loss on valuation of financial assets	164,356	-	-	-
Others	<u>66,407</u>	<u>-</u>	<u>167,961</u>	<u>-</u>
Total nonoperating expenses and losses	<u>445,355</u>	<u>1</u>	<u>423,043</u>	<u>1</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 872,273	2	\$ 942,022	2
INCOME TAX EXPENSE (Notes 2 and 27)	<u>(122,033)</u>	<u>-</u>	<u>(128,917)</u>	<u>-</u>
TOTAL CONSOLIDATED NET INCOME	<u>\$ 750,240</u>	<u>2</u>	<u>\$ 813,105</u>	<u>2</u>
ATTRIBUTED TO				
Parent company's stockholders	\$ 689,537	2	\$ 636,133	2
Minority interest	<u>60,703</u>	<u>-</u>	<u>176,972</u>	<u>-</u>
	<u>\$ 750,240</u>	<u>2</u>	<u>\$ 813,105</u>	<u>2</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 23)				
Basic earnings per share before distribution to minority interest	<u>\$ 1.77</u>	<u>\$ 1.52</u>	<u>\$ 1.82</u>	<u>\$ 1.57</u>
Basic earnings per share attributed to parent company's stockholders		<u>\$ 1.40</u>		<u>\$ 1.23</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 23)				
Diluted earnings per share before distribution to minority interest	<u>\$ 1.75</u>	<u>\$ 1.51</u>	<u>\$ 1.81</u>	<u>\$ 1.56</u>
Diluted earnings per share attributed to parent company's stockholders		<u>\$ 1.39</u>		<u>\$ 1.22</u>

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

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	Other Adjustments of Stockholders' Equity											
	Capital Surplus			Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Unrealized Holding Gain (Loss) on Available-for-sale Financial Assets	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	Total
	Capital Stock Common Stock	Additional Paid-in Capital	Treasury Stock Transactions	Legal Reserve	Unappropriated Earnings							
BALANCE, JANUARY 1, 2011	\$ 5,164,228	\$ 701,623	\$ -	\$ 706,610	\$ 375,489	\$ 84,896	\$ (72,380)	\$ (4,134)	\$ -	\$ (616,417)	\$ 393,598	\$ 6,733,513
Appropriation and distribution of 2010 net income (Note 23)												
Legal reserve	-	-	-	37,549	(37,549)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(337,436)	-	-	-	-	-	-	(337,436)
Treasury stock transfer to employees (Notes 2 and 25)	-	-	93,189	-	-	-	-	-	-	445,612	-	538,801
Acquisition of treasury stock (Notes 2 and 25)	-	-	-	-	-	-	-	-	-	(456,670)	-	(456,670)
Retirement of treasury stock (Note 25)	(90,000)	(12,228)	(88,108)	-	-	-	-	-	-	190,336	-	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	48,173	-	-	-	-	(8,528)	39,645
Net loss not recognized as pension costs	-	-	-	-	-	-	(31,641)	-	-	-	1,617	(30,024)
Unrealized valuation gain of available-for-sale financial assets	-	-	-	-	-	-	-	5,816	-	-	(52)	5,764
Land revaluation increment	-	-	-	-	-	-	-	-	25,825	-	13,032	38,857
Change in equity in investee's net assets	-	-	-	-	(26,129)	-	-	-	-	-	26,129	-
Minority interest	-	-	-	-	-	-	-	-	-	-	(114,855)	(114,855)
Total consolidated income for 2011	-	-	-	-	636,133	-	-	-	-	-	176,972	813,105
BALANCE, DECEMBER 31, 2011	5,074,228	689,395	5,081	744,159	610,508	133,069	(104,021)	1,682	25,825	(437,139)	487,913	7,230,700
Appropriation and distribution of 2011 net income (Note 23)												
Legal reserve	-	-	-	61,051	(61,051)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(387,538)	-	-	-	-	-	-	(387,538)
Stock dividends	145,327	-	-	-	(145,327)	-	-	-	-	-	-	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	(23,509)	-	-	-	-	(18,240)	(41,749)
Adjustment to net loss not recognized as pension costs due to disposal of investments	-	-	-	-	-	-	43,122	-	-	-	(1,617)	41,505
Net loss not recognized as pension cost	-	-	-	-	-	-	1,029	-	-	-	-	1,029
Unrealized valuation loss of available-for-sale financial assets	-	-	-	-	-	-	-	(1,657)	-	-	52	(1,605)
Adjustment to unrealized revaluation increment due to disposal of investments	-	-	-	-	-	-	-	-	(25,825)	-	(13,032)	(38,857)
Acquisition of treasury stock (Notes 2 and 25)	-	-	-	-	-	-	-	-	-	(291,985)	-	(291,985)
Minority interest	-	-	-	-	-	-	-	-	-	-	(496,704)	(496,704)
Total consolidated income for 2012	-	-	-	-	689,537	-	-	-	-	-	60,703	750,240
BALANCE, DECEMBER 31, 2012	<u>\$ 5,219,555</u>	<u>\$ 689,395</u>	<u>\$ 5,081</u>	<u>\$ 805,210</u>	<u>\$ 706,129</u>	<u>\$ 109,560</u>	<u>\$ (59,870)</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ (729,124)</u>	<u>\$ 19,075</u>	<u>\$ 6,765,036</u>

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	\$ 750,240	\$ 813,105
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred charges on long-term debt	-	300
Depreciation and amortization	815,325	989,960
Amortization of liability component of preferred stocks, noncurrent	5,229	8,365
Loss (gain) on valuation of financial assets	164,356	(37,641)
Gain on valuation of financial liabilities	(11,588)	(10,273)
Investment (gain) loss recognized under equity method	(6,798)	2,789
Net (gain) loss on disposal of available-for-sale financial assets, noncurrent	(3,348)	4,334
Impairment loss	-	3,713
Investment loss	1,717	-
Net loss on disposal of property, plant and equipment	5,170	11,810
Loss on abandoned property, plant and equipment	131	135
Amortization of unrealized gain on sale-leaseback	(234,788)	(234,788)
Compensation cost of employee stock options	-	54,239
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	(214,545)	387,270
Available-for-sale financial assets, current	1,935	-
Notes receivable	34,136	24,627
Accounts receivable	219,542	(800,016)
Other receivables	(53,462)	(31,559)
Other financial assets, current	14	(444)
Inventories	519,035	(1,192,739)
Prepayments	367,986	(154,423)
Deferred income tax assets, current	(9,923)	8,230
Other current assets	50,744	(66,215)
Deferred income tax assets, noncurrent	(25,613)	(110,324)
Other assets	338,284	(92,962)
Financial liabilities at fair value through profit or loss, current	(1,082)	28,794
Notes payable	(2,728)	4,830
Accounts payable	382,065	1,254,293
Income tax payable	(46,175)	29,575
Other payables	279,130	213,637
Advance receipt	(46,531)	372,758
Deferred income tax liabilities, current	(12,000)	12,000
Other current liabilities	(164,247)	161,101
Deferred income tax liabilities, noncurrent	-	262
Accrued pension cost	(186,846)	(6,119)
Other liabilities	207,089	(10,382)
Net cash provided by operating activities	<u>3,122,454</u>	<u>1,638,242</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in available-for-sale financial assets, noncurrent	\$ 30,458	\$ 348
Proceeds from decreased capital stock of financial assets carried at cost, noncurrent	635	2,195
Acquisition of property, plant and equipment	(572,348)	(2,253,277)
Proceeds from disposal of property, plant and equipment	8,304	-
Increase in intangible assets	(68,737)	-
Increase in goodwill	(699,555)	(11,476)
(Increase) decrease in refundable deposits paid	(8,440)	11,413
Increase in deferred charges	<u>(87,979)</u>	<u>(196,552)</u>
Net cash used in investing activities	<u>(1,397,662)</u>	<u>(2,447,349)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bank borrowings	(1,275,677)	528,653
(Decrease) increase in short-term bills payable	(29,923)	118,842
Proceeds from long-term debt	7,504,155	4,600,590
Repayment of long-term debt	(9,442,595)	(3,122,698)
Increase in refundable deposits received	22,618	54,007
Payment of cash dividends	(387,538)	(337,436)
Proceeds from treasury stock transferred to employees	-	484,562
Acquisition of treasury stock	(291,985)	(456,670)
Decrease in minority interest	<u>(116,678)</u>	<u>(114,855)</u>
Net cash provided by (used in) financing activities	<u>(4,017,623)</u>	<u>1,754,995</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(30,858)	38,615
NET CASH PROVIDED BY SALE OF TONG LUNG METAL INDUSTRY CO., LTD.	<u>2,109,643</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(214,046)	984,503
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,095,773</u>	<u>1,111,270</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,881,727</u>	<u>\$ 2,095,773</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	<u>\$ 190,654</u>	<u>\$ 218,534</u>
Income tax	<u>\$ 124,765</u>	<u>\$ 186,949</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	2012	2011
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on long-term equity investments	\$ (5,031)	\$ 1,030
Adjustment to net loss not recognized as pension cost due to disposal of investments	\$ 43,122	\$ -
Net loss not recognized as pension costs	\$ 1,029	\$ (30,024)
Unrealized (loss) gain on available-for-sale financial assets	\$ (1,605)	\$ 5,764
Transfer of long-term equity investments to deferred credits	\$ (1,478)	\$ 1,478
Current portion of long-term debt	\$ 200,000	\$ -
Land revaluation increment	\$ -	\$ 38,857
Adjustment to unrealized revaluation reserve due to disposal of investments	\$ (38,857)	\$ -
Retirement of treasury stock	\$ -	\$ 190,336
CASH PAID DURING THE YEAR FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment acquired	\$ 581,103	\$ 2,113,912
Add liabilities for acquisition of property, plant and equipment at the beginning of year	67,684	207,049
Deduct liabilities for acquisition of property, plant and equipment at the end of year	(76,439)	(67,684)
Cash paid during the year for acquisition of property, plant and equipment	\$ 572,348	\$ 2,253,277

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

In 2012, at the date of disposal of subsidiary - Tong Lung Metal Industry Co., Ltd., the fair value of the assets and liabilities are summarized as follows:

	Amount
Cast	\$ 160,986
Available-for-sale financial assets, current	1,863
Accounts receivable	296,473
Inventory	568,547
Other current assets	90,430
Financial assets carried at cost, noncurrent	33,223
Property, plant and equipment	1,242,691
Goodwill	1,470,222
Other assets	179,038
Short-term bank borrowings	(357,265)
Short-term bills payable	(129,919)
Accounts payable	(319,842)
Current portion of long-term debt	(339,543)
Other liabilities	(253,533)
Minority interest	<u>(380,026)</u>
Total cost of disposal of Tong Lung Metal Industry Co., Ltd.	2,263,345
Less: Balance of cash from Tong Lung Metal Industry Co., Ltd.	(160,986)
Add: Gain on disposal of subsidiary	<u>7,284</u>
Cash from disposal of Tong Lung Metal Industry Co., Ltd.	<u>\$ 2,109,643</u>

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

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

Test-Rite International Co., Ltd. (“Test-Rite”) was established in August 1978.

Test-Rite is engaged mainly in the import and export of hand tools, auto parts, machinery, furniture, and various home appliances. Test-Rite’s marketplaces are primarily located in the United States of America, Canada, Great Britain, France, Germany, Australia, etc.

The Taiwan Securities and Futures Commission approved in February 1993 Test-Rite’s application for stock listing in the Taiwan Stock Exchange.

Information of Subsidiaries

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated Financial Statement in 2012 and 2011
			2012.12.31	2011.12.31	
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	Acquisition in August 2012
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	100.00	
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Pte. Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Int’l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Vietnam Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Canada Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite (UK) Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Development Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Upmaster Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	-	
Test-Rite Int’l (U.S.) Co., Ltd.	Directly and indirectly held 100.00%	Investment holding company	88.04	49.00	
B&S Link Co., Ltd. (Cayman)	Indirectly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Int’l (Thailand) Ltd.	Directly held 48.99% and controllable investee	Importation and exportation	48.99	48.99	
Lih Chiou Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Lih Teh International Co., Ltd.	Directly held 100.00%	Logistics services	100.00	100.00	
B&S Link Co., Ltd.	Directly held 100.00%	Providing information software and electronic information	100.00	100.00	
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	
Test-Rite Retail Co., Ltd.	Directly and indirectly held 100.00%	Sale of house decoration hardware and construction materials	100.00	100.00	

(Continued)

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated
			2012.12.31	2011.12.31	

					Financial Statement in 2012 and 2011
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 68.27%	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) kitchen and bathroom equipment (4) import and export business related to the aforementioned products	-	68.27	Disposal in August 2012
Hola Homefurnishings Co., Ltd.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Homy Homefurnishings Co., Ltd.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Freer Inc.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Tony Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Build and civil engineering	100.00	100.00	
Test Cin M&E Engineering Co., Ltd.	Chung Chin Enterprise held 100.00%	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Interior Design Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Interior design	100.00	100.00	
Viet Han Co., Ltd.	Chung Chin Enterprise held 51.00%	Importation and exportation	51.00	51.00	
Test-Rite Home Service Co., Ltd.	Test-Rite Retail held 100.00%	Interior design	100.00	100.00	
Lucky International (Samoa) Ltd.	Tong Lung Metal Industry held 100%	Investment	-	68.27	Disposal in August 2012
Tong Lung (Philippines) Metal Industry Co., Inc.	Lucky International (Samoa) Ltd. held 100%	The manufacture and fabrication of various lock	-	68.27	Disposal in August 2012

(Concluded)

As of December 31, 2012 and 2011, Test-Rite and subsidiaries (collectively, the “Company”) had 6,290 and 8,324 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the 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 financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

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

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of Test-Rite and its subsidiaries (see Note 1). All significant intercompany balances and transactions have been eliminated upon consolidation. For the information about the subsidiaries and reasons for not including in consolidated financial statements in 2012 and 2011, please see Note 1.

- a. The subsidiaries not included in the consolidated financial statements for 2012 and 2011: All subsidiaries were included.
- b. The difference in the fiscal period between parent company and subsidiaries: None.
- c. Special risks of business operation of subsidiaries overseas: None.

Foreign Currencies

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

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

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

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

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

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

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

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

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

Accounting Estimates

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, sales discounts, allowance for loss on inventories, depreciation and impairment of property, plant and equipment, income tax, pension cost, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

Current/Noncurrent Assets and Liabilities

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

Cash and Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss, Current

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

Financial instruments at FVTPL are initially measured at fair value plus transaction cost. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

Marketable securities are stated at the closing price at the balance sheet date. The fair value of open-end mutual fund, oversea mutual fund and REITs are the published fair value per unit at the balance sheet date. The fair value of bonds is determined by prices quoted by the Taiwan GrEai Securities Market.

Impairment of Accounts Receivable

On January 1, 2011, the Company 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 Company 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.

Factoring of Accounts Receivable

According to Statement of Financial Accounting Standards No. 33 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a transfer of financial assets (all or a portion of a financial asset) in which the transferor surrenders control over those financial assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by category, except where it may be appropriate to group similar or related categories. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded using the moving average method; the allowance for inventory devaluation is established by examining the inventory aging and turnover ratio on the balance sheet date.

Real estate and construction in progress are stated at carrying cost or construction cost by construction project. Interest is capitalized during the construction period.

Constructions in progress and advance construction receipts related to the same construction should be netted. If the netted amount is a debit balance, then it should be recorded in construction in progress, whereas credit balance should be recorded in advance construction receipts.

Long-term Equity Investments at Equity Method

Investments in companies in which the Company's ownership interest is 20% or more, or where the Company can exercise significant influence, are accounted for using the equity method of accounting.

Under the equity method of accounting, 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 excess of the cost of the investment over the fair value of identifiable net assets, representing goodwill, is not amortized but tested for impairment annually.

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

If the Company's share of an investee company's losses equals to or exceeds the carrying amount of an investment accounted for under the equity method and the Company guarantees obligations of an investee company, or is otherwise committed to provide further financial support to an investee company, or an investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company continues to recognize investment losses in proportion to the stock ownership percentage. Such credit balance on the book value of long-term equity investments is treated as a liability on the balance sheet.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment to stockholders' equity. When the financial assets are derecognized, the related accumulated fair value changes are recognized in the profit or loss. All regular way purchase or sale of financial assets are recognized and derecognized on a trade date basis.

Marketable securities are stated at the closing price at the balance sheet date. Open-end mutual fund and REITs are stated at the published fair value per unit at the balance sheet date.

The recognition, derecognition and the fair value base of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are accounted for as reductions of the carrying amount of the investment if they are received in the year of acquisition; otherwise, they are recognized as dividend revenue if received after the year of acquisition. Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence showing that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss.

Financial Assets Carried at Cost

Equity instruments, including unlisted stocks, are measured by the original cost since their fair value cannot be reliably measured. The accounting treatment for dividends received is similar to that for available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment and the impairment loss can not be reversed.

Bond Investments Without Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the assets are capitalized. Interest is capitalized during the construction period.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is charged to non-operating income or expenses.

Depreciation is provided using the straight-line method over the estimated service lives of the assets. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

Buildings and improvements	3-60 years
Machinery and equipment	2-20 years
Transportation equipment	3-5 years
Furniture, fixtures and office equipment	3-10 years
Leasehold improvements	3-20 years
Molds and tools	2-10 years
Other equipment	3-17 years

Impairment loss is recognized immediately for any significant decline in the value of property, plant and equipment. If the loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is immediately recognized as gain.

Intangible Assets

Computer software is amortized on the straight-line method over 3 to 5 years. Patents are amortized by the straight-line method over a five-year period.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible 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 on 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 treated as an increase in the unrealized revaluation increment.

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

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

Deferred Charges

Deferred charges are amortized on the straight-line method over 2 to 5 years.

Allowance for Indemnity Losses on Export

The indemnity losses on export sales should be estimated and expensed at the time of sale. Allowance for indemnity losses on export is debited when the indemnity losses are paid and indemnity losses paid in excess of the allowance for indemnity losses on export are charged to expense.

Convertible Preferred Stocks

Convertible preferred stocks should be accounted for in accordance with Statement of Financial Accounting Standards No. 36, "Financial Instruments: Recognition and Measurement." Embedded derivatives, such as conversion option and put option with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract are separated from the host contract. Conversion option, giving stockholders contractual right to receive a fixed number of the Company's common stock for a fixed stated principal amount of the preferred stocks, is initially recognized at fair value as "capital surplus - conversion option." Put option is initially recognized as "financial liabilities at fair value through profit or loss." When fair value is subsequently measured, the changes in fair value are recognized in current income. The carrying value of host contract is measured at amortized cost using the effective interest rate method and recognized as "liability component of preferred stock;" the related interest expense is recognized in current income.

When the preferred stockholders exercise the conversion option, the Company shall adjust the carrying value of "financial liabilities at fair value through profit or loss" to fair value and "liability component of preferred stock" to amortized cost by the effective interest rate method. The aforesaid carrying value of the preferred stocks and put option is credited to capital stock accounts as well as "capital surplus - conversion option."

If the preferred stockholders can exercise put option within one year after the balance sheet date, liability component of preferred stocks and the embedded derivative shall be classified as current liabilities. However, when the put option expires, unexercised liability component of preferred stocks and the embedded derivatives shall be reclassified to noncurrent liabilities.

If the put option expires without exercise, the carrying amount of the put option is reclassified to capital surplus if the market value of convertible share is higher than the strike price; otherwise, the put option shall be credited or charged to current income.

Retirement Plan

Pension cost under a defined benefit plan is determined by actuarial valuations. If the amount contributed to the plan assets by the employer is less than the net pension cost, then the difference shall be recognized as an accrued pension liability; and if the amount contributed is larger, then the difference shall be recognized as a prepaid pension cost. If the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation, then the deferred pension cost account shall be charged; if the amount of additional liability exceeds the sum, the excess shall be charged to the net loss not yet recognized as net pension cost account.

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

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

Treasury Stock

Treasury stock is Test-Rite's own stock acquired according to the Stock Exchange Law. When Test-Rite does not dispose or write off these stocks, their cost is listed as a deduction of stockholders' equity.

When treasury stock is retired, the capital surplus - additional paid-in capital account and capital stock account should be debited according to the ratio of the retired treasury shares to the total issued shares. If the book value of the treasury stock being retired exceeds the sum of its aggregate par value and capital surplus - additional paid-in capital, the excess is debited to capital surplus from treasury stock transactions. If the capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings. If the book value of the treasury stock being retired is less than the sum of its aggregate par value and capital surplus - additional paid-in capital, the difference is credited to the capital surplus from treasury stock transactions.

Treasury stocks transferred to employees on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 (SFAS No. 39) and Interpretation 2007-266 both issued by the ARDF; accordingly, the Company recognized the value of the reserved shares as an expense. Employee stock options granted are accounted for under SFAS No. 39, which provides that the value of equity instruments granted shall be measured at fair value. And the fair value is based on external pricing experts' calculation of fair value of the equity instruments using the applicable pricing model.

Test-Rite measures the fair value of employee stock option granted by Black-Scholes Model. The inputs to the model are the best available estimate of exercise price, expected life, grant-date share price, expected volatility, expected dividend yield and risk-free interest rate. The grant date is cash dividends date. If the date of cash dividends should be approved by the Board of Directors, the grant date is the date of directors' meeting.

Test-Rite adopted the provisions of Statement of Financial Accounting Standards No. 30 "Accounting for Treasury Stock."

Income Tax

The consolidated income tax of the Company is the summary of the income tax of the consolidated entities. The Company adopted the provisions of Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax," which require asset and liability approach to financial accounting and reporting for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

Under the Amended Income Tax Law of the ROC, undistributed earnings of holding company are subject to 10% additional income tax. Such tax is to be reported as income tax expense in the following year when the decision to retain the earnings is made by the stockholders in their meeting.

Earnings Per Share

Basic earnings per share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is the amount of earnings (or loss) attributable to each share of common stock under the assumption that all dilutive potential common shares have been converted, exercised or that all contingently issuable shares have been issued.

Revenue Recognition

Sales are recognized when title of the products and the risks of ownership are transferred to customers, primarily upon shipment.

Service income is recognized when services have been rendered and the collectability can be reasonably assured.

If the construction period for a long-term contract is more than one year, the percentage-of-completion method is required when estimates of construction profits are reasonably determinable, otherwise the completed-contract method is required. The percentage of completion is measured by the ratio of costs already incurred to the estimated total costs to complete the project. If the construction period is shorter than one year, construction profit is recognized when the contract is completed. If a contract is estimated to bear a loss prior to completion, the full amount of the loss should be recognized immediately.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2012.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Company under the scope of SFAS No. 34. This accounting change did not have any effect on the Company's consolidated financial statements for the year ended December 31, 2012.

Operating Segments

On January 1, 2011, the Company 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 Company 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 Company'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." For this accounting change, the Company restated the segment information as of and for the year ended December 31, 2011 to conform to the disclosures as of and for the year ended December 31, 2012.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Cash on hand	\$ 18,719	\$ 28,399
Petty cash	28,847	27,240
Checking deposits	29,258	25,971
Savings deposits	987,242	1,149,998
Foreign currency deposits	697,947	814,396
Time certificates of deposit	97,572	25,298
Cash equivalents	<u>22,142</u>	<u>24,471</u>
	<u>\$ 1,881,727</u>	<u>\$ 2,095,773</u>

As of December 31, 2011, the time certificates of deposit of Tong Lung of \$2,415 thousand, pledged as collaterals for purchases of raw materials were reclassified to refundable deposits paid.

As of December 31, 2012 and 2011, the time certificates of deposit of Tony Construction of \$13,134 thousand and \$24,860 thousand, respectively, pledged as collaterals for warranties of construction were reclassified to refundable deposits paid.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Financial assets held for trading - current		
Equity securities listed in open market	\$ 85,676	\$ 7,358
Open-end funds	96,687	80,472
Corporate bonds	64,508	11,127
Offshore mutual funds	52,764	-
Receivable on short selling stocks	290	490
Receivable on forward contracts, net	<u>-</u>	<u>150,289</u>
	<u>\$ 299,925</u>	<u>\$ 249,736</u>
Financial liabilities held for trading - current		
Payable on forward contracts, net	\$ 20,795	\$ 11,975
Payable on short selling stocks	290	490
Put option on convertible preferred stocks (see Note 21)	-	19,950
Metal commodity futures contracts	<u>-</u>	<u>1,340</u>
	<u>\$ 21,085</u>	<u>\$ 33,755</u>

The Company entered into derivative contracts during the years ended December 31, 2012 and 2011 to manage exposures to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Equity securities listed in open market	\$ -	\$ 1,521
Beneficiary certificate of domestic funds	<u>-</u>	<u>620</u>
	<u>\$ -</u>	<u>\$ 2,141</u>

7. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Non-related parties		
Notes receivable	\$ 5,207	\$ 39,343
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>5,207</u>	<u>39,343</u>
Accounts receivable	2,446,694	2,972,278
Less allowance for doubtful accounts	<u>(40,238)</u>	<u>(49,807)</u>
	<u>2,406,456</u>	<u>2,922,471</u>
	<u>\$ 2,411,663</u>	<u>\$ 2,961,814</u>

Test-Rite concluded an accounts receivable factoring agreement with Taishin International Bank. The agreement declared that the bank has no right of further recourse against Test-Rite. According to the agreement, the bank should pay 90% of the proceeds to Test-Rite at the time of sale. Test-Rite only has to be responsible for loss that resulted from business disputes.

Test-Rite Int'l (U.S.) concluded accounts receivable factoring agreement with Taipei Fubon Bank in 2012, the agreement declared that the bank has no right of further recourse against Test-Rite Int'l (U.S.). Test-Rite Int'l (U.S.) only has to be responsible for loss that resulted from business disputes.

As of December 31, 2012 and 2011, the accounts receivable factoring was summarized as follows:

(Unit: US\$ in Dollars; NT\$ in Thousands)

Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year (Note 1)	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
<u>2012</u>									
Taishin International Bank	<u>\$ 22,507</u> (Note 2)	<u>\$ 46,524</u> (Note 3)	<u>\$ 55,389</u> (Note 4)	<u>\$ -</u> (Note 5)	<u>\$ -</u> (Note 6)	-	<u>\$ -</u> (Note 7)	US\$ 6,200,000	US\$ 620,000
Taipei Fubon Bank	<u>\$ 356,819</u> (Note 8)	<u>\$ 1,605,193</u> (Note 9)	<u>\$ 1,962,012</u> (Note 10)	<u>\$ -</u> (Note 11)	<u>\$ -</u> (Note 12)	-	<u>\$ -</u> (Note 13)	-	-
<u>2011</u>									
Taishin International Bank	<u>\$ 56,523</u> (Note 2)	<u>\$ 46,524</u> (Note 3)	<u>\$ 79,649</u> (Note 4)	<u>\$ 23,398</u> (Note 5)	<u>\$ 21,058</u> (Note 6)	2.10	<u>\$ 2,340</u> (Note 7)	US\$ 6,200,000	US\$ 620,000
Taipei Fubon Bank	<u>\$ 273,616</u> (Note 8)	<u>\$ 3,207,293</u> (Note 9)	<u>\$ 3,109,957</u> (Note 10)	<u>\$ 370,952</u> (Note 11)	<u>\$ 296,761</u> (Note 12)	60 days Libor+1.4%	<u>\$ 74,191</u> (Note 13)	-	-

Note 1: Balance at end of year of factored receivables had been derecognized as accounts receivable.

Note 2: US\$772,475; US\$1,866,058.

Note 3: US\$1,128,587; US\$1,535,946.

Note 4: US\$1,901,062; US\$2,629,529.
 Note 5: US\$772,475.
 Note 6: US\$695,228.
 Note 7: US\$77,247.
 Note 8: US\$12,246,670; US\$9,033,200.
 Note 9: US\$55,093,105; US\$105,886,207.
 Note 10: US\$67,339,775; US\$102,672,737.
 Note 11: US\$12,246,670.
 Note 12: US\$9,797,336.
 Note 13: US\$2,449,334.

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

Retention for factoring was reported under other receivables (see Note 8).

8. OTHER RECEIVABLES

Other receivables as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Retention for factoring (see Note 7)	\$ -	\$ 76,531
Commissions receivable	30,807	30,177
Value added tax refunds receivable	21,662	22,320
Receivables from related parties (see Note 28)	1,798	5,400
Others	<u>310,018</u>	<u>176,395</u>
	<u>\$ 364,285</u>	<u>\$ 310,823</u>

Receivables from related parties include amounts related to operating expense payments made by Test-Rite on behalf of its affiliates.

Others mainly include miscellaneous expenses paid by Test-Rite on behalf of its suppliers.

9. INVENTORIES

Inventories as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Merchandise - retail	\$ 3,351,533	\$ 3,606,406
Merchandise - trade	1,362,443	1,589,063
Raw materials	-	389,106
Work-in-process	-	144,882
Finished goods	-	74,414
Merchandise - manufacturing	-	59,004
Construction in progress	<u>126,911</u>	<u>65,594</u>
	<u>\$ 4,840,887</u>	<u>\$ 5,928,469</u>

As of December 31, 2012 and 2011, the allowance for inventory devaluation was \$86,974 thousand and \$73,625 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was \$22,703,295 thousand and \$23,483,065 thousand, respectively. The operating cost included reversal of inventory devaluation in the amount of \$9,972 thousand and loss on physical inventory count in the amount of \$57,211 thousand for the year ended December 31, 2012; the operating cost included reversal of inventory devaluation in the amount of \$5,135 thousand and loss on physical inventory count in the amount of \$72,341 thousand for the year ended December 31, 2011.

Merchandise - retail is the inventories of TR Retailing and Test-Rite Retail.

Merchandise - trade is the inventories of Test-Rite, TR Trading, TR Canada, TR Development, Test-Rite Int'l (U.S.), Test Cin M&E Engineering and Chung Cin Enterprise.

Raw materials, work-in-process, finished goods and merchandise - manufacturing are the inventories of Tong Lung.

Construction in progress is the inventories of Tony Construction, Test Cin M&E Engineering, Chung Cin Interior Design Construction, Test-Rite Home Service and Viet Han.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

Long-term equity investments at equity method as of December 31, 2012 and 2011 consisted of the following:

	2012			2011	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Int'l (Mexico) Ltd.	\$ -	\$ -	-	\$ 1	49.00

Equities in (loss) earnings of TR Mexico for the years ended December 31, 2012 and 2011 were summarized as follows:

	2012	2011
TR Mexico	\$ 6,798	\$ (2,789)

TR Mexico was dissolved, and the dissolution date was December 31, 2012. However, the registration procedures of the liquidation was not completed on December 31, 2012.

11. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	December 31, 2012		December 31, 2011
	Original Accumulated Cost	Carrying Value	Carrying Value
Hwa Jan International Co., Ltd. (Samoa)	\$ 9,849	\$ 8,857	\$ 9,208
TEPRO	430	336	343
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	40,000
NCTU Springl Technology Capital Co., Ltd.	1,855	1,855	4,032
			(Continued)

	<u>December 31, 2012</u>		<u>December 31, 2011</u>
	<u>Original Accumulated Cost</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Yuan Chuang Co., Ltd.	\$ 1,579	\$ 1,579	\$ 1,755
Techgains Pan-Pacific Co., Ltd.	19,191	18,212	18,558
Quartz Frequency Technology Co., Ltd.	750	750	750
Taiwan Finance Co., Ltd.	2,120	2,120	2,120
Nucom International Co., Ltd.	-	-	27,400
Yieh United Steel Co., Ltd.	-	-	3,920
Shanghai Commercial & Saving Bank, Ltd.	-	-	1,903
	<u>\$ 75,774</u>	<u>\$ 73,709</u>	<u>\$ 109,989</u> (Concluded)

The Company's financial assets carried at cost do not have a quoted market price in an active market and their fair value could not be reliably measured. Therefore, the above equity investments were carried at cost and evaluated for impairment loss periodically.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2012	2011
Trusted funds of real estate	\$ -	\$ 30,000
Unrealized gain on available-for-sale financial assets	-	450
	<u>\$ -</u>	<u>\$ 30,450</u>

13. BOND INVESTMENTS WITHOUT ACTIVE MARKET, NONCURRENT

	<u>December 31, 2012</u>			<u>December 31, 2011</u>	
	<u>Original Accumulated Cost</u>	<u>Carrying Value</u>	<u>Ownership Percentage %</u>	<u>Carrying Value</u>	<u>Ownership Percentage %</u>
Subordinated bond of Ta Chong Bank	<u>\$ 50,000</u>	<u>\$ 50,000</u>	-	<u>\$ 50,000</u>	-

Subordinated bond of Ta Chong Bank: The face value per unit is \$10,000 thousand and the total value is \$50,000 thousand; the issuance date is November 27, 2006; interest rate is 5.5% for the first ten years and is increased to 6.5% from the eleventh year if the bonds have not been redeemed. Interest is paid annually.

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2012 and 2011 consisted of the following:

	2012		2011	
	Original Cost	Accumulated Value	Carrying Value	Carrying Value
Land	\$ 527,853	\$ -	\$ 527,853	\$ 813,086
Buildings and improvements	2,351,429	250,229	2,101,200	2,983,910
Machinery and equipment	70,472	43,789	26,683	115,612
Transportation equipment	59,256	34,614	24,642	39,346
Furniture, fixtures and office equipment	799,711	588,462	211,249	97,481
Leasehold improvements	6,513,899	3,747,165	2,766,734	2,990,563
Molds and tools	11,931	5,811	6,120	68,552
Other equipment	1,217,223	820,679	396,544	540,330
Prepayments for property, plant and equipment	<u>100,948</u>	<u>-</u>	<u>100,948</u>	<u>60,187</u>
	<u>\$ 11,652,722</u>	<u>\$ 5,490,749</u>	<u>\$ 6,161,973</u>	<u>\$ 7,709,067</u>

As of December 31, 2012 and 2011, the cost of the leased-out land of Test-Rite was \$267,519 thousand and \$267,519 thousand and the carrying value of leased-out buildings and improvements was \$225,494 thousand and \$234,757 thousand, respectively.

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Test-Rite recorded \$2,347,885 thousand unrealized gain, which is amortized over a 10-year lease term. For the years ended December 31, 2012 and 2011, the amortization of unrealized gain was \$234,788 thousand, which was treated as a reduction of rental cost. As of December 31, 2012 and 2011, the unrealized gain was \$1,173,942 thousand and \$1,408,731 thousand, respectively, which were recorded: The current portion of \$234,789 thousand as other current liabilities and the noncurrent portion of \$939,153 thousand and \$1,173,942 thousand, respectively, as other liabilities - deferred credit.

The owner of the property mentioned above leased to Test-Rite had sold the building to Tsai Wang Enterprise, a related party of Test-Rite, on September 7, 2011. Thus, Tsai Wang Enterprise became the lessor of the building. There were no major differences as to the principal terms of lease contract between the renewal and the original. Rental of \$280,642 and \$87,548 thousand, respectively, before amortization of unrealized gain, was paid to the related party.

As of December 31, 2012 and 2011, the carrying values of property, plant and equipment of Tong Lung, Jiashan Te-Cheng Wood Industrial, Test-Rite Business Development, and TR Thailand, pledged as collaterals to banks to secure short-term and long-term debts were as follows (see Note 29):

	2012	2011
Land	\$ -	\$ 247,665
Buildings and improvements	<u>-</u>	<u>156,116</u>
	<u>\$ -</u>	<u>\$ 403,781</u>

15. OTHER ASSETS

Other assets as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Deferred tax asset, noncurrent (see Note 27)	\$ 1,028,117	\$ 1,002,504
Refundable deposits paid	841,804	833,364
Prepaid pension cost (see Note 2)	54,632	40,862
Deferred charges (see Note 2)	306,268	381,070
Others	<u>468,643</u>	<u>802,071</u>
	<u>\$ 2,699,464</u>	<u>\$ 3,059,871</u>

16. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of December 31, 2012 and 2011 consisted of the following:

	2012		2011	
	Interest Rate %	Amount	Interest Rate %	Amount
Unsecured loans	1.11-6.60	\$ 1,764,129	0.75-7.216	\$ 3,291,316
Secured loans	-	<u>-</u>	6.405	<u>105,755</u>
		<u>\$ 1,764,129</u>		<u>\$ 3,397,071</u>

As of December 31, 2011, secured loan of \$105,755 thousand was secured by the buildings and improvement of Jiashan Te-Cheng Wood Industrial (see Note 29).

17. SHORT-TERM BILLS PAYABLE

Short-term bills payable as of December 31, 2012 and 2011 consisted of the following:

	2012		2011	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper, unsecured	-	<u>\$ -</u>	0.782-1.038	<u>\$ 159,842</u>

18. OTHER PAYABLES

Other payables as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Accrued expenses	\$ 1,205,924	\$ 1,229,728
Payables for purchase of property, plant and equipment	76,439	67,684
Other notes payable	31,662	19,826
Bonuses payable to employees	56,430	53,452
Bonuses payable to directors and supervisors	30,718	30,829
Others	<u>746,778</u>	<u>458,547</u>
	<u>\$ 2,147,951</u>	<u>\$ 1,860,066</u>

19. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Unrealized gain on sale-leaseback (see Note 14)	\$ 234,788	\$ 234,789
Accrued VAT payable	18,105	19,498
Receipts under custody	23,266	22,302
Allowance for indemnity losses on exports (see Note 2)	51,017	53,026
Others	<u>78,714</u>	<u>252,522</u>
	<u>\$ 405,890</u>	<u>\$ 582,137</u>

20. LONG-TERM DEBT

Long-term debt as of December 31, 2012 and 2011 consisted of the following:

	2012		2011
	Interest Rate	Amount	Amount
First Commercial Bank's Syndicate Loan			
Unsecured loan from June 24, 2011 to June 24, 2016. The authorized credit line of \$2,000 million. Interest is paid monthly. The principal due in 7 semi-annual installments with first installment due on June 24, 2013.	1.6168	\$ 2,000,000	\$ 2,000,000
Unsecured loan from July 12, 2012 to June 24, 2016, June 27, 2011 to June 24, 2016, and October 16, 2012 to January 16, 2013. The authorized credit line of \$4,000 million may be used on revolving basis for a period until June 24, 2016.	1.0714-2.1343	1,311,120	2,150,590
Unsecured loan from June 22, 2012 to June 22, 2017. The first and second installments are due after three and four years from the start of the loan period each for payment of 30 percent of the principal. The remaining principal is due on June 22, 2017. Interest is paid monthly.	1.75	500,000	-
Taiwan Business Bank's Syndicate Loan			
Unsecured loan from October 26, 2009 to October 26, 2014 and October 16, 2012 to January 16, 2013. The authorized credit line is \$2,160,000 thousand, principal due on October 26, 2014. In 2012, the Company paid the principal of \$700,000 in advance.	1.9863-2.1343	902,077	1,200,000
Bank SinoPac Co., Ltd.			
Unsecured loan from June 18, 2012 to June 18, 2015. Interest is paid monthly, principal due on June 18, 2015.	1.529	500,000	500,000

(Continued)

	2012		2011
	Interest Rate	Amount	Amount
Taishin International Bank			
Unsecured loan from September 19, 2012 to September 19, 2014 and June 20, 2011 to June 20, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	-	\$ -	\$ 300,000
Jihsun Bank			
Unsecured loan from December 29, 2011 to July 1, 2013. Interest is paid monthly. In January 2012, the Company paid the principal in full in advance.	-	-	200,000
Taiwan Business Bank			
Unsecured loan from November 22, 2010 to November 22, 2014. Principal is paid in 12 quarterly payments starting from February 15, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	-	-	500,000
Shanghai Commercial & Savings Bank			
Unsecured loan from November 22, 2010 to November 22, 2014. Principal is paid in 8 quarterly payments starting from February 21, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	-	-	300,000
Less current portion		<u>(200,000)</u>	<u>-</u>
		<u>\$ 5,013,197</u>	<u>\$ 7,150,590</u> (Concluded)

Test-Rite promised to maintain the following financial covenants according to the loan agreements:

First Commercial Bank Syndicated Loan

- Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1.
- Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
- EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
- Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
- The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

Bank SinoPac Co., Ltd.

- a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1. (Total liabilities should exclude other current liabilities and other liabilities - deferred credit that resulted from sale-leaseback.)
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
- c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
- d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
- e. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

According to the loan agreement, Test-Rite Retail promised to maintain certain financial covenants as follows:

- a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Bank Loans and Bills Payable to Tangible Assets of not more than 2 to 1.
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Short-Term Bank Loans and Short-Term Bills Payable of not less than 1 to 1.
- c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 3 to 1.
- d. The calculations of the ratios are based on Test-Rite Retail financial statements for the year ended December 31.

See Note 29 for collaterals on bank borrowings.

See Note 30 for guarantees on bank borrowings.

21. LIABILITY COMPONENT OF PREFERRED STOCKS - NONCURRENT

	2012	2011
Private placement of liability component of series B preferred stocks	\$ <u> </u> -	\$ <u>335,361</u>

Private Placement of Liability Component of Preferred Stocks

On October 6, 2008, Tong Lung decided to issue series B convertible preferred stocks to buy back series A preferred stocks (October 24, 2003-October 23, 2008.) There were 8,750,000 shares of series B preferred stocks (with par value of NT\$10.00 per share) issued to local entities at forty dollars per share and on October 8, 2008, total proceeds from this issuance amounting to \$350,000 thousands had been collected. Terms and conditions, which were stated in Tong Lung's shareholders' meeting on June 19, 2008, were summarized as follows:

- a. Issue period: The convertible preferred stocks will be due five years from the issuance date (from October 8, 2008 to October 7, 2013.)

- b. Dividends: The dividends for the convertible preferred stocks are 4% per annum. The dividends will be paid out in cash after earnings proposition is approved. When the preferred stocks are not held for one full year, at year end, dividends will be adjusted accordingly.
- c. Conversion ratio: One share of preferred stock can be converted to one share of common stock of the Issuer.
- d. Converting preferred stocks to common stocks of the Issuer
 - 1) Converting preferred stocks, in whole but not in part: From the issuance date to 120 days prior to the maturity date, preferred stockholders shall require the Issuer in preferred stockholders' meeting, held upon preferred stockholders' request, to repurchase all preferred stocks.
 - 2) Converting preferred stocks, in whole or in part: The preferred stocks are convertible, in whole or in part, at any time during the conversion period from the issuance date to 120 days prior to the maturity date. At the end of the conversion period, if potential converted preferred stocks are less than 15% in principal amount of preferred stocks originally outstanding, the conversion will not take effect. The preferred stockholders will then be notified by the security agent to retrieve their stocks and related documents.
- e. Paying the dividends in arrears
 - 1) After a year that the Issuer carries a net loss or does not have sufficient earnings for distribution, the dividends in arrears is accumulated and paid out the next year prior to distribution to common stockholders. Ways of handling dividends in arrears of preferred stocks, which are redeemed by the Issuer and converted to common stocks of the Issuer by stockholders, are specified in (2) and (3), respectively:
 - 2) Preferred stocks redeemed by the Issuer: Dividends in arrears are calculated up to the date when the preferred stocks are redeemed by the Issuer.
 - 3) Preferred stocks converted to common stocks by preferred stockholders: Dividends in arrears shall be paid in cash with no interests on the first dividend grant date subsequent to the date of conversion. In the case that the Issuer is prohibited by regulation to pay the dividends, the Issuer should pay such dividends in arrears with no interest to the stockholders on the first dividend grant date subsequent to the date when the regulation is lifted.
- f. Redemption of preferred stock prior to the maturity date

On the First to Tenth of April, July and December during the period from 3 years after the issuance date to 90 days prior to the maturity date, the convertible preferred stocks shall be redeemed, in whole or in part, at forty dollars per share plus any dividends in arrears.
- g. Mandatory conversion prior to the maturity date

The Issuer may redeem the convertible preferred stocks, in whole or in part, if at least 95% in principal amount of preferred stocks have already been redeemed or converted.
- h. Maturity date

Unless previously redeemed or converted, the preferred stocks will be redeemed at forty dollars per share. After the conversion, the converting preferred stockholders shall be registered in its common stockholders' ledger.

i. Special reserve

The Issuer shall maintain a certain percentage of special reserve as provision for future series B convertible preferred stock redemption. Cash, not less than the amount which shall be transferred to special reserve, has to be saved in the bank as time certificates of deposit with restriction as to withdrawal. The restriction is lifted when the Issuer has reserved enough amount of special reserve required.

In accordance with SFAS No. 36, "Financial Instruments: Disclosure and Presentation," the Company divided preferred stocks into conversion option and put option, which are recognized as equity and liability, respectively. Equity component of preferred stocks which is recorded under minority interest amounted to \$25,690 thousand. Liability component of preferred stocks is charged to embedded derivatives and liabilities. As of December 31, 2011, embedded derivatives which are measured at fair value amounted to \$19,950 thousand; liabilities which do not belong to derivatives financial instruments amounted to \$335,361 thousand.

At the request of Public Tender Offeror-Stanley Chiro International Ltd., Tong Lung decided to redeem all the series B convertible preferred stock according to Article 158 of the Company Law of the Republic of China. On May 18, 2012, Tong Lung had received the letter of consent from the stockholders of the series B convertible preferred stock. And after the completion date of the Tender Offer period and upon the fulfillment of the tender offer conditions and requirements, on August 14, 2012, Tong Lung had convened a board meeting to approve the redemption of the whole convertible preferred stock for \$371,000 thousand. The redemption is on August 31, 2012.

22. RETIREMENT PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, Test-Rite and subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Test-Rite, Chung Cin Enterprise, Test-Rite Retail, Tong Lung, Tony Construction, Test Cin M&E and Chung Cin Interior Design have a defined benefit pension plan under the Labor Standards Law (LSL) covering all employees. The pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Except for Test-Rite Retail, which contributes amounts equal to 2% of total monthly salaries and wages, and Tong Lung, which contributes amounts equal to 7% of total monthly salaries and wages, other companies contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

	2012	2011
Service cost	\$ 3,739	\$ 11,275
Interest cost	6,346	16,186
Actual return on plan assets	(146)	(161)
Expected return on plan assets	(5,033)	(8,346)
Amortization of net transitional obligation	(1,492)	11,448
Amortization of pension loss	<u>6,689</u>	<u>3,461</u>
	<u>\$ 10,103</u>	<u>\$ 33,863</u>

The following table sets forth the actuarial assumptions and plan's status as of December 31, 2012 and 2011:

	2012	2011
Weighted-average discount rate	1.88%-2.00%	2.00%-2.25%
Expected rate of return on plan assets	1.88%-2.00%	2.00%-2.25%
Assumed rate of increase in salary	2.50%-3.00%	1.25%-2.75%
Actuarial present value of benefit obligation		
Vested benefits	\$ (47,640)	\$ (247,738)
Nonvested benefits	<u>(178,121)</u>	<u>(357,493)</u>
Accumulated benefit obligation	(225,761)	(605,231)
Additional benefits at future salaries	<u>(84,296)</u>	<u>(140,647)</u>
Projected benefit obligation	(310,057)	(745,878)
Plan assets at fair value	<u>247,897</u>	<u>411,578</u>
Projected benefit obligation in excess of plan assets	(62,160)	(334,300)
Net transition asset not yet recognized	(19,336)	(15,267)
Net pension loss not yet recognized	110,723	245,988
Additional pension liability	-	14,131
Accrued pension cost	<u>(59,886)</u>	<u>(141,827)</u>
	(30,659)	(231,275)
Prepaid pension cost (included in other assets)	(54,632)	(40,862)
Deferred pension cost	<u>(376)</u>	<u>(19,692)</u>
Accrued pension liability (included in other liabilities)	<u>\$ (85,667)</u>	<u>\$ (291,829)</u>

23. CAPITAL STOCK

Test-Rite's capital stock as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Registered capital		
Share (thousand shares)	<u>750,000</u>	<u>660,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 7,500,000</u>	<u>\$ 6,600,000</u>
Issued capital		
Share (thousand shares)	<u>521,956</u>	<u>507,423</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 5,219,555</u>	<u>\$ 5,074,228</u>

Test-Rite's outstanding capital stock as of January 1, 2012, amounted to \$5,074,228 thousand. On August 2012, transferred from retained earnings to capital stock were \$145,327 thousand. Consequently, as of December 31, 2012, Test-Rite's capital stock were increased to \$5,219,555 thousand consisting of 521,955,558 outstanding common shares with a par value of NT\$10.00 per share.

Test-Rite's outstanding capital stock as of January 1, 2011, amounted to \$5,164,228 thousand. On October 11, 2011, the board of directors decided to retire treasury stock of \$90,000 thousand and decrease the capital. Consequently, as of December 31, 2011, Test-Rite's capital stock decreased to \$5,074,228 thousand consisting of 507,422,872 outstanding common shares with a par value of NT\$10.00 per share.

In the stockholders' meetings on June 18, 2012 and June 17, 2011, the stockholders decided to distribute retained earnings for 2011 and 2010 as follows:

	2011	
	Distributions of Earnings	Dividends Per Share (In Dollars)
Legal reserve	\$ 61,051	\$ -
Cash dividends	387,538	0.80
Stock dividends	145,327	0.30

	2010	
	Distributions of Earnings	Dividends Per Share (In Dollars)
Legal reserve	\$ 37,549	\$ -
Cash dividends	337,436	0.665

The amounts of the bonus to employees and the bonus to directors and supervisors approved in 2011 were \$43,956 thousand and \$10,989 thousand and the related amounts accrued in 2011 were \$42,674 thousand and \$10,669 thousand or differences of \$1,282 thousand and \$320 thousand, respectively. The amounts of the bonus to employees and the bonus to directors and supervisors approved in 2010 were \$27,035 thousand and \$6,759 thousand and the related amounts accrued in 2010 were \$28,800 thousand and \$7,300 thousand or differences of \$1,765 thousand and \$541 thousand, respectively. The differences in 2011 and 2010 were not material and had been adjusted in profit and loss for the years ended December 31, 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, the amounts of earnings per share were calculated as follows:

	2012						
	Amounts (Numerator)			Shares (Denominator)	EPS (NT\$)		
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax		Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	\$ 872,273	\$ 750,240	\$ 689,537	493,689,891	<u>\$ 1.77</u>	<u>\$ 1.52</u>	<u>\$ 1.40</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	3,355,414			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 872,273</u>	<u>\$ 750,240</u>	<u>\$ 689,537</u>	<u>497,045,305</u>	<u>\$ 1.75</u>	<u>\$ 1.51</u>	<u>\$ 1.39</u>

	2011						
	Amounts (Numerator)			Shares (Denominator)	EPS (NT\$)		
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax		Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	\$ 942,022	\$ 813,105	\$ 636,133	517,347,225	<u>\$ 1.82</u>	<u>\$ 1.57</u>	<u>\$ 1.23</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	2,637,325			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 942,022</u>	<u>\$ 813,105</u>	<u>\$ 636,133</u>	<u>519,984,550</u>	<u>\$ 1.81</u>	<u>\$ 1.56</u>	<u>\$ 1.22</u>

The Company 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 shareholders resolve the number of shares to be distributed to employees at their meeting in the following year. Bonuses to employees shall be recognized as expense after the adoption of Interpretation 96-052. Therefore, the weighted-average number of common shares outstanding in the calculation of basic and diluted EPS shall not be adjusted retroactively for the increase in common shares outstanding from stock issuance for employee's bonuses.

The basic earnings per share of 2011 was adjusted retroactively for the distribution of stock dividends in 2012.

The appropriations of 2013 earnings had been proposed by the board of directors on March 28, 2013. The proposed appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 68,954	\$ -
Cash dividends	526,055	1.08
Stock dividends	-	-

The appropriations of 2012 earnings and the amounts of bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 17, 2013.

Regarding the 2011 and 2010 retained earnings proposition by the board of directors and the approval of the stockholders, please refer to the Market Observation Post System ("MOPS") of the Taiwan Stock Exchange.

For the years ended December 31, 2012 and 2011, the bonus to employees was \$49,200 thousand and \$42,674 thousand, respectively, and the remuneration to directors and supervisors was \$12,100 thousand and \$10,669 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 8% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such 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 a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

24. RETAINED EARNINGS

According to the Company Law of the Republic of China and Test-Rite's Articles of Incorporation, 10% of Test-Rite's earnings, after paying tax and offsetting deficit, if any, shall first be appropriated as legal reserve. The remaining balance, if any, shall be distributed in the following order:

- a. Bonus to directors and supervisors - 2%, and
- b. Bonus to employees - at least 2% or more,

- c. The remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

The dividend policy is designed for the Company to achieve its business plan and at the same time, maintain stockholders' benefits. Distribution is made through stock dividends, common stocks from capital surplus and cash dividends. Cash dividends shall not be less than 10% of total distribution. However, if cash dividends per share are less than NT\$0.1, stock dividends could be distributed instead of cash dividends.

25. TREASURY STOCK

The changes in treasury stock for the years ended December 31, 2012 and 2011 were summarized as follows (in shares):

Purpose	2012.1.1	Increase	Decrease	2012.12.31
To transfer to employees	<u>20,698,000</u>	<u>14,170,000</u>	<u>-</u>	<u>34,868,000</u>
Purpose	2011.1.1	Increase	Decrease	2011.12.31
To transfer to employees	<u>32,480,000</u>	<u>20,698,000</u>	<u>32,480,000</u>	<u>20,698,000</u>

As of December 31, 2012 and 2011, the treasury stock of Test-Rite was \$729,124 thousand and \$437,139 thousand, respectively, which was purchased back by Test-Rite.

Test-Rite should transfer all shares purchased back in lump sum or from time to time to employees, including those of subsidiaries in which Test-Rite holds directly or indirectly more than one half of the total number of voting shares, within three years from the buyback date.

Since some of the shares, purchased back by Test-Rite from time to time for the purpose of transferring to employees, were not transferred within the legal maturity (three years from the buyback date), Test-Rite retired 9,000,000 shares of them and got the retirement approval from Ministry of Economic Affairs (MOEA) in November 2011.

Test-Rite transferred to employees 23,480 thousand treasury shares amounting to \$484,562 thousand in 2011. Based on Interpretation 2007-266 issued by the Accounting Research and Development Foundation, employee stock options granted during the year ended December 31, 2012 were priced using the Black-Scholes model, and compensation cost of \$54,239 thousand (recorded as salary expense) was recognized in 2012. In 2011, the difference of \$93,189 thousand was recorded as capital surplus - treasury stock transactions, including compensation cost of \$54,239 thousand and the difference of \$484,562 thousand between the transferred value of \$484,562 thousand and the book value of \$445,612 thousand of the treasury shares granted.

As of December 31, 2011, information regarding Test-Rite's share-based payment was summarized below:

- a. As of December 31, 2011, Test-Rite's share-based payment was as follows:

Type of Arrangement	Grant Date	Number of Options Granted	Contract Period	Grant Condition	Turnover Rates for This Year	Estimated Turnover Rate
Treasury stock transfer to employees	January 4, 2011	23,480,000	-	Immediate	-	-

b. Detail information about employee stock options described above was as follows:

	Year Ended December 31, 2011	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of year	-	\$ -
Options granted	23,480	20.70
Additional options granted from stock dividends or adjustment for options granted	-	-
Options forfeited	-	-
Options exercised	(23,480)	20.70
Expired options invalidated	<u>-</u>	-
Balance, end of year	<u><u>-</u></u>	

c. Options granted were priced at estimated fair market value using Black-Scholes pricing model and the inputs to the model were as follows:

Type of Arrangement	Grant Date	Grant- date Share Price (NT\$)	Exercise Price (NT\$)	Expected Volatility	Option Life (Years)	Expected Dividend Yield	Risk-free Interest Rate	Fair Value Per Unit (NT\$)
Treasury stock transfer to employees	January 4, 2011	\$23.00	\$20.70	28.75%	-	-	0.67%	\$2.31

According to the Stock Exchange Law of the ROC, the shares of treasury stock should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury stock should not be over the total of retained earnings and realized additional paid-in capital. The highest numbers of shares of treasury stock that Test-Rite held as of December 31, 2012 and 2011 were 34,868,000 shares and 32,480,000 shares. The total amounts were \$729,124 thousand and \$616,417 thousand pursuant to the law.

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

26. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2012 and 2011 were summarized as follows:

Function Expense Item	2012			2011		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 241,543	\$ 3,045,583	\$ 3,287,126	\$ 487,666	\$ 3,257,077	\$ 3,744,743
Labor insurance and health insurance	15,394	235,568	250,962	29,267	233,148	262,415
Pension cost	15,601	138,800	154,401	30,935	124,807	155,742
Others	12,528	262,197	274,725	30,393	223,738	254,131
Depreciation expenses	83,260	569,284	652,544	105,935	751,644	857,579
Amortization expenses	1,656	161,125	162,781	3,625	128,756	132,381

27. INCOME TAX

The components of income tax expense for the year ended December 31, 2012 were as follows:

Tax expenses from entities generating net income	\$ 221,491
Tax credits from entities generating net loss	(95,424)
Additional 10% income tax on unappropriated earnings	1,700
Additional income tax under the Alternative Minimum Tax Act	410
Adjustment to deferred tax asset and valuation allowance	6
Adjustment to prior years' tax expenses	<u>(6,150)</u>
Income tax expense	<u>\$ 122,033</u>

The tax effects of deductible temporary differences that gave rise to deferred tax assets as of December 31, 2012 were as follows:

Losses carryforward	\$ 41,987
Investment loss recognized under the equity method	484,762
Other temporary differences	563,087
Unrealized exchange gains	(12,080)
Difference between financial and tax	(6,687)
Valuation gain on financial instruments	<u>(800)</u>
	1,070,269
Less valuation allowance	<u>(4,080)</u>
Net deferred tax assets	<u>\$ 1,066,189</u>
Deferred tax assets, current (included in other current assets)	\$ 38,635
Deferred tax assets, noncurrent (included in other assets)	1,028,117
Deferred tax liabilities, noncurrent (included in other liabilities)	<u>(563)</u>
	<u>\$ 1,066,189</u>

Current income tax for the year ended December 31, 2012 and income tax payable as of December 31, 2012 were reconciled as follows:

Income tax expense at statutory rate	\$ 363,202
Decrease in tax resulting from other adjustments of permanent difference	
Current tax expense	<u>(141,711)</u>
Provision for deferred income tax assets	221,491
Others	<u>(25,362)</u>
Income tax payable	196,129
Less prepayments and withholdings in 2012	(90,717)
Add estimated 10% income tax on 2011 undistributed earnings	1,700
Add income tax payable at January 1, 2012	<u>27,072</u>
Income tax payable as of December 31, 2012	<u>\$ 134,184</u>

The reported prepaid income tax and withholdings of \$29,433 thousand as of December 31, 2012 were income tax prepayments in 2012 and prior years.

Losses carryforwards of Lih Chiou, Test-Rite Home Service and Tong Lung as of December 31, 2012 for income tax purposes were summarized as follows:

Year Expired	Amount
2013	\$ 320
2019	5,440
2020	11,691
2021	10,226
2022	<u>14,310</u>
	<u>\$ 41,987</u>

The information of Test-Rite about Imputation Credit (“IC”) on the undistributed earnings as of December 31, 2012 was summarized as follows:

IC on undistributed earnings as of December 31, 2012	<u>\$ 464,111</u>
Undistributed earnings generated on and after January 1, 1998	<u>\$ 706,129</u>
Actual IC ratio on distributed earnings in 2012	<u>20.48%</u>
Expected IC ratio on distribution of earnings in 2013	<u>20.48%</u>

The income tax returns of Test-Rite for years through 2010 have been examined and approved by the tax authority. The tax authority assessed an additional income tax payable because Test-Rite did not obtain legal evidence for commission expenses and others which Test-Rite reported on its 2006 to 2009 income tax returns. And the tax authority assessed an additional income tax payable because Test-Rite ‘s profit from the sale and leaseback including the income earned from sale of land shall not be exempted which Test-Rite reported on its 2010 income tax returns. Test-Rite did not agree with the decision so it filed an appeal to the tax authority. Test-Rite does not expect the result of the appeal will generate any significant loss to the Company based on its previous experience. Therefore, Test-Rite decided not to record the disputed tax payable on its book.

28. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are outlined as follows:

Name	Relationship
Test-Rite Int’l (Mexico) Ltd. (“TR Mexico”)	Parent company with 49.00% ownership interest. Dissolved in December 2012. The liquidation was not completed yet.
Judy Lee	Chairman of Test-Rite
Li-Heng Lee	Related party in substance
Tony Ho	Related party in substance
Quality Master Investment Co., Ltd. (“Quality Master”)	Related party in substance
Up Master Investment Co., Ltd. (“Up Master”)	Related party in substance
X-Cel Relationship Management Co., Ltd.	Related party in substance
Tsai Wang Enterprise Co., Ltd. (“Tsai Wang”)	Related party in substance
Li Xiong Co., Ltd.	Up Master with 100.00% ownership interest

Rental Income

Rental income from related parties for the years ended December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	%	Amount	%
Others	<u>\$ 176</u>	<u>-</u>	<u>\$ 201</u>	<u>-</u>

The Company's rental income from related parties is according to market price and the rental income is received monthly.

Service Income

Service income from related parties for the years ended December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	%	Amount	%
Others	<u>\$ 960</u>	<u>5</u>	<u>\$ 960</u>	<u>5</u>

Rent Expense

See Note 14.

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the years ended December 31, 2012 and 2011 were as follows:

	2012		2011	
	Amount	%	Amount	%
TR Mexico	<u>\$ 2,979</u>	<u>2</u>	<u>\$ 17,503</u>	<u>9</u>

Commission expenses to related parties are based on gross profit while commission expenses to non-related parties are based on selling prices.

Refundable Deposits Paid

Refundable deposits paid from related parties for the years ended December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	%	Amount	%
Tsai Wang	<u>\$ 125,000</u>	<u>15</u>	<u>\$ 125,000</u>	<u>15</u>

Due from Related Parties

Due from related parties as of December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	%	Amount	%
Advances for related parties				

TR Mexico	\$ <u>1,798</u>	<u>100</u>	\$ <u>5,400</u>	<u>100</u>
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Due to Related Parties

Due to related parties as of December 31, 2012 and 2011 was as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Accrued commission expenses				
TR Mexico	\$ <u>-</u>	<u>-</u>	\$ <u>1,394</u>	<u>3</u>

Endorsements or Guarantees

Endorsements or guarantees that Test-Rite provided to its business related legal entities and subsidiaries were summarized in Note 30.

As of December 31, 2012, short-term bank borrowings of \$454,521 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of \$58,272 thousand were guaranteed by Judy Lee and \$10,000 thousand were guaranteed by Tony Ho.

As of December 31, 2011, short-term bank borrowings of \$502,814 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of \$60,580 thousand were guaranteed by Judy Lee.

As of December 31, 2012, long-term debt of \$3,519,760 thousand was guaranteed by Judy Lee.

As of December 31, 2011, long-term debt of \$300,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of \$5,650,590 thousand was guaranteed by Judy Lee.

Compensation of Directors, Supervisors and Management Personnel

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Salaries	\$ 160,895	\$ 184,222
Incentives	15,397	10,753
Bonuses	<u>25,062</u>	<u>21,432</u>
	<u>\$ 201,354</u>	<u>\$ 216,407</u>

Compensation of directors, supervisors and management personnel for 2012 was estimated according to the order of making appropriations from net income regulated by the Company's Articles of Incorporation. The appropriations of earnings for 2012 have not been approved in the shareholders' meeting. The information about the compensation of directors and management personnel is available in the annual report for stockholders' meeting.

The compensation of directors, supervisors and management personnel for the year ended December 31, 2011 included the bonuses appropriated from earnings for 2010 which had been approved by the stockholders in their meeting held in 2011. Please refer to annual report for stockholders' meeting for more details.

29. PLEDGED ASSETS

Assets pledged for various purposes as of December 31, 2012 and 2011 were summarized as follows:

	2012	2011
Time deposits (see Note 4)	\$ 13,134	\$ 27,275
Land (see Note 14)	-	247,665
Buildings and improvements (see Note 14)	<u>-</u>	<u>156,116</u>
	<u>\$ 13,134</u>	<u>\$ 431,056</u>

30. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2012 were US\$219 thousand.

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2011 were US\$2,844 thousand and NT\$1,300 thousand.

Endorsements/guarantees provided: As of December 31, 2012 and 2011, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	2012	2011
Standby letters of credit		
TR Products	US\$ 9,000	US\$ 1,375
Test-Rite Business Development	US\$ 3,000	US\$ 3,000
Energy Retailing	US\$ 2,000	US\$ 2,500
Hola Shanghai Retail & Trading Ltd.	US\$ 1,000	US\$ 3,000
Hola Shanghai Retail & Trading	US\$ -	US\$ 8,000
Light Up Shanghai Retailing	EUR -	EUR 255
Endorsements		
TR Products	US\$ 18,103	US\$ 20,699
TR Trading & TR Retailing	US\$ 12,500	US\$ 17,500
Hola Shanghai Retail & Trading	US\$ 8,500	US\$ 13,500
Test-Rite Business Development	US\$ 5,000	US\$ 5,000
TR Pte.	US\$ 2,000	US\$ -
TR GI	EUR 1,000	EUR 1,000
TR Thailand	US\$ 400	US\$ 400
TR Canada	CAD 60	CAD 30

As of December 31, 2012, Test-Rite Retail's outstanding letters of credit for purchase of inventory amounted to approximately US\$153 thousand and EUR73 thousand.

As of December 31, 2012, Test-Rite Retail has import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$86,850 thousand.

31. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Nominal Amount and Credit Risk

The forward exchange contracts and cross-currency swap contracts as of December 31, 2012 and 2011 were summarized below:

Financial Instruments	Type	2012		2011	
		Nominal Amount	Credit Risk	Nominal Amount	Credit Risk
Non-trading purpose					
Forward exchange	Sale	US\$ 176,900	\$ -	US\$ 204,930	\$ -
	Buy	US\$ 169,900	-	US\$ 146,000	-
	Sale	EUR 3,282	-	EUR 5,957	-

Market Risk

For a derivative designated as hedging instrument, the gain or loss derived from the fluctuation of interest rate or exchange rate is to be offset by the loss or gain on the hedged item attributable to the risk being hedged and thus, the market risk is insignificant.

Liquidity Risk and Cash Flow Risk

Foreign exchange rates embedded in the derivative contracts are fixed at the inception and thus, cash flow risks are insignificant.

The exchange gains on the sale or purchase of derivative financial instruments of \$254,391 thousand and \$72,241 thousand for the years ended 2012 and 2011, respectively, were recorded under nonoperating income and gains - foreign exchange gain, net.

Fair Value of Financial Instruments

The fair value of non-derivative financial instruments as of December 31, 2012 and 2011 was summarized as follows:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$ 1,881,727	\$ 1,881,727	\$ 2,095,773	\$ 2,095,773
Financial assets at fair value through profit or loss, current	299,925	299,925	99,447	99,447
Available-for-sale financial assets, current	-	-	2,141	2,141
Notes receivable	5,207	5,207	39,343	39,343
Accounts receivable	2,406,456	2,406,456	2,922,471	2,922,471
Other receivables	364,285	364,285	310,823	310,823
Other financial assets, current	599	599	613	613
Long-term equity investments at equity method	-	-	1	-
Available-for-sale financial assets, noncurrent	-	-	30,450	30,450

(Continued)

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets carried at cost, noncurrent	\$ 73,709	\$ 73,709	\$ 109,989	\$ 109,989
Bond investments without active market, noncurrent	50,000	50,000	50,000	50,000
Refundable deposits paid	841,804	841,804	833,364	833,364
Liabilities				
Short-term bank borrowings	1,764,129	1,764,129	3,397,071	3,397,071
Short-term bills payable	-	-	159,842	159,842
Financial liabilities at fair value through profit or loss, current	290	290	490	490
Notes payable	18,372	18,372	21,100	21,100
Accounts payable	4,512,979	4,512,979	4,450,756	4,450,756
Other payables	2,147,951	2,147,951	1,860,066	1,860,066
Current portion of long-term debt	200,000	200,000	-	-
Other financial liabilities, current	69,122	69,122	72,524	72,524
Long-term debt	5,013,197	5,013,197	7,150,590	7,150,590
Other financial liabilities, noncurrent	180,471	180,471	157,853	157,853

(Concluded)

The fair value of derivative financial instruments as of December 31, 2012 and 2011 was summarized as follows:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at fair value through profit or loss, current	\$ -	\$ -	\$ 150,289	\$ 150,289
Financial liabilities at fair value through profit or loss, current	(20,795)	(20,795)	(13,315)	(13,315)
Put option on convertible preferred stock	-	-	(19,950)	(19,950)

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

- Financial instruments classified as current assets and liabilities will mature within a short period of time. Therefore, they should be recognized at fair value. Fair value recognition can be applied to financial instruments including cash and cash equivalents, notes receivable, accounts receivable, short-term bank borrowings, short-term bills payable, notes payable, accounts payable, and other financial instruments, etc.
- If the price of marketable securities is obtainable, they should be measured at fair value. Otherwise, other information can be used to estimate these financial securities' fair value.
- Fair value of long-term debts is estimated using the present value of future cash flows discounted by the interest rates the company may obtain for similar loans.

- d. The fair value of derivative financial instruments is the amount which the Company expects to receive or pay if the Company stops the contracts according to the agreement at the balance sheet date. Generally, the amounts included unrealized gain or loss on outstanding contracts and most of them have reference value from financial organizations.

Fair Value Measurement of Financial Assets and Liabilities

	Market Value	Other Estimation Method	Total
Assets			
Financial assets at fair value through profit or loss, current	\$ 299,925	\$ -	\$ 299,925
Liabilities			
Financial liabilities at fair value through profit or loss, current	290	20,795	21,085

32. OPERATING LEASE

The agreement on lease of land, buildings and improvements which Test-Rite entered into with related party, Tsai Wang, required Test-Rite to pay guarantee deposit of \$125,000 thousand, which was recorded under “refundable deposits paid”.

A list of rent expense for the next 5 years and the present value of rentals of 2017 as of December 31, 2012 was as follows:

Period	Amount
2013	\$ 289,819
2014	298,513
2015	307,468
2016	316,693
2017	<u>326,193</u>
	<u>\$ 1,538,686</u>

The lease agreement which Test-Rite entered into with non-related parties required Test-Rite to collect guarantee deposit of \$60 thousand, which was recorded under “refundable deposits received.” A list of rent revenue for the next 5 years and present value of rentals of 2017 as of December 31, 2012 was as follows:

Period	Amount
2013	\$ 421
2014	421
2015	245
2016	186
2017 (present value \$52 thousand)	<u>62</u>
	<u>\$ 1,335</u>

As lessor under lease agreements entered into with non-related parties, Chung Cin Enterprise collected guarantee deposit of \$20,310 thousand, which was recorded under “refundable deposits received.” A list of rent revenue for the next 5 years and the present value of rentals from 2018 to 2025 as of December 31, 2012 was as follows:

Period	Amount
2013	\$ 55,178
2014	32,851
2015	12,830
2016	4,973
2017	3,267
2018-2022 (present value \$11,683 thousand)	14,561
2023-2025 (present value \$4,931 thousand)	<u>6,898</u>
	<u>\$ 130,558</u>

As lessee under agreements entered into for lease of land, buildings and improvements with non-related parties, Chung Cin Enterprise paid guarantee deposit of \$22,051 thousand, which was recorded under “refundable deposits paid”. A list of rent expense for the next 5 years and the present value of rentals from 2018 to 2025 as of December 31, 2012 was as follows:

Period	Amount
2013	\$ 32,364
2014	33,585
2015	34,223
2016	34,905
2017	36,258
2018-2021 (present value \$173,372 thousand)	190,067
2022-2025 (present value \$94,994 thousand)	<u>109,270</u>
	<u>\$ 470,672</u>

As lessee, TR U.S. entered into sale-leaseback agreement of equipment, warehouse, and showroom facilities with non-related parties. A list of rent expense for future years as of December 31, 2012 was summarized as follows:

Period	Amount
2013	\$ 68,231
2014	72,180
2015	70,103
2016	52,965
2017	51,518
2018-2019	<u>4,293</u>
	<u>\$ 319,290</u>

TR U.S. entered into patent license agreement with non-related parties. A list of royalty expense for the next 3 years as of December 31, 2012 was summarized as follows:

Period	Amount
2013	\$ 21,547
2014	4,813
2015	<u>2,073</u>
	<u>\$ 28,433</u>

Hola Shanghai Retail & Trading entered into lease agreement for office premises with non-related parties. A list of rent expense for the next 5 years and the present value of rentals from 2018 to 2028 as of December 31, 2012 was as follows:

Period	Amount
2013	\$ 539,994
2014	571,573
2015	566,184
2016	485,749
2017	463,771
2018-2022 (present value \$1,256,022 thousand)	1,403,827
2023-2027 (present value \$291,800 thousand)	364,518
2028 (present value \$36,004 thousand)	<u>50,269</u>
	<u>\$ 4,445,885</u>

Test-Rite Retail's lease agreement for office premises with non-related parties required Test-Rite Retail to pay guarantee deposit of \$461,854 thousand, which was recorded under "refundable deposits paid". A list of rent expense for the next 5 years and the present value from 2018 to 2042 as of December 31, 2012 was as follows:

Period	Amount
2013	\$ 938,423
2014	951,912
2015	972,697
2016	751,344
2017	637,611
2018-2022 (present value \$2,487,350 thousand)	2,730,641
2023-2027 (present value \$666,265 thousand)	771,981
2028-2032 (present value \$152,744 thousand)	191,482
2033-2037 (present value \$81,739 thousand)	109,959
2038-2042 (present value \$11,314 thousand)	<u>15,839</u>
	<u>\$ 8,071,889</u>

The information of significant foreign-currency financial assets and liabilities as of December 31, 2012 and 2011 was summarized as follows:

(Unit: Foreign Currencies/New Taiwan Dollars in Thousands)

	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 45,280	29.136	\$ 1,319,265	\$ 84,640	30.29	\$ 2,563,748
EUR	1,481	38.4025	56,890	1,821	39.16	71,318
GBP	381	46.7544	17,830	556	46.7035	25,974
RMB	275,880	4.6597	1,285,516	223,300	4.806	1,073,178
SGD	2,710	23.7449	64,347	3,170	23.2849	73,824
Nonmonetary items						
USD	175,900	29.136	5,125,022	167,500	30.29	5,073,575
EUR	3,282	38.4025	126,019	5,957	39.16	233,257
<u>Financial liabilities</u>						
Monetary items						
USD	69,746	29.136	2,032,120	136,174	30.29	4,124,723
EUR	2,226	38.4025	85,502	615	39.16	24,071
RMB	552,986	4.6597	2,576,747	666,486	4.455	2,968,927
Nonmonetary items						
USD	169,900	29.136	4,950,206	144,437	30.29	4,374,986

33. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under SFAS No. 41 are therefore as follows:

- A Segment - retail segment
- B Segment - trading segment
- C Segment - manufacturing segment
- D Segment - construction segment

Segment Revenue and Results

The analysis of the Company's revenue and results from continuing operations by reportable segment for the years ended December 31, 2012 and 2011 was as follows:

	2012				Adjustment and Elimination	Total
	A Segment	B Segment	C Segment	D Segment		
Net sales	\$ 20,365,537	\$ 18,933,498	\$ 2,062,048	\$ 1,601,462	\$ (7,715,271)	\$ 35,247,274
Cost of sales	(13,203,261)	(14,866,799)	(1,651,115)	(1,362,391)	6,419,374	(24,664,192)
Gross profit	7,162,276	4,066,699	410,933	239,071	(1,295,897)	10,583,082
Operating expenses	(6,739,198)	(3,916,031)	(248,082)	(151,738)	1,315,763	(9,739,286)
Operating income	\$ 423,078	\$ 150,668	\$ 162,851	\$ 87,333	\$ 19,866	843,796
Nonoperating income and gains						473,832
Nonoperating expenses and losses						(445,355)
Income before income tax						\$ 872,273

2011						
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Net sales	\$ 20,674,374	\$ 19,959,927	\$ 3,169,467	\$ 2,323,527	\$(10,249,723)	\$ 35,877,572
Cost of sales	<u>(13,461,860)</u>	<u>(15,852,757)</u>	<u>(2,619,286)</u>	<u>(2,019,748)</u>	<u>8,915,089</u>	<u>(25,038,562)</u>
Gross profit	7,212,514	4,107,170	550,181	303,779	(1,334,634)	10,839,010
Operating expenses	<u>(6,860,730)</u>	<u>(3,849,415)</u>	<u>(382,627)</u>	<u>(149,563)</u>	<u>1,305,375</u>	<u>(9,936,960)</u>
Operating income	<u>\$ 351,784</u>	<u>\$ 257,755</u>	<u>\$ 167,554</u>	<u>\$ 154,216</u>	<u>\$ (29,259)</u>	902,050
Nonoperating income and gains						463,015
Nonoperating expenses and losses						<u>(423,043)</u>
Income before income tax						<u>\$ 942,022</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2012 and 2011.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2012 and 2011 was as follows:

2012						
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets	<u>\$ 9,597,196</u>	<u>\$ 15,255,817</u>	<u>\$ -</u>	<u>\$ 1,531,943</u>	<u>\$ (3,754,234)</u>	<u>\$ 22,630,722</u>
Liabilities	<u>\$ 6,211,865</u>	<u>\$ 11,835,448</u>	<u>\$ -</u>	<u>\$ 409,720</u>	<u>\$ (2,591,347)</u>	<u>\$ 15,865,686</u>

2011						
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets	<u>\$ 11,995,285</u>	<u>\$ 15,716,245</u>	<u>\$ 3,039,985</u>	<u>\$ 1,718,798</u>	<u>\$ (4,907,905)</u>	<u>\$ 27,562,408</u>
Liabilities	<u>\$ 8,450,934</u>	<u>\$ 13,253,062</u>	<u>\$ 1,829,139</u>	<u>\$ 588,981</u>	<u>\$ (3,790,408)</u>	<u>\$ 20,331,708</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2012 and 2011.

Geographical Information

The Company operates in two principal geographical areas - Asia and America. The Company's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location were detailed below:

	Revenue from External Customers		Noncurrent Assets	
	Year Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Asia	\$ 30,427,712	\$ 31,072,591	\$ 12,155,322	\$ 13,609,786
America	4,451,594	4,384,891	-	-
Europe	336,770	419,752	-	-
Australia and others	<u>31,198</u>	<u>338</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,247,274</u>	<u>\$ 35,877,572</u>	<u>\$ 12,155,322</u>	<u>\$ 13,609,786</u>

Noncurrent assets excluded those classified as financial instruments, deferred pension cost and deferred income tax assets.

Major Customer

No individual customer accounted for at least 10% of consolidated revenue in 2012 and 2011.

34. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mrs. Sophia Tong. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

<u>Plan Item</u>	<u>Responsible Division</u>	<u>Plan Progress</u>
1) Establish the IFRSs taskforce	IFRSs taskforce and accounting division	Finished
2) Set up a work plan for IFRSs adoption	IFRSs taskforce and accounting division	Finished
3) Complete the identification of GAAP differences and impact	IFRSs taskforce and accounting division	Finished
4) Complete the identification of consolidated entities under IFRSs	IFRSs taskforce and accounting division	Finished
5) Evaluate optional exemptions under IFRS based on IFRS 1	IFRSs taskforce and accounting division	Finished
6) Complete modification to the IT systems	IFRSs taskforce and IT division	Finished
7) Complete modification to the internal controls	IFRSs taskforce and internal audit division	Finished
8) Determine IFRSs accounting policies	IFRSs taskforce and accounting division	Finished
9) Select optional exemptions under IFRS based on IFRS 1	IFRSs taskforce and accounting division	Finished
10) Complete the preparation of opening date balance sheet under IFRSs	IFRSs taskforce and accounting division	Finished
11) Prepare comparative financial information under IFRSs for 2012	IFRSs taskforce and accounting division	Finished

(Continued)

Plan Item	Responsible Division	Plan Progress
12) Complete modification to the relevant internal controls (including financial reporting process and information systems)	IFRSs taskforce and internal audit division	Finished
(Concluded)		

- b. The material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

1) Reconciliation of the consolidated balance sheet on January 1, 2012 were as follows:

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	
Current assets					Current assets	
Cash and cash equivalents	\$ 2,095,773	\$ -	\$ (2,000)	\$ 2,093,773	Cash and cash equivalents	5) g)
Financial assets at fair value through profit or loss - current	249,736	-	-	249,736	Financial assets measured at fair value through profit and loss - current	
Available-for-sale financial assets - current	2,141	-	-	2,141	Available-for-sale financial assets - current	
Notes receivable	39,343	-	-	39,343	Notes receivable	
Accounts receivable	2,922,471	-	30,090	2,952,561	Accounts receivable	5) d)
Other receivables	310,823	-	-	310,823	Other receivables	
Other financial assets - current	613	-	2,000	2,613	Other financial assets - current	5) g)
Inventories	5,928,469	-	-	5,928,469	Inventories	
Prepayments	915,460	-	-	915,460	Prepayments	
Other current assets	260,980	-	(28,712)	232,268	Other current assets	5) a)
Total current assets	12,725,809	-	1,378	12,727,187	Total current assets	
Fund and investment					Noncurrent assets	
Long-term equity investments at equity method	1	-	-	1	Investments accounted for by the equity method	
Available-for-sale financial assets - noncurrent	30,450	-	-	30,450	Available-for-sale financial assets - noncurrent	
Financial assets carried at cost - noncurrent	109,989	-	-	109,989	Financial assets measured at fair value through profit and loss - noncurrent	
Bond investments without active market, noncurrent	50,000	-	-	50,000	Bond investments without active market, noncurrent	
Total long-term investments	190,440	-	-	-		
Property, plant and equipment, net	7,709,067	34,855	-	7,743,922	Property, plant and equipment, net	4) e)
Intangible assets						
Computer software cost	209,675	-	-	209,675	Computer software	
Goodwill	3,647,854	-	-	3,647,854	Goodwill	
Deferred pension cost	19,692	(19,692)	-	-		5) c)
Total intangible assets	3,877,221	(19,692)	-	-		
Other assets						
Refundable deposits paid	833,364	-	-	833,364	Refundable deposits	
Deferred income tax assets - noncurrent	1,002,504	-	28,712	1,031,216	Deferred income tax assets - noncurrent	5) a)
Other assets - other	1,224,003	-	-	1,224,003	Other assets	
Total other assets	3,059,871	-	28,712	14,880,474	Total noncurrent assets	
Total assets	\$ 27,562,408	\$ 15,163	\$ 30,090	\$ 27,607,661	Total assets	
Current liabilities					Current liabilities	
Short-term bank borrowings	\$ 3,397,071	\$ -	\$ -	\$ 3,397,071	Short-term bank borrowings	
Short-term bills payable	159,842	-	-	159,842	Short-term bills payable	
Financial liabilities at fair value through profit or loss - current	33,755	-	-	33,755	Financial liabilities measured at fair value through profit and loss - current	
Notes payable	21,100	-	-	21,100	Notes payable	
Accounts payable	4,450,756	-	-	4,450,756	Accounts payable	
Income tax payable	180,359	-	-	180,359	Income tax payable	
Other payables	1,860,066	23,107	-	1,883,173	Other payable	5) b)
Liability component of preferred stocks - current	335,361	-	-	335,361	Liability component of preferred stocks - current	
Advance receipt	457,602	197,870	-	655,472	Advance receipt	5) f)
Other current liabilities	582,137	(184,789)	18,090	415,438	Other current liabilities	5) a), 5) d), 5) e)
Total current liabilities	11,478,049	36,188	18,090	11,532,327	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term debt	7,150,590	-	-	7,150,590	Long-term debts	
Estimated land value increment tax payable	41,791	-	(41,791)	-		5) h)
Other liabilities						
Accrued pension cost	291,829	114,936	-	406,765	Accrued pension cost	5) c)
Refundable deposits	157,853	-	-	157,853	Refundable deposits	
Deferred credit	1,173,942	(923,942)	-	250,000	Deferred credit	5) e)
Other liabilities - others	37,654	49,233	53,791	140,678	Other liabilities	4) e), 5) a), 5) h)
Total other liabilities	1,661,278	(759,773)	53,791	8,105,886	Total other liabilities	
Total liabilities	20,331,708	(723,585)	30,090	19,638,213	Total liabilities	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Equity attributable to stockholders of the parent					Stockholders' equity	
Capital					Capital	
Common stock	\$ 5,074,228	\$ -	\$ -	\$ 5,074,228	Common stock	
Capital surplus					Capital surplus	
Additional paid-in capital	689,395	-	-	689,395	Additional paid-in capital	
Treasury stock transactions	5,081	-	-	5,081	Treasury stock transactions	
Retained earnings					Retained earnings	
Legal reserve	744,159	-	-	744,159	Legal reserve	
Unappropriated earnings	610,508	815,801	-	1,426,309	Unappropriated earnings	4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) e), 5) f)
Others					Others	
Cumulative translation adjustments	133,069	(133,069)	-	-		4) d)
Net loss not recognized as pension costs	(104,021)	104,021	-	-		5) c)
Unrealized holding gain on available-for-sale financial assets	1,682	-	-	1,682	Unrealized holding gain on available-for-sale financial assets	
Unrealized revaluation increment	25,825	(25,825)	-	-		4) b)
Treasury stock	(437,139)	-	-	(437,139)	Treasury stock	
Total equity attributable to stockholders of the parent	6,742,787	760,928	-	7,503,715	Total equity attributable to stockholders of the parent	
Minority interest	487,913	(22,180)	-	465,733	Minority interests	
Total stockholders' equity	7,230,700	738,748	-	7,969,448	Total stockholders' equity	
Total liabilities and stockholders' equity	\$ 27,562,408	\$ 15,163	\$ 30,090	\$ 27,607,661	Total liabilities and stockholders' equity	

(Concluded)

2) Reconciliation of consolidated balance sheet as of December 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Current assets					Current assets	
Cash and cash equivalents	\$ 1,881,727	\$ -	\$ -	\$ 1,881,727	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	299,925	-	-	299,925	Financial assets measured at fair value through profit and loss - current	
Notes receivable	5,207	-	-	5,207	Notes receivable	
Accounts receivable	2,406,456	-	1,822	2,408,278	Accounts receivable	5) d)
Other receivables	364,285	-	-	364,285	Other receivables	
Other financial assets - current	599	-	-	599	Other financial assets - current	
Inventories	4,840,887	-	-	4,840,887	Inventories	
Other prepayments	547,474	-	-	547,474	Other prepayments	
Other current assets	129,729	-	(38,635)	91,094	Other current assets	5) a)
Total current assets	10,476,289	-	(36,813)	10,439,476	Total current assets	
Fund and investment						
Financial assets carried at cost - noncurrent	73,709	-	-	73,709	Financial assets measured at fair value through profit and loss - noncurrent	
Bond investments without active market - noncurrent	50,000	-	-	50,000	Bond investments without active market - noncurrent	
Total long-term investments	123,709	-	-	-		
Property, plant and equipment, net	6,161,973	33,699	-	6,195,672	Property, plant and equipment, net	4) e)
Intangible assets						
Computer software cost	219,730	-	-	219,730	Computer software cost	
Goodwill	2,880,444	(699,555)	-	2,180,889	Goodwill	5) i)
Deferred pension cost	376	(376)	-	-		5) c)
Other intangible assets	68,737	(68,737)	-	-		5) i)
Total intangible assets	3,169,287	(768,668)	-	-		
Other assets						
Refundable deposits paid	841,804	-	-	841,804	Refundable deposits paid	
Deferred income tax assets - noncurrent	1,028,117	-	38,635	1,066,752	Deferred income tax assets - noncurrent	5) a)
Other assets - other	829,543	-	-	829,919	Other assets	
Total other assets	2,699,464	-	-	11,458,099	Total noncurrent assets	
Total assets	\$ 22,630,722	\$ (734,969)	\$ 1,822	\$ 21,897,575	Total assets	
Current liabilities					Current liabilities	
Short-term bank borrowings	\$ 1,764,129	\$ -	\$ -	\$ 1,764,129	Short-term bank borrowings	
Financial liabilities at fair value through profit or loss - current	21,085	-	-	21,085	Financial liabilities measured at fair value through profit and loss - current	
Notes payable	18,372	-	-	18,372	Notes payable	
Accounts payable	4,512,979	-	-	4,512,979	Accounts payable	
Income tax payable	134,184	-	-	134,184	Income tax payable	
Other payables	2,147,951	16,796	-	2,164,747	Other payables	5) b)
Advance receipt	411,071	193,002	-	604,073	Advance receipt	5) f)
Current portion of long-term debt	200,000	-	-	200,000	Current portion of long-term debt	
Other current liabilities	405,890	(184,789)	1,822	222,923	Other current liabilities	5) a), 5) d), 5) e)
Total current liabilities	9,615,661	25,009	1,822	9,642,492	Total current liabilities	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
		Recognition and Measurement Difference	Presentation Difference	Amount	Item	
Item	Amount					
Long-term liabilities	\$ 5,013,197	\$ -	\$ -	\$ 5,013,197	Noncurrent liabilities	
Other liabilities						
Accrued pension cost	85,667	44,042	-	129,709	Accrued pension cost	5) c)
Refundable deposits received	180,471	-	-	180,471	Refundable deposits received	
Deferred credit	939,154	(739,153)	-	200,001	Deferred credit	5) e)
Other liabilities - other	31,536	51,300	-	82,836	Other liabilities	4) e), 5) a), 5) h)
Total other liabilities	<u>1,236,828</u>	<u>(643,811)</u>	<u>-</u>	<u>5,606,214</u>	Total other liabilities	
Total liabilities	<u>15,865,686</u>	<u>(618,802)</u>	<u>1,822</u>	<u>15,248,706</u>	Total liabilities	
Stockholders' equity					Stockholders' equity	
Capital					Capital	
Common stock	5,219,555	-	-	5,219,555	Common stock	
Capital surplus					Capital surplus	
Additional paid-in capital	685,395	-	-	689,395	Additional paid-in capital	
Treasury stock transactions	5,081	-	-	5,081	Treasury stock transactions	
Retained earnings					Retained earnings	
Legal reserve	805,210	-	-	805,210	Legal reserve	
Unappropriated earnings	706,129	(42,968)	-	663,161	Unappropriated earnings	4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) e), 5) f)
Others					Others	
Cumulative translation adjustments	109,560	(133,069)	-	(23,509)	Cumulative translation adjustments	4) d)
Net loss not recognized as pension costs	(59,870)	59,870	-	-		5) c)
Unrealized holding loss on available-for-sale financial asset	25	-	-	25	Unrealized holding loss on available-for-sale financial asset	
Treasury stock	(729,124)	-	-	(729,124)	Treasury stock	
Total equity attributable to stockholders of the parent	<u>6,745,961</u>	<u>(116,167)</u>	<u>-</u>	<u>6,629,794</u>	Total equity attributable to stockholders of the parent	
Minority interest	<u>19,075</u>	<u>-</u>	<u>-</u>	<u>19,075</u>	Minority interest	
Total stockholders' equity	<u>6,765,036</u>	<u>(116,167)</u>	<u>-</u>	<u>6,648,869</u>	Total stockholders' equity	
Total liabilities and stockholders' equity	<u>\$ 22,630,722</u>	<u>\$ (734,969)</u>	<u>\$ 1,822</u>	<u>\$ 21,897,575</u>	Total liabilities and stockholders' equity	

(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
		Recognition and Measurement Difference	Presentation Difference	Amount	Item	
Item	Amount					
Net operating revenue	\$ 35,247,274	\$ 4,868	\$ -	\$ 35,252,142	Net operating revenue	5) f)
Operating cost	<u>24,664,192</u>	<u>184,789</u>	<u>-</u>	<u>24,848,981</u>	Operating cost	5) e)
Gross profit	10,583,082	(179,921)	-	10,403,161	Gross profit	
Operating expenses	9,739,286	3,558	-	9,742,844	Operating expenses	4) e), 5) b), 5) c)
Operating income	<u>843,796</u>	<u>(183,479)</u>	<u>-</u>	<u>660,317</u>	Operating income (loss)	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	16,960	-	-	16,960	Interest income	
Investment gain recognized under equity method	6,798	-	-	6,798	Investment gain recognized under equity method	
Gain on disposal of property, plant and equipment	320	-	-	320	Gain on disposal of property, plant and equipment	
Gain on sale of investments, net	48,482	-	-	48,482	Gain on sale of investments, net	
Foreign exchange gain, net	194,698	-	-	194,698	Foreign exchange gain, net	
Gain on valuation of financial liabilities	11,588	-	-	11,588	Gain on valuation of financial liabilities	
Others	<u>194,986</u>	<u>-</u>	<u>-</u>	<u>194,986</u>	Others	
Total non-operating income	<u>473,832</u>	<u>-</u>	<u>-</u>	<u>473,832</u>	Total non-operating income	
Nonoperating expenses and loss					Nonoperating expenses and loss	
Interest expenses	193,299	2,067	-	195,366	Interest expenses	4) e)
Loss on disposal of property, plant, and equipment	5,621	-	-	5,621	Loss on disposal of property, plant, and equipment	
Amortization of liability component of preferred stocks - noncurrent	5,229	-	-	5,229	Amortization of liability component of preferred stocks - noncurrent	
Dividends paid on liability component of preferred stocks - noncurrent	8,726	-	-	8,726	Dividends paid on liability component of preferred stocks - noncurrent	
Loss on valuation of financial assets	164,356	-	-	164,356	Loss on valuation of financial assets	
Reverse split loss	1,717	-	-	1,717	Others	
Others	<u>66,407</u>	<u>-</u>	<u>-</u>	<u>66,407</u>	Others	
Total non-operating expenses	<u>445,355</u>	<u>2,067</u>	<u>-</u>	<u>447,422</u>	Total non-operating expenses	
Provision for income tax	872,273	(185,546)	-	686,727	Income before income tax	
Income tax expense	<u>(122,033)</u>	<u>-</u>	<u>-</u>	<u>(122,033)</u>	Provision for income tax	
Total consolidated net income	<u>\$ 750,240</u>	<u>\$ (185,546)</u>	<u>\$ -</u>	<u>\$ 564,494</u>	Total consolidated net income	
				\$ (23,509)	Cumulative translation adjustments	
				(6,823)	Pension cost and actuarial losses of defined benefit	
				(1,657)	Unrealized loss on financial instruments	
				<u>\$ 532,705</u>	Total comprehensive gain	

4) Exemptions from IFRSs 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," established the procedures for the preparation of the Company's first consolidated financial statements in accordance with IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions to such retrospective application provided under IFRSs 1. The main optional exemptions the Company adopted are summarized as follows:

a) Business combinations

The Company elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations, related assets and liabilities adopted in business combinations, and noncontrolling interests remain the same compared with those under R.O.C. GAAP as of December 31, 2011. This optional exemption is also applicable to the investments in associates.

b) Fair value or revaluation amount as deemed cost

The Company revalued parts of its land in accordance with R.O.C. GAAP and used the revalued amount as the deemed cost at the date of transition to IFRS. The rest of the property, plant and equipment will be accounted in accordance with IFRSs using the cost model and relevant provisions will be applied retroactively.

The amount of unrealized revaluation increment reclassified to retained earnings on December 31, 2012 and January 1, 2011 was \$25,825 thousand.

c) Employee benefits

The Company reclassified all unrecognized accumulated actuarial profit and loss concerning employee benefits plan to retained earnings at the date of transition to IFRSs.

d) Cumulative translation differences

The Company elected to set to zero its cumulative translation adjustments in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to IFRS.

The Company adopted optional exemptions in accordance with IFRS and reclassified cumulative translation adjustments of \$133,069 thousand to retained earnings.

e) Property, plant and equipment costs included decommissioning liabilities

At the date of transition to IFRSs, the Company adopted IAS 37, "Provisions, contingent liabilities and contingent assets" which required to measure decommissioning liabilities, and the provision is included in liabilities and in the cost of the relevant assets. Related accumulated depreciation of the assets is adjusted at the date of transition to IFRSs.

As of December 31, 2012 and January 1, 2012, the amount of decommissioning liabilities of the Company amounted to \$51,300 thousand and \$49,233 thousand, respectively; recognized decommissioned assets amounted to \$33,699 thousand and \$34,855 thousand, respectively. In addition, for the year ended December 31, 2012, depreciation expense and interest expense increased by \$1,156 thousand and \$2,067 thousand, respectively.

f) Share-based payment

The Company elected to take the optional exemption from applying IFRS 2, "Share-based Payment," retrospectively for the share-based payment transactions granted and vested before January 1, 2012.

5) Notes to the reconciliation of the significant differences:

The Company-specific areas of possible material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

- a) Under R.O.C. GAAP, 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. In accordance with IAS No. 12, "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

In addition, under R.O.C. GAAP, 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, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were \$38,635 thousand and \$28,712 thousand, deferred income tax liabilities to noncurrent liabilities were \$0 thousand and \$12,000 thousand, respectively.

- b) Short-term employee benefits under R.O.C. GAAP are not expressly stipulated and usually recorded when paid. After the date of transition to IFRS, it is recognized as an expense when employees provided services to increase their paid vacation.

As of December 31, 2012 and January 1, 2012, the Company increased accounts payable by \$16,796 thousand and \$23,107 thousand for short-term employee benefits. In addition, for the year ended December 31, 2012, the Company increased "operating expenses - general and administrative" by \$8,189 thousand.

- c) According to SFAS No. 18, the unrecognized transition obligation at the first adoption of SFAS No. 18, "Accounting for Pension," should be amortized over the expected remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

Under R.O.C. GAAP, when using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, the Company performed the actuarial valuation under IAS No. 19, "Employee Benefits," and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1; accrued pension cost was adjusted for an increase of \$44,042 thousand and \$114,936 thousand, respectively. Deferred pension cost was adjusted for a decrease of \$376 thousand and \$19,692 thousand, respectively. Net loss not recognized as pension costs was adjusted for an increase of \$59,870 thousand and \$104,021 thousand, respectively. Pension cost and actuarial losses of defined benefit for the year ended December 31, 2012 was also adjusted for a decrease of \$5,787 thousand and \$6,823 thousand, respectively.

- d) Under R.O.C. GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period, the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions (classified under current liabilities) in accordance with IAS No. 37, "Provisions, Contingent Liabilities and Contingent Assets."

As of December 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were \$1,822 thousand and \$30,090 thousand, respectively.

- e) Under R.O.C. GAAP, when the nature of the lessee's sale and leaseback transaction is operating lease, the profit from the sale and leaseback is required to be recognized and deferred evenly during the lease term. The present value of total rental is compared to the fair value of sold asset; excess of present value of rental is immediately recognized as loss and excess of fair value is the deferred amount. Under IFRSs, if the sale price is fair value, the sale and leaseback should be recognized immediately to the profit or loss; sale price is higher than the fair value should be deferred and expect to be amortized over lease term.

As of December 31, 2012 and January 1, 2012, the Company adjusted to reduce unrealized gain in the amount of \$923,942 thousand and \$1,108,731 thousand, respectively. In addition, for the year ended December 31, 2012, the amortization increased the lease costs by \$184,789 thousand.

- f) Under R.O.C. GAAP, when the reward points are generated, the liabilities and marketing costs should be estimated and recognized. Under IFRSs, part of the sales revenue is reward point revenue; fair value of sales of goods and reward point is the basis in calculating the revenue; when the convertible obligation actually materialized or failed, the related award points should be recognized as revenue.

As of December 31, 2012 and January 1, 2012, deferred reward points revenues were \$193,002 thousand and \$197,870 thousand, respectively. In addition, for the year ended December 31, 2012, due to the realized convertible obligations, revenue was recognized for \$4,868 thousand.

- g) Under R.O.C. GAAP, the term "Cash and cash equivalents" used in the financial statements includes cash on hand, demand deposits, check deposits, time deposits that are cancellable but without any loss of principal and negotiable certificates of deposit that are readily salable without any loss of principal. However, under IFRSs, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Some certificates of deposit the Company held had maturity of more than three months from the date of investment; therefore, they were reclassified from cash and cash equivalents to other financial assets.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from cash and cash equivalents to other financial assets were \$0 thousand and \$2,000 thousand, respectively.

- h) By the Guidelines Governing the Preparation of Financial Reports by Securities Issuers for land revaluation increment tax payable should be classified as long-term liabilities. According to IFRS, if an entity elected to use the revaluation amount of land as the deemed cost under its first-time adoption of IFRS, the related reserve for land revaluation increment tax must be reclassified into deferred income tax liabilities - land value increment tax.

As of December 31, 2012 and January 1, 2012, the amount of reserve for land revaluation increment tax reclassified to deferred income tax liabilities - noncurrent was \$0 thousand and \$41,791 thousand, respectively.

- i) Under R.O.C. GAAP, the acquisition cost of investment is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as other tangible assets and goodwill. Under IFRSs, changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions, and the adjustment is debited to capital surplus, but if the capital surplus recognized from long-term investments is insufficient, the shortage is debited to retained earnings. As of December 31, 2012, retained earnings were adjusted for a decrease of \$768,292 thousand, other tangible assets were adjusted for a decrease of \$68,737 thousand and goodwill was adjusted for a decrease of \$699,555 thousand.

6) Special reserve recognized at the date of transition

According to Rule No. 1010012865 issued by the Financial Supervisory Commission (FSC) on April 6, 2012, in the first-time adoption of IFRSs, the Company is required to record special reserve equal to the total amount of unrealized revaluation increments and cumulative translation differences under stockholders' equity reclassified to retained earnings in accordance with IFRS 1; however, if the amount of the credit adjustments to retained earnings at the date of transition to IFRSs is smaller than the total amount of unrealized revaluation increments and cumulative translation differences, only the amount of the credit adjustments to retained earnings is reclassified to special reserve. The special reserve is reversed proportionately when using, disposing and reclassifying the related assets. As of January 1, 2012, the amount appropriated to special reserve from cumulative translation differences transferred to retained earnings at the date of first-time adoption of IFRSs was \$158,894 thousand. For the year ended December 31, 2012, the special reserve reversed on the disposal of the assets was \$148,098 thousand.

- c. The Company's aforementioned assessment is based on the 2010 version of IFRSs translated by the ARDF and on the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on December 22, 2011. However, the assessment result may be impacted as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with IFRSs. Actual results may differ from these assessments.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit : NTD\$ thousand

Item \ Year	2011	2012	Difference	
			Amount	%
Current Assets	5,423,893	4,305,395	(1,118,498)	-20.62%
Long-term Investment	9,555,569	8,323,373	(1,232,196)	-12.90%
Fixed Assets	592,999	571,917	(21,082)	-3.56%
Intangible Assets	53,836	53,994	158	0.29%
Other Assets	686,926	652,917	(34,009)	-4.95%
Total Assets	16,313,223	13,907,596	(2,405,627)	-14.75%
Current Liabilities	2,009,690	2,723,659	713,969	35.53%
Long-term Liabilities	5,950,590	3,319,760	(2,630,830)	-44.21%
Other Liabilities	1,610,156	1,118,216	(491,940)	-30.55%
Total Liabilities	9,570,436	7,161,635	(2,408,801)	-25.17%
Capital stock	5,074,228	5,219,555	145,327	2.86%
Capital surplus	694,476	694,476	0	0.00%
Retained Earnings	1,354,667	1,511,339	156,672	11.57%
Other Adjustments	(380,584)	(679,409)	(298,825)	-78.52%
Total Stockholders' Equity	6,742,787	6,745,961	3,174	0.05%

Analysis of changes in financial ratios:

- (1) 、 The decrease of current assets was due to the decrease of account receivable and other receivable.
- (2) 、 The increase of current liabilities was the result of increase in account payables and current of long term debt.
- (3) 、 The decrease of long term liabilities was the decrease of long-term liabilities.
- (4) 、 The decrease of other liabilities was due to the decrease of long-term equity investments and unrealized gain on sale and lease-back.
- (5) 、 The decrease of total liabilities was due to the decrease of long-term liabilities.
- (6) 、 The decrease of other equity was due to the increase of treasury stock shares.

7.2 Analysis of Operating Results

Unit : NTD\$ thousand

Item \ Year	2010	2011	Difference	
			Amount	%
Net Sales	13,272,554	11,902,223	(1,370,331)	-10.32%
Cost of Sales	10,781,870	9,506,016	(1,275,854)	-11.83%
Gross Profit	2,490,684	2,396,207	(94,477)	-3.79%
Operating Expenses	2,175,472	2,095,849	(79,623)	-3.66%
Operating Income	315,212	300,358	(14,854)	-4.71%
Non-operating Income and Gains	538,244	742,770	204,526	38.00%
Non-operating Expenses and Losses	182,923	290,491	107,568	58.81%
Income Before Tax	670,533	752,637	82,104	12.24%
Tax Benefit (Expense)	(34,400)	(63,100)	(28,700)	-83.43%
Cumulative Effect of Change in Accounting Principles	636,133	689,537	53,404	8.40%

- **Effect of change on the company's future business:.**

- (1) 、The increase of non-operating income and gains was due to the increase of Investment income recognized under equity method and exchange gain.
- (2) 、The increase of non-operating expenses and losses reflects the increase of the loss on valuation of financial asset.
- (3) 、The increase of tax expense was due to the increase of our subsidiaries' profit.

- **Future response plans :**

Faced with a rapidly changing and competitive landscape, Test-Rite has leveraged its +30 years of success in the trading business while continuing to strengthen our product offerings for our trading customers. These services, encompass product and packaging design, logistics, and storage/warehousing capacities, enable Test-Rite to provide a Total Solution service that we believe is necessary to further strength or role within the supply to chain to global retail operators. As a result, Test-Rite is able to facilitate cooperative efficiency between our customers and suppliers and create value-added services for our trading partners. Taiwanese and Chinese authorities have extended the tightening of the overheated real estate markets. In fact, the implementation of luxury tax, increase in utility rates and enactment of tax on dividend and interest income are likely to have further adverse impact on household's disposable income and consumer demand. However, we remain focused on maintaining our growth momentum in the retail business and plans for additional 5-7 new Hola or TLW opening (2 in Taiwan and 3 to 5 in China) in 2013.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit : NTD\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
155,026	2,635,545	(2,474,782)	315,789	N.A.	N.A.

(1).Operating activities: The net cash inflow from operating activities of NT\$2,635,545,000 was the result of a from the implementation of vendor financing program and decrease of account receivable.

(2).Investment activities: The net cash inflow from investment activities of NT\$672,901,000 was the result of gain on disposal of long-term equity.

(3).Financing activities: The net cash outflow from financing activities of NT\$3,147,683,000 was the result of the reduction in long-term loans.

7.3.2 Analysis of financial ratio change: Improvement plan for inadequate liquidity: Inadequate liquidity does not apply to the Company.

7.3.3 Cash Flow Analysis for the Coming Year

Unit : NTD\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
315,789	1,032,852	(1,048,252)	300,389	N.A.	N.A.

Analysis of cash flow changes for the coming year:

A. Operating activities: Operating profit continues to see improvement and AR from previous business cycle was collected during the period. Dividend repatriations from subsidiaries resulted in a net cash inflow from operating activities of NT\$1,032,852,000.

B. Investment and financing activities: The Company increased activities in the mainland market and provided additional investments to subsidiaries in China, completed the acquisition of International Art and planned to distribute cash dividends to shareholders. Investment and financing activities for the entire year created a net cash outflow of NT\$1,048,252,000, thus there is no issue of inadequate liquidity.

7.4 Major Capital Expenditure Items : No.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans

The Company's long-term investment policy is in line with its operating and strategic development plans, and carefully planned investment activities are conducted and managed at home and abroad within acceptable risk tolerance. In addition to complying with government regulations, our operations and practices are conducted in accordance with the Company's established Guidelines for Managing Long- and Short-term Investment Operations and Guidelines for the Acquisition or Disposal of Assets in order to effectively manage, monitor and control the financial and operating status of our subsidiaries.

(Unit: NT\$ thousands/Foreign Unit: dollars)

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Fortune Miles Co., Ltd.		941	Investment holding company	This was due mainly to the trading company under Fortune Miles remained operating at a loss, and therefore the equity method must be used to recognize the losses.	Partnering with manufacturers with more favorable cost competitive advantages.
Test-Rite Star Co., Ltd.		38,148	Investment holding company	Loss recognized by equity method	Improving operational performance and establish tighter control on costs and expenses.
Test-Rite Investment (B.V.I.) Co., Ltd.		33,381	Investment in various industries	Loss recognized by equity method	Improve operational performance.
Test-Rite Retailing Co., Ltd.		2,499,527	Investment holding company	This was due mainly to the fact that the holding company that invested in the retail operations of HOLA China was in the process of expanding new stores and the costs incurred prior to launching the stores must be recognized under the equity method.	NA
Test-Rite Trading Co., Ltd.		1,277,642	Investment holding company	This was due mainly to the investment in the holding company of China Trading subsidiaries, the losses of which were recognized under the equity method.	Establish tighter control on costs and expenses.
TRS Investment Co., Ltd.		76,717	Investment holding company	This was due mainly to the investment in the holding company of Jiashan Te-Cheng Wood Industrial Co., Ltd., the profit of which was recognized under the equity method.	NA
Upmaster		311,736	Investment holding company	Profit recognized by equity method	NA
Test-Rite Pte. Ltd.		66,625	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Product (Hong Kong) Ltd.		11,513	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Int'l (Australia) Pty Ltd.		72,170	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.

Item \ Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Test-Rite Vietnam Co., Ltd.	34,737	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Canada Co., Ltd.	30,854	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite (UK) Co., Ltd.	72,074	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Development Co., Ltd.	402,097	Investment holding company	This was due mainly to the investment in the holding company of our European trading sub-subsidiary, the loss of which was recognized under the equity method.	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Int'l (U.S.) Co., Ltd.	1,016,312	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Int'l (Thailand) Ltd.	13,161	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Lih Chiou Co., Ltd.	4,182,737	Investment holding company	Profit recognized by equity method	NA
Lih Teh International Co., Ltd.	200,984	Logistics services	Profit recognized by equity method	NA
B&S Link Co., Ltd.	49,994	Providing information software and electronic information	Profit recognized by equity method	NA
Fusion International Distribution, Inc.	30,721	Importation and exportation	Profit recognized by equity method	NA
Chung Cin Enterprise Co., Ltd.	766,906	Authorized builder to build dwelling, rental and sale of building	Profit recognized by equity method	NA
Test-Rite Retail Co., Ltd.	4,955,542	Sale of house decoration hardware and construction materials	Profit recognized by equity method	NA
Test-Rite Home Service Co., Ltd.	198,000	Interior design	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on

Item \ Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
				costs and expenses.
Hola Homefurnishings Co., Ltd.	300	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
Homy Homefurnishings Co., Ltd.	300	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
Freer Inc.	300	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
Tony Construction Co., Ltd.	230,000	Build and civil engineering	Profit recognized by equity method	NA
Test Cin M&E Engineering Co., Ltd.	32,500	Mechanical and electronic engineering	Profit recognized by equity method	NA
Chung Cin Interior Design Construction Co., Ltd.	12,000	Interior design	Profit recognized by equity method	NA
Viet Han Co., Ltd.	USD 512,000	Importation and exportation	Loss recognized by equity method	NA

7.5.2 Investment plan in one year

(Unit : USD\$ million)

Item \ Remarks	Investment amount	Policies	Investment reason
Test-Rite Retailing Co., Ltd.	2	Investment holding company	With an optimistic outlook of China's retail market, we continued to invest in the retail operations of HOLA China to support our plan to open additional stores.
Test-Rite Trading Co., Ltd.	5	Investment holding company	Improve the capital structure of China Trading subsidiaries

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

Unit : NT\$ thousand

Item／Year	2011	2012
Ratio of liabilities to assets (%)	58.67	51.49
Interest Expense	93,060	88,765
Income before Tax	670,533	752,637
Ratio of Interest Expense to income before tax (%)	12.80	10.50

(a) The impact to company's profit and loss: The Company's interest expense on loans for the most recent two years, 2011 and 2012, was NT\$88,765,000 and NT\$88,765,000, respectively. Interest expense on loans has increased over previous year, the main reason was to fund increase in working capital.

(b) Future measurement: Because the profitability of both the Company's core business and investment business is sustainable, the amount of debt borrowed can be gradually repaid, financing amounts for future operating needs can be gradually decreased, and interest expenses can be lowered accordingly. The Company shall continue to closely monitor market interest rate trends, adjust its capital structure as needed, allocate capital as efficiently, and lower cost of capital.

(2) Foreign exchange rates

(a) The impact to company's profit and loss:

Unit : NT\$ thousand

Item／Year	2011	2012
Foreign exchange gain	102,373	38,712
Operating revenues	13,272,554	11,902,223
Income before income tax	670,533	752,637
Foreign exchange gain / Operating revenues (%)	0.77	1.72
Foreign exchange gain / Income before income tax (%)	15.27	27.15

(b) Future measurement: The Company is a professional trading company focusing predominantly on export trade. For the most recent fiscal year, our export revenue accounted for approximately 80% of total revenue. We place orders with suppliers as soon as we receive purchase orders from customers. In accordance with the Company's order and sales process, we have adopted a two-way quotation system to shorten the entire order management process and are able to provide quotations that reflect the latest foreign exchange rate trends. In addition, the Company pays close attention to changes of the global economic landscape and fluctuations of foreign exchange rates of major currencies. Our overseas subsidiaries also constantly provide us with local market news and conditions, thereby enabling us to make adjustments to our hedging approaches.

In addition, the Company assesses the market price risk of financial instruments for transaction purposes based on market prices, and establishes stop-loss points based on our risk tolerance level. As for non-transactional financial instruments, since losses incurred from interest or exchange rate fluctuations generally offset the gain or loss of hedged items, market price risk is not significant.

(3) Inflation

Affected by rising costs of energy and raw materials, countries around the world are faced with the threat of inflation. Although inflation has very limited effect on the Company due to the nature of our industry, we will continue to observe its impact closely.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company is committed to the development of our primary business and does not engage in high-risk or highly-leveraged investment activities.

Any loans extended by the Company to third parties require approval by the Board and conducted in compliance with the Company's Procedure for Extending Loans to Third Parties. The Company provides guarantees to affiliated enterprises that it owns in excess of 50% in equity and to other enterprises with which it conducts business. The total amount of guarantees and guarantee provided to a single enterprise are well within the allowable limits. We have provided all guarantees in compliance with the Company's Procedure for Providing Guarantees, and they have received prior approval from or are recognized retroactively by the Board. These guarantees are not expected to have a major impact on the Company's financial position.

In addition, with respect to derivatives trading, the Company is an export-oriented trading firm; as such, we engage in hedging measures such as forward foreign exchange and foreign currency option contracts to hedge the risk of exchange rate fluctuations. As option contracts expire, even if the counterparties elect to exercise their contractual obligations, the Company shall conduct settlements with the foreign currency claims that have reached the expiration dates. The market price risk from exchange rate fluctuations and demand for cash in the future have no significant impact on the Company and our counterparties are reputable banks with excellent credit ratings. As a result, the likelihood of credit risk is limited. In addition, the procedure for conducting derivatives trading is compliant with the Company's Procedure for Trading Derivative Instruments, and the amount traded is also within the authorized limits. We also provide monthly reports in accordance with regulations and therefore no significant impact on the Company's financial position is expected.

7.6.3 Future Research & Development Projects and Corresponding Budget : None.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

As the Company exports mainly to the Americas and Europe, there have not been occurrences of major incidents regarding policy or legislative changes in foreign countries in recent years that have had a major impact on the Company's financial position or business operations.

The Company will continue to improve the access to and collection of business intelligence in our major overseas markets in order gain better control of our business operations and financial position. In addition, the Company's legal department is charged with the responsibility of monitoring major policy and legislative changes at home and abroad in order to be able to propose appropriate response measures for the Company in a timely manner.

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales :

The Company has established the B&S Link global electronic trading platform, which employs information technology to streamline supply chain management operations. In order to strengthen the partnerships between Test Rite Group, suppliers and banks as well as to improve the overall value of the supply chain and to create a win-win scenario for all parties involved, Test Rite Group are collaborating with a number of banks and the subsidiary B&S Link to offer a comprehensive, convenient and preferential online financing services program to our suppliers, fully integrating information flow, business flow and cash flow. With this platform, we have pioneered a brand new cross-sector cooperative business model.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has a reputable corporate image and there has not been any changes that would require enterprise crisis management.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : The Company is a trading company and does not own any manufacturing plants following the sale of Tung Lung Metal, and we do not have any additional plans to invest in factories.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : The Company does not have any issues associated with the consolidation of sales or purchasing operations.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% : The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or changes of shares.

7.6.11 Effects of, Risks Relating to and Response to Changes in Control over the Company : The structure of our principal shareholders is solid, and we have a strong professional management team. There is minimal risk that a change in control would cause damage to the Company.

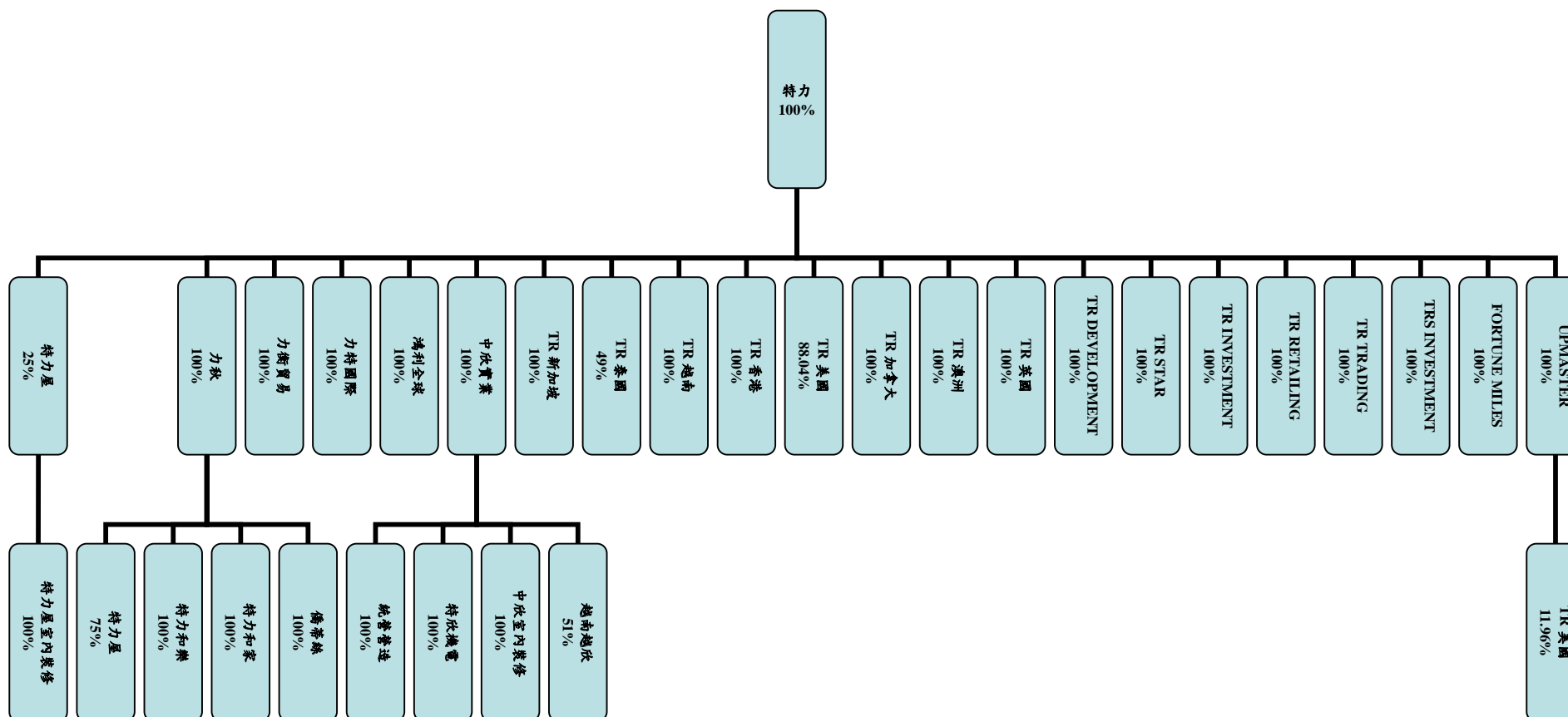
7.6.12 Litigation or Non-litigation Matters : None.

7.6.13 Other Major Risks : None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Investment Holding Structure



8.1.2 Affiliates' Profile :

As of 12/31/2012

Name	Date of Incorporation	Address	Paid-up capital	Main business
Test-Rite Retail Co., Ltd.	3/1/1995	1, 2, 5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD1,000,000,000	Sale of house decoration hardware and construction materials
Test-Rite Home Service Co., Ltd.	6/23/2004	No. 85, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD198,000,000	Interior design
Hola Homefurnishings Co., Ltd.	9/30/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD300,000	Sales of furniture
Homy Homefurnishings Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD300,000	Sales of furniture
Freer Inc.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD300,000	Sales of furniture
Chung Cin Enterprise Co., Ltd.	5/23/1994	1F, No. 85, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD728,000,000	Authorized builder to build dwelling, rental and sale of building
Test Cin M&E Engineering Co., Ltd.	9/8/1997	1F, No. 85, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD32,500,000	Mechanical and electronic engineering
Tony Construction Co., Ltd.	4/22/1992	1F, No. 85, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD230,000,000	Build and civil engineering
Chung Cin Interior Design Construction Co., Ltd.	7/31/2003	1F, No. 85, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD12,000,000	Interior design
Viet Han Co., Ltd.	2/14/2009	SJ 07 KP, Garden Plaza, Ton Dat Tien Street, Tan Phong Ward, District 7, HCMC	USD512,000	Architectural design, construction supervision, business development, construction management, project management and real estate management.
B&S Link Co., Ltd.	2/5/2001	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD50,000,000	Providing information software and electronic information
Lih Teh International Co., Ltd.	9/14/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD162,694,790	Logistics services
Lih Chiou Co., Ltd.	9/14/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD4,194,140,000	Investment holding company
Fusion International Distribution, Inc.	10/6/1994	1F., No.201, Sec. 2, Anhe Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	NTD54,998,380	Importation and exportation
Test-Rite Pte. Ltd.	8/11/1989	260 Orchard Road, #12-08 The Heeren Singapore 238855	S\$3,520,000	Importation and exportation
Test-Rite Int'l (Thailand) Ltd.	1/7/1989	1000/60-61 P.B. Tower 15 th fl., Sunhumvit 71 Road, North Klongtan, Wattana, Bangkok 10110, Thailand	B\$5,625,000	Importation and exportation
Test-Rite Vietnam Co., Ltd.	3/23/2009	SJ-07, Garden Plaza 1, Ton Dat Tien Street, Tan Phong	US\$1,120,000	Importation and exportation

		Ward, District 7, HCMC		
Test-Rite Product (Hong Kong) Ltd.	12/30/1980	7F, New Bright Building, 11 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	HK\$1,000,000	Importation and exportation
Test-Rite Int'l (U.S.) Co., Ltd.	6/25/1991	1013 Centre Road Wilmington New Castle State of Delaware	US\$37,878,800	Investment holding company
Test-Rite Canada Co., Ltd.	12/29/1999	431 Alden Road, Unit 3, Markham Ontario, L3R 3L4, Canada	CAD\$1,025,000	Importation and exportation
Test-Rite Int'l (Australia) Pty Ltd.	4/12/1990	Suite 3.01, 14 Lexington Dr, Bella Vista N.S.W., Australia	A\$1,800,000	Importation and exportation
Test-Rite (UK) Co., Ltd.	7/27/2010	Unit 18, Basepoint Business Centre, 1 Winnall Valley Road, Winchester, Hampshire, SO23 0LD	GBP\$1,475,930	Importation and exportation
TR DEVELOPMENT	1/25/2002	Merkurring 82, 22143 Hamburg, Germany	EURO\$9,670,000	Investment holding company
Test-Rite Star Co., Ltd.	4/17/2001	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$1,089,000	Investment holding company
TR INVESTMENT (B.V.I.)	10/1/1997	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$500,000	Investment in various industries
TR RETAILING	4/8/2003	One Capital Place P. O. Box 897, GT Grand Cayman, Cayman, British West Indies	US\$78,331,000	Investment holding company
TR TRADING	10/23/2002	One Capital Place P. O. Box 897, GT Grand Cayman, Cayman, British West Indies	US\$39,126,495	Investment holding company
TRS INVESTMENT	1/17/2002	Trust Net Chambers, Lotemau Center, P.O.Box 217, Apia, Samoa	US\$2,275,590.58	Investment holding company
FORTUNE MILES	9/21/2001	Trust Net Chambers, Lotemau Center, P.O.Box 1225, Apia, Samoa	US\$30,000	Investment holding company
UPMASTER	6/14/1996	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$6,400,000	Investment holding company

8.1.3 Affiliates' Operating Highlights

As of 12/31/2012
(Unit: NT\$ thousands, except EPS (\$))

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test Rite Int'l Co., Ltd.	5,219,556	13,907,596	7,161,635	6,745,961	11,902,223	300,358	689,537	1.40
Test-Rite Retail Co., Ltd.	1,000,000	9,349,312	5,995,664	3,353,648	15,643,139	702,126	560,336	5.60
Test-Rite Home Service Co., Ltd.	198,000	522,195	390,493	131,702	534,486	(81,469)	(65,781)	(3.32)
Hola Home Furnishings Co., Ltd.	300	167	0	167	0	(61)	(60)	(2.02)
Homy Furnishing Co., Ltd.	300	167	0	167	0	(61)	(60)	(2.02)
Freer Inc.	300	167	0	167	0	(61)	(60)	(2.02)
Chung Cin Enterprise Co., Ltd.	728,000	1,282,412	171,527	1,110,886	409,581	25,896	91,596	1.26
Tony Construction Co., Ltd.	230,000	505,098	172,137	332,960	861,554	16,406	31,216	1.58
Test Cin M&E Engineering Co., Ltd.	32,500	101,902	26,416	75,486	134,454	22,426	18,370	5.65
Chung Cin Interior Design Construction Co., Ltd.	12,000	93,846	48,687	45,158	195,873	22,150	19,690	16.41
Viet Han Co, Ltd.	30,603	23,887	111	23,776	0	(1,424)	(746)	(0.24)
B&S Link Co., Ltd.	50,000	52,989	988	52,001	736	(718)	4,566	0.91
Lih Teh International Co., Ltd.	162,695	223,074	34,311	188,762	194,569	10,636	7,756	0.48
Lih Chiou Co., Ltd.	4,194,140	4,734,191	13,275	4,720,916	0	(21,029)	422,850	1.01
Fusion International Distribution, Inc.	54,998	71,420	7,028	64,393	9,961	(1,079)	453	0.08
Test-Rite Pte. Ltd.	66,625	67,673	(4,180)	71,853	199,868	6,896	7,721	-
Test-Rite Int'l (Thailand) Ltd.	4,307	16,174	14,740	1,434	12,014	(5,416)	(5,427)	-
Test-Rite Vietnam Co., Ltd.	34,706	11,450	448	11,002	4,368	(6,503)	(1,353)	-
Test-Rite Product (Hong Kong) Ltd.	3,795	25,501	7,709	17,792	28,514	1,063	1,075	-
Test-Rite Int'l (U.S.) Co., Ltd.	1,103,300	1,955,285	1,742,104	213,180	4,439,632	96,170	144,140	-
Test-Rite Canada Co., Ltd.	26,341	21,399	35,055	(13,656)	11,961	(12,883)	(15,549)	-

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test-Rite Int'l (Australia) Pty Ltd.	51,938	24,516	19,404	5,112	31,199	(2,834)	(2,834)	-
Test-Rite (UK) Co., Ltd.	57,011	18,295	0	18,295	10,383	(25,652)	(25,652)	-
Test-Rite Development Co., Ltd.	474,414	133,387	92,193	41,194	326,387	1,679	2,210	-
TR Star	38,148	11,642	0	11,642	0	(60)	(60)	-
Test-Rite Investment (B.V.I.) Co., Ltd.	17,387	21,898	0	21,898	0	(62)	(55)	-
Test-Rite Retailing Co., Ltd.	78,331	76,423	71,285	5,138	4,326,041	(210,518)	(234,844)	-
Test-Rite Trading Co., Ltd.	1,250,169	695,458	688,390	7,067	1,262,849	(211,712)	(235,253)	-
TRS Investment Co., Ltd.	68,371	75,951	0	75,951	0	(30)	31,472	-
Fortune Miles Co., Ltd.	947	1,070	0	1,070	0	(2)	(2)	-
Upmaster Int'l Co., Ltd.	191,616	42,637	0	42,637	0	(83)	77,327	-

8.1.4. Consolidated financial statements of affiliated enterprises

Statement of Declaration

For fiscal year 2012 (January 1 to December 31, 2012), the affiliated enterprises that should be incorporated into the Company's consolidated financial statements pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and those that should be incorporated similarly in accordance with Statement of Financial Accounting Standards No. 7 are in fact the same companies, and the relevant information required to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the aforementioned consolidated financial statements of parent and subsidiaries. Therefore there is no need to prepare consolidated financial statements separately for the Company's affiliated enterprises.
The above is hereby declared.

Test Rite International Co., Ltd.
Chairman : Judy Lee
March 28, 2013

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other Necessary Supplement: None.

IX. Any Events in 2012 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.