



## **Test Rite International Co., Ltd.**

### **2013 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**

<http://www.testritegroup.com>

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## I. Letter to Shareholders

Dear shareholders,

Our FY2013 consolidated revenue, which includes trading businesses and retail operations for Taiwan and China, declined by 0.14% YoY to NT\$ 35.2bn. However, our gross profit increased 2% YoY to NT\$ 10.6bn, with gross margin percentage improvement of 0.5 percentage point compared FY2012 while operating income increased 7.8% YoY to NT\$ 776.7mn. Benefitting from improving operating leverage, net income attributable to shareholders increased 24.7% YoY to NT\$ 635.1mn. The reason for the decline in consolidated revenue can be attributed to the disposal of Tung Lung Metal (TLM) that resulting in a higher comparable base for FY2012. Excluding TLM, consolidated revenue from trading, retail businesses, and other recurring business activities would have increased 5.8% YoY in FY2013. Similarly, growths rates for gross profit and operating profit are understated and after adjusting for the TLM impact, growth rates for gross profit and operating profit would show a higher increase of 5.2% YoY and 38.1% YoY respectively.

Our trading business benefited from the sustained recovery of consumer demand in the Americas, which more than offset the declines in demand from Europe in FY2013. Our total shipments in our trading business increased 8.0% YoY to NT\$ 17.6 bn during the twelve months period. Principal business saw shipments increase by 3.7% YoY, while our agency business' shipment increased 19.8% YoY and accounting for 29.7% of total shipments. The acquisition of International Art that was completed in January 2013 was a key catalyst driving principal trading's growth. Separately, increase in orders from existing agency customers and new customer signings have also fueled agency business' growth. Heading into 2014, the momentum of demand growths in North America remains healthy. We are also seeing positive evidence of recovery in Europe for the first time since the global financial crisis eased. We remain optimistic, as Test-Rite trading is well positioned to achieve growth through organic and market share gains for both principal and agency businesses.

Our retail business continues to expand its presence in FY2013 in Taiwan and China. In Taiwan, highlighted by TLW and Hola, our retail revenue increase 4.7% YoY to US\$16.7bn, higher than overall retail sales growth of 1.9% in Taiwan. Our initial foray in private label sales in Taiwan saw significant results as private label sales nearly doubled to account for 12.3% of total sales for Hola Taiwan (inclusive of Hola Pettit and Hola Casa). While we continue to strive towards reaching our goal of profitability on a full year basis, Hola China reached a significant milestone in 2013. Our retail operation in China reported its first ever profitable quarter in 4Q13, with net income contribution to Test-Rite Group of NT\$ 33.4 mn. As of December 2013, we operate 26 TLW and 22 Hola stores in Taiwan and 33 Hola stores in China (81 stores total) and we currently have plans to open 10-12 new stores in Taiwan and China for FY2014.

Below is the operating result for Test-Rite in FY2013, for both parent basis and on a consolidated basis, FY2014 business plan summary, and future business strategy. We have also highlighted possible impacts and challenges from external competition, changes in government regulations and global macroeconomic environment.

## 1. Operating result for 2013

(1) Operating result based on business plan for 2013(stand alone):

Item/Year (NT\$ mn)	2013A	2012A	YoY change by value	YoY change (%)
Net sales	12,176	11,902	274	2.30%
COGS	9,940	9,691	249	2.57%
Gross Profit	2,236	2,211	25	1.13%
Operating Expense	2,162	2,109	53	2.51%
Operating Profit	74	102	(28)	(27.45%)
Non-op.profit/(loss)	595	470	125	26.60%
Net Profit before tax	669	572	97	16.96%
Net profit after tax	635	509	126	24.75%

(2) Operating result based on business plan for 2013(consolidated):

Item/Year (NT\$ mn)	2013A	2012A	YoY change by value	YoY change (%)
Net sales	35,204	35,252	(48)	(0.14%)
COGS	24,594	24,849	(255)	(1.03%)
Gross profit	10,610	10,403	207	1.99%
Operating Expense	9,833	9,683	150	1.55%
Operating profit	777	720	57	7.92%
Non-op.profit/(loss)	(44)	(33)	(11)	(33.33%)
Net profit before tax	733	687	46	6.70%
Net profit after tax	641	565	76	13.45%
Recurring Net profit attribute to TRIC	635	509	126	24.75%

(3) Analysis of balance sheet & profitability (Consolidated)

Item/Year		2013A	2012A	YoY change (%)
Balance Sheet	Total Liability/Total Asset	70.93%	69.64%	1.85
	Current Ratio	111.17%	108.27%	2.68
Profitability	ROE	9.57%	7.99%	19.77
	Net Margin	1.82	1.60	13.75
	EPS	1.30	1.03	26.21

## **2. 2014 business plan and future development strategy**

### (1) Business plan and managerial principle:

- A. Continue to strengthen relationships with existing trading customers (principal and agency)
- B. Align business plans with newly signed agency customers to ensure growth targets 2014 remains on track
- C. Leverage in-house design capabilities to provide differentiating products for both trading and retail
- D. Enhance range of sourcing services by establishing Shanghai FTZ warehousing facilities
- E. Open 10-12 stores in Taiwan and China
- F. Continue to integrate operations of trading and retail subsidiaries to realize potential synergy.

### (2) Future development strategy:

- A. Aggressively expand the scope and identify potential new customer targets for agency business.
- B. Target growth opportunities in Taiwan and China's retail market through brand licensing and new store openings
- C. Pursue M&A opportunities for both trading and retail businesses to compliment organic growth of our existing businesses

## **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 to chain to global retail operators. Since 4Q12, we have already signed on five new accounts for our agency business. Both our agency and principle trading businesses are well positioned to benefit from the recovery of European and N. American consumer demand.

Taiwanese authorities may continue implement new policies to mitigate concerns over the overheated real estate markets. Additional regulations being considered may include higher property taxes and mortgage interest rates, and if implemented, may negatively adversely impact demand for DIY and home furnishing related products. Prolonged impact from student protest over the signing The Cross-Strait Trade in Services Agreement and the construction/operational status of the 4<sup>th</sup> Nuclear Power Plant may have further negative impact of consumer demand in Taiwan. Should the construction of Nuclear Power Plant is halted, Taiwanese business and households are likely to face higher electricity prices that will

increase businesses operating costs and reduce consumers disposal income. In China, the authorities have continued to reign in the purported excess spending of wealthy individuals. The result is a substantial slowdown of total retail sales by nearly 10 percentage point (from growth rate of more than 20% YoY). This along with rising labor costs has significantly increased the challenges of our retail operation in China. Despite these challenges, our aspiration to become a premier retail operator in Greater China remains unchanged and plans to open new stores in FY2014.

Lastly, all staff of Test Rite Group will spare no efforts to adequately plan, and manage our trading, retail and other group 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

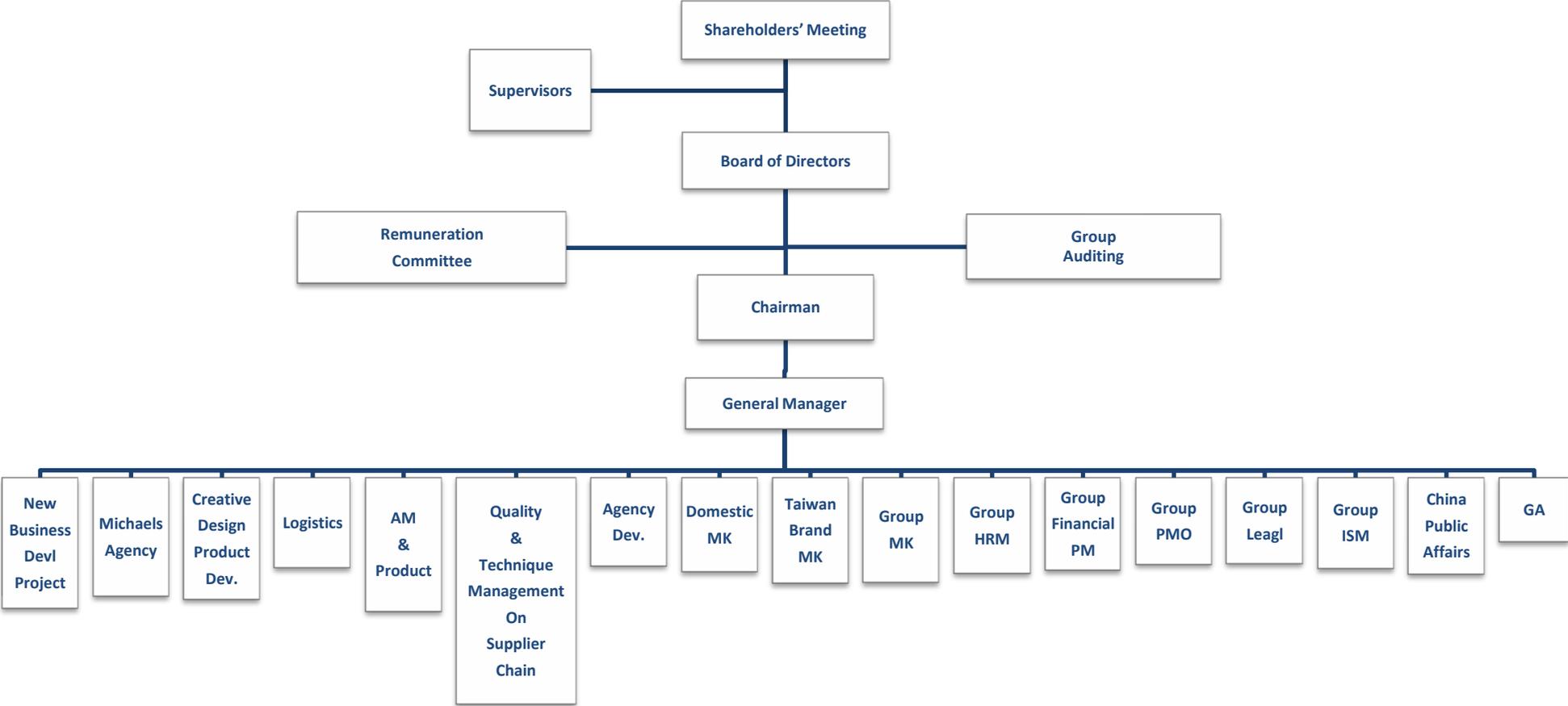
### 2.2 Company History

Year	Milestones
1978-91	Establishment and Growth
1988-90	“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. Received 2013 Outstanding Services Award from Michaels.

# 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
General Manager 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.
China Public Affairs	General administration and services in China.
Group Information Systems Management	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 Project Management Office	Strategy and project management, process management, and optimization of operations.
Group Financial & Planning Management	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 Human Resource Management	Planning and integration of human resource, planning and implementation of employee benefits, coordination of labor relations, and education and training and staff development..
Group Marketing Management	Development and expansion of trading business, marketing and planning for retailing business in Taiwan, providing quality and timely customer services.
Taiwan Brand Marketing	Brand development and marketing for retail markets in Taiwan, providing quality and timely customer services.
Domestic Marketing	Planning and execution of marketing promotional activities.
Agency Development	Promotion of agency business; providing customers with information and services
Quality & Technique Management 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 Development	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
New Business Development Project	Business related projects of innovative products developed.

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

As of April 13, 2014

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	2012.6.18	3	1983.07.04	36,050,614	7.10	44,295,294	8.49	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 Director	Tony Ho Robin Ho	Family Family
Director	Mr. Tony Ho	2012.6.18	3	1983.07.04	42,682,905	8.41	43,995,550	8.43	44,295,294	8.49	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 · NTU and Fudan EMBA	Note 2	Director Director	Judy Lee Robin Ho	Family Family
Director	Mr. Hsin Hsien Huang	2012.6.18	3	2009.06.16	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	2012.6.18	3	2010.06.15	761,431	0.15	1,604,579	0.31	0	0	0	0	AVP of Test Rite Int'l Co., Ltd.; MBA of Fujen Catholic University Graduate Institute of Management	Note 4	Director Director	Tony Ho Judy Lee	Family Family
Director	Property Int'l Co., Ltd. Representative: Ms. Ai Chen Lee	2012.6.18	3	2006.06.09	588,000 1,030,880	0.12 0.20	606,083 728,583	0.12 0.14	0	0	0	0	Director of ShiFu industry Co., Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Kuang Lung Vocational High School	Note 5	-	-	-

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: Mr. Chung Hsing Huang	2012.6.18	3	2009.06.16	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 · Supervisor of Delta Electronic Inc.	Director of Delta Electronics Inc.	-	-	-
Director	Property Int'l Co., Ltd. Representative: Mr. Chen, Wen-Tzong	2012.6.18	3	2009.06.16	588,000 0	0.12 0	606,083 0	0.12 0	0	0	0	0	Chairman of Taiwan Financial Asset Service Co., Ltd., · Director-general National Taxation Bureau of the North Area, Ministry of Finance · Deputy Director-general National Taxation Bureau of Taipei, Ministry of Finance · Master of Business Administration United States REGIS University · Soochow University Master of Law Research Institute	-	-	-	-
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai	2012.6.18	3	2003.06.20	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 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
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	2012.6.18	3	2003.06.20	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 7	-	-	-

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 Test Rite C&B 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. ∙ Director of Up master International Co., Ltd.

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 Test Rite C&B 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. ∙ Director of Up master International Co., Ltd.

Note3 : 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 ∙ Committee member of Youth counseling Committee, Taipei City.

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. ∙ Chairman of Tsai Wang enterprise Company Limited.

Note 6 : Partner and Director of Baker Tilly Clock & Co. ∙ Supervisor of Test Rite Retail Co., Ltd. ∙ Supervisor of Test-Rite Home Service Co., Ltd.

Note 7 : 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.

**Major shareholders of the institutional shareholders**

As of April 13, 2014

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 13, 2014

Name of juridical persons	Major shareholders of the juridical persons
Quality Master Co., Ltd.	Judy Lee 76.84% 、Robin Ho 8.6% 、Joyce Ho 8.6% 、Kelly Ho 5.97%

**Professional qualifications and independence analysis of directors and supervisors**

As of April 13, 2014

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 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			✓					✓		✓		✓	✓	0
Mr. Tony Ho			✓					✓		✓		✓	✓	0
Mr. Hsin Hsien Huang		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Ms. Robin Ho			✓							✓		✓	✓	0
Property Int'l Co., Ltd. Representative :Ms. Ai Chen Lee			✓			✓	✓			✓	✓	✓		0
Property Int'l Co., Ltd. Representative :Mr. Chung Hsing Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Tsai-Chi Co., Ltd. Representative :Mr. Yung Chi Laii	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓		0
Tsai-Chi Co., Ltd. Representative :Mr. Hsueh Hsing Liao		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		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

Date: April 13, 2014

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	2009.3.23	1,329,909	0.25%	0	0.00%	0	0.00%	GM of IBM Taiwan; BA, National Taiwan University	Note 1	-	-	-
Vice President	John Peng	1998.9.1	484,223	0.09%	1,171,601	0.00%	0	0.00%	Product manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 2	-	-	-
Vice President	Peter Dong	2003.1.1	198,827	0.04%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BC, Fujen Catholic University	-	-	-	-
Vice President	Linda Lin	2003.1.1	100,000	0.02%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Ming Chuan College	Note 6	-	-	-
Vice President	Alfred Chang	2005.10.8	318,870	0.06%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BA, National Cheng Kung University	-	-	-	-
Vice President	Hannis Chang	2006.6.1	445,461	0.09%	0	0.00%	0	0.00%	Senior finance manager of HannStar Display Corporation; MBA, National Taiwan University	Note 3	-	-	-
Vice President	Lawrence Wu	2007.3.1	77,668	0.01%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd.; Keelung Maritime Vocational High School	-	-	-	-
Vice President	Shelley Chen	2007.5.1	100,681	0.02%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Ming Chuan College	-	-	-	-
Vice President	Jane Peng	2008.3.1	30,922	0.01%	0	0.00%	0	0.00%	Chief Project Director of IBM Taiwan; MBA, University of Houston	-	-	-	-
Vice President	Gillian Joe	2008.7.21	10,307	0.00%	0	0.00%	0	0.00%	Managing consultant of IBM Taiwan; BS, Oklahoma City State University College	-	-	-	-
Vice President	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	-	-	-	-
Vice President	Edward Kao	2009.3.1	479,825	0.09%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, New Jersey Institute of Technology	-	-	-	-
Vice President	Paul Wang	2009.3.1	148,102	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Yudah Commercial High School	-	-	-	-
Vice President	Tracy Tsai	2009.3.1	137,232	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BC, Chinese Culture University	-	-	-	-
Vice President	Robin Ho	2009.5.1	884,579	0.17%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, Fujen Catholic University	Note 4	Vice President	Kelly Ho	Family
Vice President	CC Fan	2010.6.10	60,000	0.01%	0	0.00%	0	0.00%	Principal Consultant Of IBM Taiwan; MS, The University of North Alabama	-	-	-	-
Vice President	Kelly Ho	2010.8.2	865,120	0.17%	0	0.00%	0	0.00%	Chairman special assistant of Test Rite Int'l Co., Ltd.; MBA, Massachusetts Institute of Technology	Note 5	Vice President	Robin Ho	Family

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
Vice President	Jack Ueng	2011.11.30	338,865	0.06%	85,990	0.02%	0	0.00%	Vice president of B&S Link Co., Ltd. ∙ Master, University of Missouri	-	-	-	-
Vice President	Maggy Chen	2011.12.5	324,512	0.06%	147	0.00%	0	0.00%	Freer Inc. / General manager BS, Department of Business Management, Soochow University	-	-	-	-
Vice President	Michael Hou	2012.9.10	48,000	0.01%	0	0.00%	0	0.00%	ASUS/CHO ∙ Yageo Corporation/CHO ∙ Chinese Culture University/Department of Labor and Human Resources	-	-	-	-
Vice President	Thomas Weng	2013.5.13	0	0.00%	0	0.00%	0	0.00%	Business Manager of B&Q International Co., Ltd. VP of HOLA Shanghai Retail & Trading Co., Ltd. Feng Chia University Transportation Management	-	-	-	-
Vice President	Rebecca Chi	2013.5.20	0	0.00%	0	0.00%	0	0.00%	Deputy general manager of human resources Pegatron Technology Corp. ∙ Asustek Computer, Senior Manager Human Resources Chinese Culture University by workers	-	-	-	-
Vice President	Terrance Yang	2014.2.6	0	0.00%	0	0.00%	0	0.00%	General Manager of Global Information Technology Services Division, IBM Taiwan ∙ President of Test-Rite Home Service Co., Ltd. Master of Mechanical Engineering of the National Taiwan University	-	-	-	-
Assistant Vice President	Alex Yu	2005.2.1	88,551	0.02%	0	0.00%	0	0.00%	Manager of SAMPO Co., Ltd.; BS, Chung Yuan Christian University	-	-	-	-
Assistant Vice President	Lancy Wu	2007.5.1	51,184	0.01%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; Master of Department of Business Administration, National Taipei University	-	-	-	-
Assistant Vice President	Monica Chen	2009.6.15	130,408	0.02%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; Shih Chien College	-	-	-	-
Assistant Vice President	Jack Chang	2010.4.1	341,166	0.07%	0	0.00%	0	0.00%	Yuanta Research (H.K.) Ltd./Senior Analyst Babson College(MBA)	Note 7	-	-	-
Assistant Vice President	Constance Chuang	2010.4.15	11	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; BA, Fujen Catholic University	-	-	-	-
Assistant Vice President	Gino Chen	2010.11.15	0	0.00%	0	0.00%	0	0.00%	CEO of GINO International Marketing Co., Ltd.; MBA, HEC Paris	-	-	-	-

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
Assistant Vice President	Austin Lin	2011.8.11	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	-	-	-	-
Assistant Vice President	CY Lin	2011.8.11	0	0.00%	0	0.00%	0	0.00%	SYSTEX Corporation/ Director of Technology Master, Institute of Industrial Engineering, National Taiwan University	-	-	-	-
Assistant Vice President	Sky Yuan	2011.12.2	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	-	-	-	-
Assistant Vice President	Mercy Chen	2011.12.5	0	0.00%	0	0.00%	0	0.00%	Carrefour Co., Ltd./ Application Manager BC, Department of Information Management, National Central University	-	-	-	-
Assistant Vice President	Johnson Lee	2011.12.6	81,766	0.02%	0	0.00%	0	0.00%	B&S Link Co., Ltd./ AVP VBC, Technology and Science Institute of Northern Taiwan Department of Electronic Engineering	-	-	-	-
Assistant Vice President	Humphrey Wang	2012.7.2	0	0.00%	0	0.00%	0	0.00%	B&Q International Co., Ltd. /AVP 、 National Taiwan University/ Department of History	-	-	-	-
Assistant Vice President	Tracy Leu	2012.10.15	20,000	0.00%	0	0.00%	0	0.00%	Jetshoes Co., Ltd./Senior merchandiser 、Wal-Mart/ merchandise manager 、Tamkang University/ Department of Bank and Insurance	-	-	-	-
Assistant Vice President	Dick Ko	2012.12.25	0	0.00%	0	0.00%	0	0.00%	Fu Jia Enterprise 、Fu Hsing Kang College/Department of Business English	-	-	-	-
Assistant Vice President	Eddie Wei	2013.2.18	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, 2013 : 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	Cash	Stock	Cash	Stock	The company	From All Consolidated entities		The company	From All Consolidated entities	The company
Chairman	Ms. Judy Lee	8,600	8,600	0	0	7,282	7,282	252	294	2.53%	2.53%	17,821	34,505	348	348	607	0	607	0	0	0	0	5.50%	7.93%	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: Mr. Wen-Tzong, Chen*																								
Director	Property Int'l Co. Ltd. Representative: Ms. Jaclyn Tsai**																								

\*Director Mr. Wen-Tzong Chen joined in November 7, 2013; \*\* Director Ms Jaclyn Tsai resigned in November 1, 2013.

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

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. Hsin Hsien Huang 、 Ms. Robin Ho 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Mr. Chung Hsing Huang 、 Mr. Wen-Tzong Chen* and Ms. Jaclyn Tsai**	Mr. Hsin Hsien Huang 、 Ms. Robin Ho 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Mr. Chung Hsing Huang 、 Mr. Wen-Tzong Chen* and Ms. Jaclyn Tsai**	Mr. Hsin Hsien Huang 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Mr. Chung Hsing Huang 、 Mr. Wen-Tzong Chen* and Ms. Jaclyn Tsai**	Mr. Hsin Hsien Huang 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Mr. Chung Hsing Huang 、 Mr. Wen-Tzong Chen* and Ms. Jaclyn Tsai**
NT\$2,000,000 ~ NT\$5,000,000	Ms. Robin Ho	Ms. Robin Ho	-	-
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	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	Mr. Tony Ho 、 Ms. Judy Lee	Mr. Tony Ho 、 Ms. Judy Lee
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	8	8	8	8

\*Director Mr. Wen-Tzong Chen joined in November 7, 2013; \*\* Director Ms Jaclyn Tsai resigned in November 1, 2013.

## Remuneration of Supervisors

As of Dec. 31, 2013; 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	2,760	2,760	108	258	0.45%	0.71%	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	-	-
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	-	-
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	2	2

## Compensation of President and Vice President

As of Dec. 31, 2013; 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	106,453	123,137	3,240	3,240	11,673	11,673	1,320	0	1,320	0	19.32	21.76	0	0	0	0	0
CEO of Corporate Governance and risk management	Judy Lee																	
President	Sophia Tong																	
Vice President	John Peng																	
Vice President	Hannis Chang																	
Vice President	Alfred Chang																	
Vice President	Peter Dong																	
Vice President	Lawrence Wu																	
Vice President	Jane Peng																	
Vice President	Gillian Joe																	
Vice President	Bob Yueh																	
Vice President	Tracy Tsai																	
Vice President	Edward Kao																	
Vice President	Paul Wang																	
Vice President	Robin Ho																	
Vice President	CC Fan																	
Vice President	Kelly Ho																	
Vice President	Jack Ueng																	
Vice President	Maggy Chen																	
Vice President	Michael Hou																	
Vice President	Thomas Weng*																	
Vice President	Rebecca Chi*																	
Vice President	Linda Lin*																	
Vice President	Juliet Pai**																	
Vice President	Lester Tsai**																	
Vice President	David Cheng**																	
Vice President	James Lo**																	
Vice President	Lawrence Ger**																	
Vice President	Spencer Lee**																	
Vice President	Angeli Chen**																	
Vice President	Marshall Cheng																	

\*VP Thmas Weng and Rebecca Chi joined in May 2013; Linda Lin promoted in October 2013.

\*\*VP Angeli Chen resigned in January 2013; VP Spencer Lee resigned in February 2013; VP Lawrence Ger resigned and James Lo resigned in May 2013; VP Lester Tsai and David Cheng resigned in August, 2013.

Juliet Pai transferred in December 2013, Marshall Cheng resigned in May, 2014.

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	Angeli Chan 、 Spencer Lee 、 David Cheng 、 Lester Tsai 、 Thomas Weng 、 Rebecca Chi	Angeli Chan 、 Spencer Lee 、 David Cheng 、 Lester Tsai 、 Thomas Weng 、 Rebecca Chi
NT\$2,000,000 ~ NT\$5,000,000	Lawrence Ger 、 James Lo 、 Edward Kao 、 Linda Lin 、 John Peng 、 Paul Wang 、 Gillian Joe 、 Alfred Chang 、 Bob Yueh 、 Peter Dong 、 CC Fan 、 Maggy Chen 、 Tracy Tsai 、 Juliet Pai 、 Robin Ho 、 Kelly Ho 、 Marshall Cheng 、 Hannis Chang	Lawrence Ger 、 James Lo 、 Edward Kao 、 Linda Lin 、 John Peng 、 Paul Wang 、 Gillian Joe 、 Alfred Chang 、 Bob Yueh 、 Peter Dong 、 CC Fan 、 Maggy Chen 、 Tracy Tsai 、 Juliet Pai 、 Robin Ho 、 Kelly Ho 、 Marshall Cheng 、 Hannis Chang
NT\$5,000,000 ~ NT\$10,000,000	Michael Hou 、 Lawrence Wu 、 Jane Peng 、 Jack Ueng	Michael Hou 、 Lawrence Wu 、 Jane Peng 、 Jack Ueng
NT\$10,000,000 ~ NT\$15,000,000	Sophia Tong 、 Tony Ho 、 Judy Lee	Sophia Tong 、 Judy Lee
NT\$15,000,000 ~ NT\$30,000,000	-	Tony Ho
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	31	31

As of Dec. 31, 2013; 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	1,481,621	1,481,621	0.23%
	CEO of Corporate Governance and risk management	Judy Lee				
	President	Sophia Tong				
	Vice President	John Peng				
	Vice President	Hannis Chang				
	Vice President	Alfred Chang				
	Vice President	Peter Dong				
	Vice President	Lawrence Wu				
	Vice President	Jane Peng				
	Vice President	Gillian Joe				
	Vice President	Bob Yueh				
	Vice President	Tracy Tsai				
	Vice President	Edward Kao				
	Vice President	Paul Wang				
	Vice President	Marshall Cheng				
	Vice President	Robin Ho				
	Vice President	CC Fan				
	Vice President	Kelly Ho				
	Vice President	Jack Ueng				
	Vice President	Maggy Chen				
	Vice President	Michael Hou				
	Vice President	Thomas Weng				
	Vice President	Rebecca Chi*				
	Vice President	Linda Lin*				
	Vice President	Juliet Pai**				
	Vice President	Lester Tsai**				
	Vice President	David Cheng**				
	Vice President	James Lo**				
	Vice President	Lawrence Ger**				
	Vice President	Spencer Lee**				
	Vice President	Angeli Chan**				
	Assistant Vice President	Alex Yu				
	Assistant Vice President	Lancy Wu				
	Assistant Vice President	Shelly Chen				
Assistant Vice President	Monica Chen					
Assistant Vice President	Jack Chang					
Assistant Vice President	Constance Chuang					
Assistant Vice President	Gino Chen					
Assistant Vice President	CY Lin					
Assistant Vice President	Austin Lin					
Assistant Vice President	Sky Yuan					
Assistant Vice President	Mercy Chen					
Assistant Vice President	Johnson Lee					
Assistant Vice President	Humphrey Wang					
Assistant Vice President	Tracy Leu					
Assistant Vice President	Dick Ko					
Assistant Vice President	Eddie Wei*					
Assistant Vice President	Gilbert Du**					
Assistant Vice President	Arthur Chen**					

\*VP Thmas Weng and Rebecca Chi joined in May 2013; Linda Lin promoted in October 2013.

\*\*VP Angeli Chen resigned in January 2013; VP Spencer Lee resigned in February 2013; VP Lawrence Ger resigned and James Lo resigned in May 2013; VP Lester Tsai and David Cheng resigned in August, 2013.

\*\*Juliet Pai transferred in December 2013.

**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	
	2012	2013
Directors	7.86%	8.06%
Supervisors	0.62%	0.71%
Presidents and vice presidents	19.63%	21.76%

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	10	0	100%	
Director	Mr. Tony Ho	3	7	30%	
Director	Ms. Robin Ho	2	8	20%	
Director	Mr. Hsin Hsien Huang	10	0	100%	
Director	Property International Company Limited Representative: Ms. Ai Chen Lee	7	3	70%	
Director	Property International Company Limited Representative: Mr. Chung Hsing Huang	5	0	50%	
Director	Property International Company Limited Representative: Mr. Wen-Tzong Chen* Ms. Jaclyn Tsai*	5	5	50%	*Director Mr. Wen-Tzong Chen joined in November 7, 2013; ** Director Ms Jaclyn Tsai resigned in November 1, 2013.

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	
Ms. Judy Lee, Mr. Tony Ho and Ms. Robin Ho	Discussion on the Company's managers' Performance bonus distribution proposal for fiscal year 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.	
All directors	Discussion on the Company's directors' and supervisors' remuneration distribution proposal for fiscal year 2012.	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.	
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.	
Ms. Judy Lee, Mr. Tony Ho and Ms. Robin Ho	Discussion on the Company's managers' Employee bonus distribution proposal for fiscal year 2012 and annual bonus for 2013.	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 :					
<p>(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.</p> <p>(2) The company carried out a project manager in charge of arrangements for reporting to the Board of Directors on the status of implementation of development strategies for Test Rite Group.</p> <p>(3) 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.</p> <p>(4) Provided in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, Mr. Hsin Hsien Huang expiration of the term dismissal on March 19, 2014. Board of Directors Executive Committee fill Mr. Huang Kuo-Shih served a term with the second session of the Remuneration Committee on March 25, 2014.</p> <p>(5) 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.</p>					

### 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	10	100%	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	8	80%	

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
  - A. 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.
  - B. 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 &amp; 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) Shareholders’ Meeting of the Company was amended Articles additional independent directors, and the directors and supervisors of the term of office will expire elected independent directors on 2015.</p> <p>(2) Assessment is conducted annually</p>	<p>(1) The Company does not have independent directors currently, will appoint independent directors on 2015.</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 <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a>.</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</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons																		
	briefings of institutional investor conferences are available at the corporate website.																			
5. Operations of the Company’s Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Company has established the Remuneration Committee on Dec.21 <sup>st</sup> , 2012.	The Company has established the Remuneration Committee. Other functional committees shall be 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.																				
<p>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):</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(5) Directors’ and supervisors’ training records :</p> <table border="1" data-bbox="277 995 2002 1171"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Study Date</th> <th>Sponsoring Organization</th> <th>Course</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Huang, Chung-Hsing</td> <td>2013.09.23</td> <td>Securities &amp; Futures Institute</td> <td>Enterprise business integrity and social responsibility seminar</td> <td>3</td> </tr> <tr> <td>Supervisor</td> <td>Yung Chi Lai</td> <td>2013.05.28</td> <td>Taiwan Stock Exchange Corporation (TWSE)</td> <td>The functions of the independent directors of listed companies seminar in 2013</td> <td>3</td> </tr> </tbody> </table> <p>(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.</p> <p>(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.</p> <p>(8) Insurance coverage purchased by the Company on liability of directors and supervisors: The Company has purchased liability insurance coverage for directors and supervisors.</p>			Title	Name	Study Date	Sponsoring Organization	Course	Training hours	Director	Huang, Chung-Hsing	2013.09.23	Securities & Futures Institute	Enterprise business integrity and social responsibility seminar	3	Supervisor	Yung Chi Lai	2013.05.28	Taiwan Stock Exchange Corporation (TWSE)	The functions of the independent directors of listed companies seminar in 2013	3
Title	Name	Study Date	Sponsoring Organization	Course	Training hours															
Director	Huang, Chung-Hsing	2013.09.23	Securities & Futures Institute	Enterprise business integrity and social responsibility seminar	3															
Supervisor	Yung Chi Lai	2013.05.28	Taiwan Stock Exchange Corporation (TWSE)	The functions of the independent directors of listed companies seminar in 2013	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	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 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
Other	Mr. Hong Xun Ding		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Mr. Ting Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Mr. Huang, Kuo-Shih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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.

- Not an employee of the company or any of its affiliates;
- 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;
- 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;
- 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;
- 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;
- 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;
- 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;
- Not been a person of any conditions defined in Article 30 of the Company Law.

### Operations of Remuneration Committee :

- The Company's remuneration committee includes 3 members.
- The Remuneration Committee members' respective tenures are from June 18, 2012 to June 17, 2015. The Remuneration Committee convened four regular meetings 6 times 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	6	0	100%	
Member	Mr. Ting Yang Liu	6	0	100%	
Member	Mr. Hsin Hsien Huang	6	0	100%	
Member	Mr. Huang, Kuo-Shih	0	0	0	

Other notable items:

- 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.
- 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</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
	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>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>(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>(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> <p>A. The Company has passed all the yearly fire safety inspections.</p> <p>B. We have also entered into cooperative agreements with many professional physical examination centers, providing free annual physical examinations to our employees.</p> <p>C. 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.</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>D. 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> <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>(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</p>	

Item	Implementation Status	Deviations from "Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	bazaars and providing donations to the Chinese Christian Relief Association's project, "After School Reading Program for Children of Disadvantaged Families."	
<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 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. TLW Shin-Lin Store won the Excellence Award at the 6th Taipei City Golden Energy Saving Awards; S*smart won the Senior-Friendly Stations Award from the Taipei City Government Department of Social Welfare; TLW on the Outstanding Franchise Headquarters Award from the Ministry of Economic Affairs; TLW won the 3rd Taiwan Green Classics Award; TLW &amp; Test Rite Home Service Co., Ltd. obtained the dp.mark Data Privacy Protection Mark certification from the Ministry of Economic Affairs in 2013.</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</p>		

Item	Implementation Status	Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	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. A total of 650 employees took part in the Volunteer Day event and participated in a total of 35 volunteer programs throughout Taiwan, providing free repairs, cleaning, beautification, and reading services to disadvantaged groups. Volunteers also shared in the festivities on the eve of the Mid-Autumn Festival; Sponsored the Chinese Christian Relief Association's "12th 1919 Love Overflows—Relief Camp"; assisted with beautification at the Kanjiao Elementary School in Wanli District, New Taipei City; Supported dementia advocacy and love charity events; Co-sponsored youth charity car wash events; TLW provided care for disadvantaged groups and contributed air conditioning facilities at the Ciyu Home in Pingtung; TLW Hua-Lien Store served as corporate volunteers for four consecutive years and cooperated with the Mennonite Social Welfare Foundation to improve and restore the residences of single-living senior citizens.	
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.		

**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) The Board approved by the Corporate Governance guidelines and Regulations on November 11, 2013 and announced immediate effect on the implementation of the human resources unit and assign a dedicated unit, and regularly report to the Board oversee the implementation of the case; 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) The HR department of the Company requests all employees to sign an "Integrity Declaration and Undertaking" on a regular basis and announce the law irregular.</p> <p>(3) The Company prohibits the use and acceptance of bribery, illegal campaign contributions, improper charity donations, the offering or accepting of unreasonable gifts, hospitality, or other improper benefits. Violators are punished pursuant to regulations. The Company has invested in crime insurance.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>

Item	Implementation Status	Non-implementation and Its Reason(s)
<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 Board approved by the "Code of Ethics for Business Management" on November 11, 2013. Into the annual internal audit plan of the next year after it is approved by the board of directors.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>
<p>3. The company establishes the channels for reporting any ethical irregularities and sets up punishment for violations of the policies.</p>	<p>(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.</p> <p>(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.</p> <p>(3) The Company shall facilitate a Group Reporting Mechanism this year, thereby activating the group reporting and investigation procedures.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>
<p>4. Information Disclosure</p> <p>(1) To set up a corporate website that publishes information relating to Company's corporate conduct and ethics.</p> <p>(2) Other information disclosure channels (e.g. maintaining an English website, designating personnel to handle information collection and disclosure)</p>	<p>(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.</p> <p>(2) The Company has clearly disclosed its corporate values on its official website, which are: integrity, accountability, modesty, customer focus and high performance.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>

Item	Implementation Status	Non-implementation and Its Reason(s)
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. : None.		
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 Board approved by the Corporate Governance guidelines and Regulations on November 11, 2013 and announced company website. 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 VP	Linda Lin	2014/4/9~16	Accounting Research and Development Foundation in Taiwan	Accounting manager training course of securities of issue providers of TWSE	12
Auditing AVP	Lancy Wu	2013/05/20	Computer Audit Association	Enterprise Risk Management and Business Continuity Management	2
		2013/08/31	Computer Audit Association	Information Governance and Corporate Governance	7
		2013/10/01	Taiwan Corporate Governance Association	Best Practices of Intellectual Property Management Disclosure	3
		2013/10/17	The Institute of Internal Auditors	Major financial scandals and legal risks	6
		2013/10/29-10/30	The Institute of Internal Auditors	The right way to increase the value of the control and management of business risks	14
		2013/10/31-11/01	Taiwan Corporate Governance Association	The 9th Taipei Corporate Governance Forum	9

#### 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) 、 Certification in Risk Management Assurance 、 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
Johnny Huang	Internal Control of Corporation Test of Securities and Futures Institute 、 Internal Bank Controls the Basic Test for Compliance Certification
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)
Amy Chen	Internal Control of Corporation Test of Securities and Futures Institute
Susanna Yen	Shares Officer Test of Securities and Futures Institute

### **3.3.8 Internal Control System :**

Test Rite International Co., Ltd.

Statement of Declaration on Internal Control System

Date: March 25, 2014

The Company conducted an internal audit for 2013 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, (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, 2013 (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 25, 2014 in the presence of 6 directors.

**Test Rite International Co., Ltd.**

**Chairman : Judy Lee**

**President : Sophia Tong**

### 3.3.9 Major Resolutions of Shareholders' Meeting and Board Meetings

As of May 8, 2014

Date/Item	Major resolutions
6/17/2013 Shareholders' Meeting	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 partial amendments to "Acquisition or disposal of the asset process" Approved the partial amendments to "Article" Approved the capitalization of retained earnings issuance of new shares.
6/25/2013 Board meeting	Approved the Company's earning distribution and cash dividend proposal for fiscal year 2012 and related matters has been passed. Approved the Company's directors' and supervisors' Remuneration distribution proposal for fiscal year 2012. Approved the members of Remuneration Committee member distribution.
8/6/2013 Board meeting	Approved Company's indirect capital injection in Test Rite (China) Investment Co., Ltd. through Test Rite Retailing Co., Ltd. Approved Company's indirect capital injection in Test Rite Business Development Corporation (China) Co., Ltd. through Test Rite Trading Co., Ltd.
9/30/2013 Board meeting	Approved signatory and authority in the case of branches of HSBC India account transaction by changing our India office.
11/11/2013 Board meeting	Approved the corporate governance policies established. Approved the Company's managers' Employee bonus distribution proposal for fiscal year 2012 and annual bonus for 2013.
12/18/2013 Board meeting	Approved the Company's business plan and budget review for fiscal year 2014. Approved the Company's Internal Audit Plan for fiscal year 2014.
1/22/2014 Board meeting	Approved the Company's managers' performance bonus distribution proposal for 2013.
3/10/2014 Board meeting	Approved the Company as treasury stock transferred to employees.
3/25/2014 Board meeting	Approved the earning distribution proposal for 2013. Approved the 2013 Statement of Declaration on Internal Control System. Approved the capitalization of retained earnings issuance of new shares. Approved the partial amendments to "Rules for Election of Directors and Supervisors" Approved the partial amendments to "Acquisition or disposal of the asset process" Approved the partial amendments to "Article" Approved the convening of the Company's annual shareholders' meeting for 2014. Approved Company's indirect capital injection in Test Rite Business Development Corporation (China) Co., Ltd. through Test Rite Trading Co., Ltd.
5/8/2014 Board meeting	Approved the capitalization of retained earnings issuance of new shares, the proposed revocation because of there was no issue.

**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 : None**

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

(Unit : Share)

Title	Name	2013		As of Apr. 30, 2014	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Judy Lee	0	0	7,136,000	1,400,000
Director	Tony Ho	0	0	0	10,000,000
Director	Hsin-Hsien Huang	0	0	0	0
Director	Robin Ho	(300,000)	0	420,000	0
Director	Property Co., Ltd.	0	0	0	0
Supervisor	Tsai-Chi Co., Ltd.	0	0	0	0
President	Sophia Tong	0	0	428,000	0
VP	John Peng	0	0	160,000	0
VP	Peter Dong	0	0	0	0
VP	Linda Lin*	0	0	60,000	0
VP	Alfred Chang	(30,000)	0	38,000	0
VP	Hannis Chang	0	0	100,000	0
VP	Lawrence Wu	0	0	0	0
VP	Shelly Chen*	0	0	60,000	0
VP	Jane Peng	0	0	0	0
VP	Gillian Joe	0	0	0	0
VP	Bob Yueh	0	0	0	0
VP	Edward Kao	0	0	50,000	0
VP	Paul Wang	0	0	0	0
VP	Tracy Tsai	0	0	0	0
VP	Robin Ho	(300,000)	0	420,000	0
VP	CC Fan	0	0	60,000	0
VP	Kelly Ho	0	0	300,000	0
VP	Jack Ueng	0	0	100,000	0
VP	Maggy Chen	0	0	29,000	0
VP	Michael Hou	0	0	48,000	0
VP	Thomas Weng*	0	0	0	0
VP	Rebecca Chi*	0	0	0	0
VP	Terrance Yang*	NA	NA	0	0
AVP	Alex Yu	0	0	50,000	0

Title	Name	2013		As of Apr. 30, 2014	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
AVP	Lancy Wu	(7,000)	0	50,000	0
AVP	Monica Chen	0	0	20,000	0
AVP	Jack Chang	0	0	168,000	0
AVP	Constance Chuang	0	0	0	0
AVP	Arthur Chen	0	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	Sky Yuan	0	0	0	0
AVP	Mercy Chen	0	0	0	0
AVP	Johnson Lee	0	0	50,000	0
AVP	Humphrey Wang	0	0	0	0
AVP	Tracy Leu	0	0	20,000	0
AVP	Dick Ko	0	0	0	0
AVP	Eddie Wei*	0	0	0	0

\*VP Thomas Weng and Rebecca Chi joined in May 2013; Linda Lin promoted in October 2013; Sherry Chen promoted in January 2014; Terrance Yang joined in February 2014; AVP 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 4/13/2014

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	44,295,294	8.82	43,995,550	8.76	0	0	Judy Lee	Spouse	-
Judy Lee	43,995,550	8.76	44,295,294	8.82	0	0	Tony Ho	Spouse	-
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	41,286,395	8.22	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	35,436,789	7.06	0	0	0	0	-	-	-
Tsai-Chi Co., Ltd. Representative: Ms. Lee, Li-Heng	32,327,389	6.44	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Chang Qiu Dun	27,330,714	5.44	0	0	0	0	-	-	-
Tsai Ye Enterprise Company Limited	26,270,635	5.23	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Fubon Life Assurance Co.,Ltd.	26,000,037	5.18	0	0	0	0	-	-	-
Chang Lin Rui Feng	20,199,416	4.02	0	0	0	0	-	-	-
Test Rite International Co., Ltd. Treasury Stock	19,868,000	3.96	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-

### 3.6 Long-term Investment Ownership

As of 12/31/2013 ; 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.	77,600,000	100.00%	0	0.00%	77,600,000	100.00%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	8,000,000	100.00%	8,000,000	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%
International Art Enterprise Co., Ltd.	1,000,000	100.00%	0	0.00%	1,000,000	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.	1,064,000	95.00%	56,000	5.00%	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.	48,126,494.6	100.00%	0	0.00%	48,126,494.6	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 04/13/2014

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 4/13/2014

Share Type	Authorized Capital				Remarks
	Issued Shares	Treasury Stock	Un-issued Shares	Total Shares	
Common Stock	502,087,558	19,868,000	157,912,442	660,000,000	-

C. Information for Shelf Registration : None.

**4.1.2 Status of Shareholders**

As of 4/13/2014

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	3	63	21,459	103	21,631
Shareholding (shares)	40,016	27,971,935	162,943,070	253,646,487	77,354,050	521,955,558
Percentage %	0.01	5.36	31.22	48.60	14.82	100.00

**4.1.3 Shareholding Distribution Status**

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

As of 4/13/2014

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage %
1 - 999	11,251	2,273,577	0.44
1000 - 5000	6,913	14,381,586	2.76
5001 - 10000	1,541	10,178,653	1.95
10001 - 15000	734	8,269,408	1.58
15001 - 20000	252	4,403,189	0.84
20001 - 30000	342	8,034,456	1.54
30001 - 40000	139	4,650,918	0.89
40001 - 50000	66	2,956,384	0.57
50001 - 100000	180	12,658,565	2.43
100001 - 200000	93	12,615,959	2.42
200001 - 400000	45	12,451,574	2.39
400001 - 600000	23	11,143,762	2.14
600001 - 800000	8	5,496,011	1.05
800001 - 1000000	6	5,447,618	1.04
1000001 or over	38	406,993,898	77.97
Total :	21,631	521,955,558	100.00

B. Preferred Shares : None.

#### 4.1.4 List of Major Shareholders

As of 4/13/2014

Shareholder's Name	Shareholding	
	Shares	Percentage %
Tony Ho	44,295,294	8.82
Judy Lee	43,995,550	8.76
Up Master Investment Co., Ltd.	41,286,395	8.22
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	35,436,789	7.06
Tsai-Chi Co., Ltd.	32,327,389	6.44
Chang Qiu Dun	27,330,714	5.44
Tsai Ye Enterprise Company Limited	26,270,635	5.23
Fubon Life Assurance Co.,Ltd.	26,000,037	5.18
Chang Lin Rui Feng	20,199,416	4.02
Test Rite International Co., Ltd. Treasury Stock	19,868,000	3.96

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

Unit: NT\$

Item		2012	2013	2014/1/1-2014/3/31
Market Price per Share	Highest Market Price	22.60	24.00	23.40
	Lowest Market Price	18.80	21.35	21.80
	Average Market Price	20.84	22.60	22.45
Net Worth per Share	Before Distribution	13.43	13.88	15.14
	After Distribution	12.36	12.85	-
Earnings per Share	Weighted Average Shares	493,689,891	487,087,558	487,087,558
	Diluted Earnings Per Share	1.03	1.30	0.56
Dividends per Share	Cash Dividends	1.08	1.00	-
	Stock Dividends	0	0	-
	Accumulated Undistributed Dividends	0	0	-
Return on Investment	Price / Earnings Ratio (Note)	20.23	17.38	-
	Price / Dividend Ratio (Note)	19.30	22.60	-
	Cash Dividend Yield Rate (Note)	5.18%	4.42%	-

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 2013 financial statements indicate that the net profit totaled to NT\$635,138,949, and together with the retained earnings of NT\$(77,251,328) in the previous years, less the allocated statutory surplus reserve of NT\$55,788,762 the surplus available for distribution was NT\$502,098,859.

The Company intends to allocate shareholder's dividends in the amount of NT\$502,087,558 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 13, 2014 (ex-dividend date) being 521,955,558 shares, net of 19,868,000 treasury shares, the total actual number of outstanding shares is determined to be 502,087,558, and consequently the cash dividend per share is NT\$1.00.

#### 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 2013.

#### 4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. 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 1% of its earnings for employee bonus, and 2% of its earnings for the salary for the Board of Directors and Supervisors.
2. 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 decided, 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 1% 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.
3. On March 25th, 2014, the Board of Directors approved employee cash bonus of NT\$ 5,020,989 and total salary for the Board of Directors and Supervisors of NT\$10,041,977.

Items for Distribution	As proposed by the Board (A)	Estimated expense (B)	Difference (A)-(B)	Remark
Employee cash bonus	5,020,989	5,260,000	(239,011)	Difference is between estimate and actual expense. Since, the difference is minor; the amount will be applied to 2014 earnings.
Total salary for the Board of Directors and Supervisors	10,041,977	10,521,000	(479,023)	

- (1) 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 2013.
  - (2) The earnings per share of proposed allotment to employees bonus and directors and supervisors earnings: NT\$1.30.
4. 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 2012 was approved at the annual shareholders' meeting on June 17, 2013. Remuneration to directors and supervisors accounted for NT\$12,411,654 and employee bonuses amounted to NT\$49,646,615 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	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	

#### 4.1.9 Buyback of Treasury Stock

As of 4/30/2014

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	NTD19~28
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	12,000,000	3,000,000	0
Accumulated number of company shares held	8,000,000	8,000,000	19,868,000
Percentage of total company shares held (%)	1.53%	1.53%	3.81%

**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. The main content of the company's current business operations
  - (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)

Year Division	2012		2013	
	Amount	%	Amount	%
Principal Trading	11,955,251	33.9%	12,392,595	35.2%
Agency Commission	195,719	0.6%	238,503	0.7%
Taiwan Retail	15,915,674	45.1%	16,667,898	47.3%
China Retail	3,633,851	10.3%	3,895,996	11.1%
Others	3,551,647	10.1%	2,008,872	5.7%
Total	35,252,142	100.0%	35,203,864	100.0%

3. Currently the Company's main products (services) are as follows: The Company's trading business 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. Our retail business in Taiwan and China are engaged in direct to consumer businesses for similar products.
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 20% of total export amount in 2013. 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:
    - A. 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.

- B. 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 industries

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. In 1995, Test Rite entered into a joint venture agreement with Kingfisher of the U.K. to introduce DIY retailer B&Q in Taiwan. The following, the company developed its own retail channel Hola in Taiwan and later in December 2004 entered the China retailer market when first Hola China store opened in Shanghai.

Below we describe the industry dynamics for trading and retail:

#### (1) Market Conditions of the 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 1994 to 2013, 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 emergence of China as the world's manufacturing hub. In 2012 and 2013 Taiwan's the amount of export to China accounted for 40% of the island's total exports, and import from China amounted to 16% of total imports for both 2012 and 2013.

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.

Upholding its business philosophy of "Everything in the home is Test Rite's business," the Test Rite Group has continued to introduce famous international brands and products so that, through the brands it distributes, consumers in Taiwan and China may enjoy world-class convenience and quality of life. 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, 7<sup>th</sup> 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 million)

Year	Total exports	Export Growth rate (%)	Total imports	Import Growth rate (%)	Total amount of trade	Total trade growth rate %
1994	94,300.4	9.7	85,698.0	10.7	179,998.4	10.19
1995	113,342.0	20.2	104,011.6	21.4	217,353.6	20.75
1996	117,581.0	3.7	102,922.4	-1.0	220,503.4	1.45
1997	124,170.2	5.6	114,955.4	11.7	239,125.6	8.45
1998	112,595.4	-9.3	105,229.8	-8.5	217,825.2	-8.91
1999	123,733.3	9.9	111,196.1	5.7	234,929.4	7.85
2000	151,949.8	22.8	140,732.0	26.6	292,681.8	24.58
2001	126,314.3	-16.9	107,970.6	-23.3	234,284.9	-19.95
2002	135,316.7	7.1	113,245.1	4.9	248,561.8	6.09
2003	150,600.5	11.3	128,010.1	13.0	278,610.6	12.09
2004	182,370.4	21.1	168,757.6	31.8	351,128.0	26.03
2005	198,431.7	8.8	182,614.4	8.2	381,046.1	8.52
2006	224,017.3	12.9	202,698.1	11.0	426,715.4	11.99
2007	246,676.9	10.1	219,251.6	8.2	465,928.5	9.19
2008	255,628.7	3.6	240,447.8	9.7	496,076.5	6.47
2009	203,674.6	-20.3	174,370.6	-27.5	378,045.2	-23.79
2010	274,600.6	34.8	251,236.4	44.1	525,837.0	39.09
2011	308,257.3	12.3	281,437.5	12.0	589,694.8	12.14
2012	301,180.9	-2.3	270,472.7	-3.9	571,653.6	-3.06
2013	305,451.9	1.4	270,070.8	-0.1	575,522.7	0.68

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, exports to China for 2013 the year amounted to US\$121.2 billion, an increase of 2.17% YoY and imports from China were valued at US\$44.2 billion, an increase of 1.56%. As for Japan, total imports were US\$43.16 billion, an decrease of 9.27% YoY. Exports from Taiwan to China have increase 3.6x since 2003 and nearly 5.6x 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 and the pending trade/service agreements.

Regional trade concentration indicator (Unit : USD100million; %)

Year	Total amount of trade	Export value	Import value	Taiwan to China export amount	China to Taiwan import amount	Taiwan - Top three countries with highest degrees of export concentration	Taiwan - Top three countries with highest degrees of import concentration
2001	234,284.9	126,314.3	107,970.6	33,611	7,953	60.90	46.27
2002	248,561.8	135,316.7	113,245.1	43,486	9,883	64.37	47.61
2003	278,610.6	150,600.5	128,010.1	53,758	12,935	65.23	49.36
2004	351,128.0	182,370.4	168,757.6	69,245	19,101	66.76	49.29
2005	381,046.1	198,431.7	182,614.4	77,678	22,203	67.44	48.97
2006	426,715.4	224,017.3	202,698.1	89,189	26,663	67.98	47.53
2007	465,928.5	246,676.9	219,251.6	100,396	29,839	68.24	45.41
2008	496,076.5	255,628.7	240,447.8	99,573	32,883	66.06	43.69
2009	378,045.2	203,674.6	174,370.6	83,693	25,545	67.51	46.79
2010	525,837.0	274,600.6	251,236.4	114,741	37,573	68.35	47.11
2011	589,694.8	308,257.3	281,437.5	124,044	45,271	68.55	46.27
2012	571,653.6	301,180.9	270,472.7	118,646	43,566	68.90	45.34
2013	575,522.7	305,451.9	270,070.8	121,221	44,247	69.37	44.42

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

In 2013, 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.

#### 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 gradually marginalized.

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 · Umbra · Frette · Joseph Joseph · Bissell · Joyoung · StanleyBlack&Decker · OXO · WEDGWOOD · 7th Generation 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.

Export value of furniture, bedding and lighting equipment has declined gradually over the years due to fierce competition in the market. However, the industry began to see demand recovery in 2010, as U.S. economy began a gradual recovery, aided by improving property market and declining unemployment rate. Separately, there has been palpable improvement in demand in Europe as well, which began to gain traction in 2H13. While products in these categories are quite mature, the size of the market remains quite substantial, and Test-Rite continue to see growth opportunities given the largest demand originates from North America, Europe and Asia, where Test-Rite retains significant market presence.

### (3) Agency Business

Agency business is a commission based business model, where Test-Rite acts as sourcing agent for major retailers in the U.S. or Europe. Services provided including product sourcing, QA/QC support, and logistics/warehousing, depending on a customer's needs but Test-Rite can leverage core competencies developed through the success of its principal to principal businesses.

While overall demand driver are the same as principal business, the growth of Agency can be more related to performance of individual customers and their procurement strategy to increased usage of Test-Rite's services. Shipments for agency for Test-Rite increased 19.8% in 2013 and totaled NT\$5.24bn in value and accounted for nearly 29.7% of total shipments, compared with 26.8% for 2012. Agency business generated commission revenue of NT\$238.5mn an increase of 21.9% YoY.

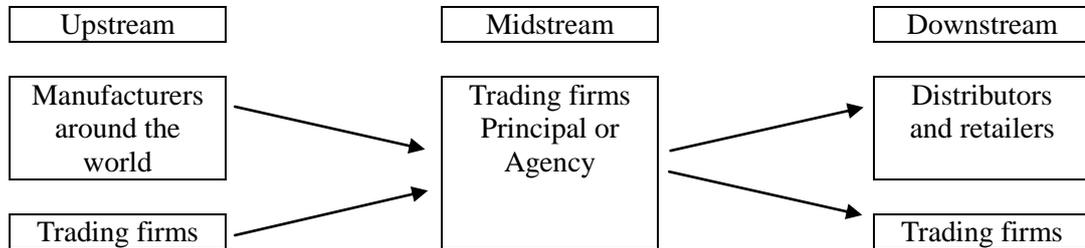
Agency business is one of the fastest growing business segments for Test-Rite. The shipment growth for agency business has outpaced overall retail growth in end markets and our principal businesses and the company is committed for further growth in this space as customers under contract has increased from 5 to 10 customers since 2012 and may benefit from increased operating leverage as the number of total customers

## 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:



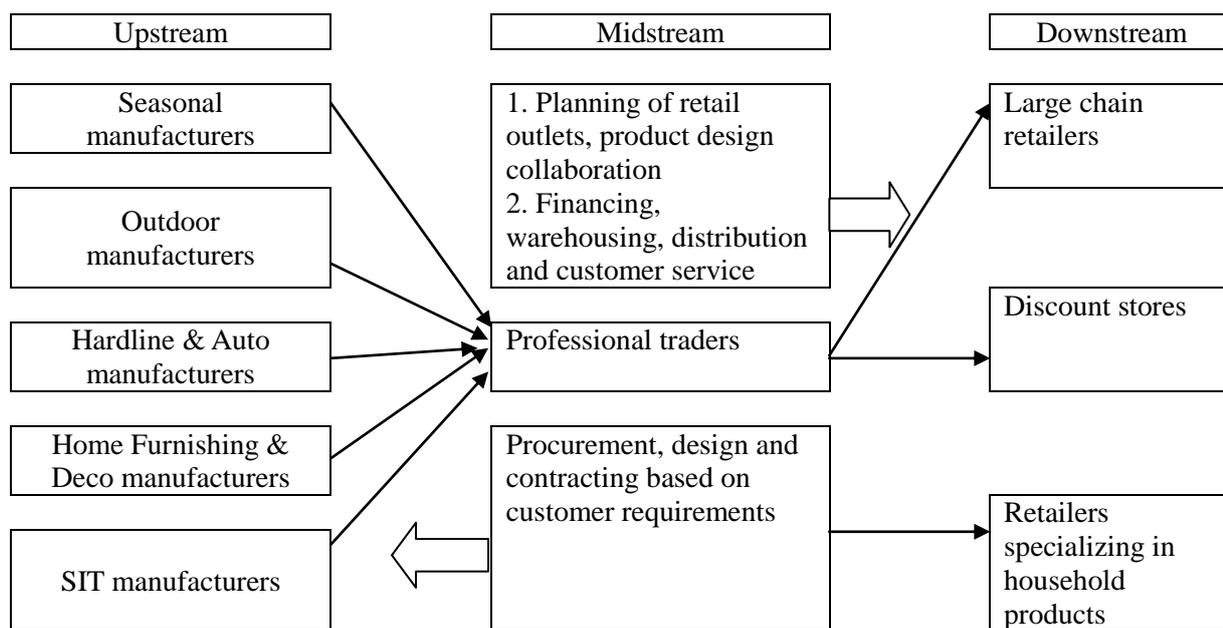
The so-called 'barriers to information access' is mainly geographic isolation and regulatory restrictions as well as the need of upstream and downstream vendors for working capital, as well as advantages to either buyers or sellers as a result of product characteristics or structure of the sales channel. 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 and we will continue to explore additional M&A opportunities going forward.

### (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:

#### A. 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.

#### B. 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.

C. 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.

D. 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 stable 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.

E. 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. 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 services and become more active in 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 2013 the company opened three new stores and closed two stores during the year, with the total number of stores at 33 at December end 2013. More significantly, Hola China posted a profit of NT\$33.4mn (check) in 4Q13, the first ever single profitability since entering the China market.
- 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-9001 certification and specialty in hard-line 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 hard-line/house ware 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 hard-line 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)

Division \ Year	2012		2013	
	Amount	%	Amount	%
Asia	30,432,580	86.33%	30,501,624	86.64%
America	4,451,594	12.63%	4,195,312	11.92%
Europe	336,770	0.95%	468,401	1.33%
Australia and Others	31,198	0.09%	38,527	0.11%
Total	35,252,142	100.00%	35,203,864	100.00%

#### (1) Export Markets

In 2013, U.S. economies continue to recover from the financial crisis as unemployment rate continues to decline and the property market saw meaningful price recovery. As the economy in the U.S. rebounded ahead of other developed markets, North

American region accounted for 12% of our principle trading's shipment. Conversely, the stagnant demand outlook for much of the Euro zone has led to further declines of shipments in 2013, which dropped to 1% 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 6.54% and 52.31%, 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.

(2) Domestic Market

Test Rite Retail currently operates 26 DIY stores and 22 HOLA TW outlets as of December 2013, 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.

2. Market Share

(1) Hand Tools

The Company's shipment was NT\$2.76 billion in 2013. The hand tools business is expected to benefit from the growth of our retail business as well.

(2) 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 in 2014. 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

(1) 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.

(2) 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.

(3) Transforming trading experience and branching out into retail outlet operations, benefiting from rising domestic demand and economic growth

(4) 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. Since 2012, we have added Arteriors, Express Gifts, Pepboys, and Meijer to our customer list.
- D. Our DIY business is growing at a steady pace. HOLA Taiwan's private label products are gaining traction with consumers and already accounts for 12.3% of sales (including Hola Casa and Hola Pettite), which is the key earnings driver given private label products are consistently 15-20% higher vs. average gross margin in Hola Taiwan and we envision continued growth of our private label penetration in Taiwan. Hola China, after reaching first single month profitability in December 2009, we reached another milestone in 4Q13, during which we posited profit of NT\$33.4mn. For 2013, the number of profitable store for Hola China increased to 23 stores from 18 in 2012.

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:

1. 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
2. Cooperating with suppliers in the supply chain to improve design 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

#### 1. Major Products and Their Main Uses :

Business Sectors	Major Products	Main Uses
Seasonal	Gardening X'mas deco accessories	<ul style="list-style-type: none"> <li>● Maintenance of gardens (shovels, sprinklers, etc.) and beautifying home environment.</li> <li>● Christmas gifts and products.</li> </ul>
Outdoor	Outdoor furniture BBQ	<ul style="list-style-type: none"> <li>● Outdoor Furniture (Outdoor tables and chairs, ice bucket, tents, etc.) and BBQ barbecue stoves and other equipment.</li> </ul>

Hardline & Auto	Hand tool Tools Hardware Auto accessories Auto parts New business development	<ul style="list-style-type: none"> <li>● General Hand Tools (including axes, saws, wrenches, and pliers) for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories.</li> <li>● Hardware Components (e.g. screws) for the necessary spare parts for maintenance.</li> <li>● Automobile accessories and supplies (e.g. automobile mats and windshield wipers) and automotive repair and maintenance products.</li> </ul>
Home Furnishing & Deco	Bathing and Storage Kitchenware Home decoration Luggage & Travel accessories	<ul style="list-style-type: none"> <li>● Home storage box and cabinets or do it yourself (DIY)'s furniture supplies.</li> <li>● Travel Storage Products (trunk)</li> </ul>
SIT	Christmas decoration Sport equipments stationary Indoor furniture Office supplies PC peripherals Computer accessories Consumer electronics Lighting	<ul style="list-style-type: none"> <li>● OA Furniture (e.g. desks and office chairs)</li> <li>● Stationery (e.g. office supplies, file folders and document holders)</li> <li>● Computer Accessories 3C merchandise.</li> <li>● Lamps and light fixtures (including wall lamps, table lamps and floor lamps)</li> <li>● Bathroom and sanitary equipment, automotive repair and maintenance supplies, fireplace accessories, furniture, barbecue utensils and other Electrical Accessories (e.g. Hair dryers, electric razors and infrared detectors)</li> <li>● Recreational Products (mainly bicycles and ice chests) and Leisure products that make life more fun.</li> </ul>

2. 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

### 1. Major Suppliers Information for the Last Two Calendar Years

Unit : NT\$ thousand

Company Name	2012			2013		
	Amount	Percent	Relation with the Company	Amount	Percent	Relation with the Company
Test Rite Retail Co., Ltd.	1,935,017	16.26%	Subsidiary of TR	1,556,608	13.50%	Subsidiary of TR
TR PRODUCTS	1,736,328	14.59%	Subsidiary of TR-US	2,261,436	19.62%	Subsidiary of TR-US
HOMEZONE	1,407,705	11.83%	Subsidiary of TR PRODUCTS	996,240	8.64%	Subsidiary of TR PRODUCTS

### 2. 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

Business Units	Year	2012		2013	
		Local Amount	Export Amount	Local Amount	Export Amount
Principal Trading(Agency)			12,150,970		12,631,099
Taiwan Retail		15,915,674		16,667,898	
China Retail			3,633,851		3,895,996
Others		3,480,464	71,183	1,967,198	41,673
Total		19,396,138	15,856,004	18,635,096	16,568,768

## 5.3 Human Resources

Year		2012	2013	Until May 30, 2014
No. of Employees		459	486	459
Average Age		40	40.54	40.45
Average Years of Service		8.65	8.15	8.39
Education	Ph.D.	0.00%	0.00%	0.00%
	Masters	11.88%	12.79%	12.64%
	Bachelor's Degree	75.29%	72.29%	71.02%
	Senior High School	11.88%	11.30%	12.42%
	Below Senior High School	0.95%	3.62%	3.92%

## 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.

The Company outcomes of the last two years (2012 ~ 2013) Education and Training as follows:

Training programs	Training sessions	attendees	Training Hours	Training expense
General knowledge training	59	1,160	8,371	9,070,000
Specialized training	37	1,004	6,984	
Management training	29	483	7,666	
Total	125	2,647	23,021	

(3) Staff ethical conduct and code of ethics

- A. The Company has established "Work Regulations" for the staff to follow in their daily work and behavior. All staff should comply with the ethical conduct and code of ethics of the Company, for example: being in line with the principles of integrity and honesty, protecting the Company's reputation, exhibiting a spirit of teamwork, loyally and diligently finishing one's duties, avoiding arrogance and greed, and refraining from behavior that may damage the reputation of individuals or the institution; staff are also disallowed from the use of their position to accept gifts or favors.
- B. All staff members sign a confidentiality agreement that stipulates that staff should carefully manage matters and confidential information pertaining to their duties; except in cases where it is necessary to provide information for the execution of a certain duty, information not disclosed by the Company itself may not be disclosed to a third party or for purposes other than those related to the work in question. This applies also for those staff members who have signed the agreement but are no longer with the company.
- C. The Company has established a "Major Internal Information Processing Procedure" in order to establish good internal processing and a mechanism within the Company for the disclosure of major information; this procedure prevents improper information leaks and ensures the consistency and accuracy of the information published by the Company.
- D. The Company has established "Personal Data Management Objectives and Policies" for the management and preservation of the company's personal information, including that of its personnel and customers. To better regulate the behavior of employees using computers, the company has established its "Internet Security Management Regulations" and "Information Security Incident Management Regulations," with which all employees must comply.
- E. The Company has established Code of Ethics for Business Management and Integrity Declaration and Undertaking, Encourage employees to find there is a breach in the rules or the Code of Practices Act, was spotted by the complainant reported the mailbox.
- F. In order to maintain gender equality and respect at work, the Company prohibits all sexual harassment behavior in the work place, has established its "Sexual Harassment Prevention Measures, Claims, and Disciplinary Regulations," and irregularly holds and encourages employees to participate in gender-related educational workshops.

(4) 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 allocated a pension fund, which is submitted to the Supervisory Committee of the Labor Retirement Reserve to be deposited into a special account at the Bank of Taiwan under the Committee's name. 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\$52,360,000 as of year-end 2013. 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.

(5) 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.

(6) 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, 2013

Agreement	Counterparty	Period	Major Contents	Restrictions
AR Factoring Agreement	E. Sun Commercial Bank	February 12, 2014 to February 12, 2015	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	The Export-Import Bank of the Republic of China	November 18, 2013 to November 19, 2018	Unsecured loan	N.A.

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Consolidated Balance Sheet - IFRSs

Unit : NTD\$ thousand

Item	Year	Two-Year Financial Summary		2014/1/1~ 2014/3/31
		2012	2013	
Current Assets		10,439,476	12,011,301	12,072,693
Property, Plant and Equipment		6,195,672	6,208,064	5,901,473
Intangible Assets		219,730	214,036	202,208
Other Assets		5,042,697	4,938,837	5,258,141
Total Assets		21,897,575	23,372,238	23,434,515
Current Liabilities	Before allocation	9,642,492	10,804,486	10,100,131
	After allocation	10,168,547	11,306,574	-
Non-Current Liabilities		593,017	546,977	523,279
Total Liabilities	Before allocation	15,248,706	16,579,078	16,024,547
	After allocation	15,774,761	17,081,166	-
Equity attributable to owners of the parent		6,629,794	6,762,666	7,372,827
Capital Stock		5,219,555	5,219,555	5,219,555
Capital Surplus		694,476	694,476	711,820
Retained Earnings	Before allocation	1,468,371	1,580,149	1,851,557
	After allocation	942,316	1,078,061	-
Other Equity		(23,484)	(2,390)	5,354
Treasury Stock		(729,124)	(729,124)	(415,459)
Non-Controlling Interest		19,075	30,494	37,141
Total Equity	Before allocation	6,648,869	6,793,160	7,409,968
	After allocation	6,122,814	6,291,072	-

Note : 1Q/2014 financial data have been reviewed by independent auditors.

## 6.1.2 Condensed Standalone Balance Sheet - IFRSs

Unit : NTD\$ thousand

Item	Year	Two-Year Financial Summary	
		2012	2013
Current Assets		4,286,495	4,646,500
Property, Plant and Equipment		571,917	553,406
Intangible Assets		53,994	59,471
Other Assets		671,817	638,729
Total Assets		12,906,508	13,702,521
Current Liabilities	Before allocation	2,550,827	3,266,928
	After allocation	3,076,882	3,769,016
Non-Current Liabilities		406,127	354,627
Total Liabilities	Before allocation	6,276,714	6,939,855
	After allocation	6,802,769	7,441,943
Equity attributable to owners of the parent		-	-
Capital Stock		5,219,555	5,219,555
Capital Surplus		694,476	694,476
Retained Earnings	Before allocation	1,468,371	1,580,149
	After allocation	942,316	1,078,061
Other Equity		(23,484)	(2,390)
Treasury Stock		(729,124)	(729,124)
Non-Controlling Interest		-	-
Total Equity	Before allocation	6,629,794	6,762,666
	After allocation	6,103,739	6,260,578

### 6.1.3 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 25, 2014 and is up for voting at the shareholders' meeting.

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

#### 6.1.4 Condensed Consolidated statement of Income - IFRSs

Unit : NTD\$ thousand

Item	Year	Two-Year Financial Summary		2014/1/1~ 2014/3/31
		2012	2013	
Revenue		35,252,142	35,203,864	9,052,489
Operating revenue		10,403,161	10,610,334	2,683,419
Gross profit		720,317	776,738	335,312
Non-operating income and expense		(33,590)	(44,016)	(11,916)
Income before tax		686,727	732,722	323,396
Income from operations of continued segments - after tax		564,694	640,614	277,395
Income from discontinued operations		0	0	0
Profit or loss for the period		564,694	640,614	277,395
Other comprehensive income		50,177	29,732	8,404
Total comprehensive income		514,517	670,346	285,799
Allocations of profit or loss for the period attributable to owners of the parent.		509,214	635,139	271,408
Allocations of profit or loss for the period attributable to non-controlling interest.		55,480	5,475	5,987
Allocations of total comprehensive income for the period attributable to owners of the parent.		477,225	658,927	279,152
Allocations of total comprehensive income for the period attributable to non-controlling interest.		37,292	11,419	6,647
Earnings per share		1.03	1.30	0.56

Note : 1Q/2014 financial data have been reviewed by independent auditors.

#### 6.1.4 Condensed Standalone statement of Income - IFRSs

Unit : NTD\$ thousand

Item	Year	Two-Year Financial Summary	
		2012	2013
Revenue		11,902,223	12,175,665
Operating revenue		2,211,418	2,235,640
Gross profit		102,694	73,554
Non-operating income and expense		469,620	594,907
Income before tax		572,314	668,461
Income from operations of continued segments - after tax		509,214	635,139
Income from discontinued operations		0	0
Profit or loss for the period		509,214	635,139
Other comprehensive income		(31,989)	23,788
Total comprehensive income		477,225	658,927
Allocations of profit or loss for the period attributable to owners of the parent.		-	-
Allocations of profit or loss for the period attributable to non-controlling interest.		-	-
Allocations of total comprehensive income for the period attributable to owners of the parent.		-	-
Allocations of total comprehensive income for the period attributable to non-controlling interest.		-	-
Earnings per share		1.03	1.30

### 6.1.5 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.

### 6.1.6 Auditors' Opinions from 2008 to 2012

Year	CPA's Name	CPA's 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
2013	HUNG, KUO-TIEN, WU, KER-CHANG	Unqualified opinion

## 6.2.1 Five-Year Financial Analysis

## 6.2.2 Consolidated Financial Analysis - IFRSs

Item		Year	Financial analysis in the past 2 years		2014/1/1 ~2014/3/31
			2012	2013	
Financial structure (%)	Ratio of liabilities to assets		69.64	70.93	68.38
	Ratio of long-term capital to Property, Plant and Equipment		187.92	193.14	225.32
Solvency (%)	Current ratio		108.27	111.17	119.53
	Quick ratio		52.38	58.25	67.89
	Times interest earned ratio		4.52	5.80	9.38
AR/AP (turnover)	Accounts receivable turnover (turns)		13.04	13.61	12.68
	Average collection period		28	27	29
	Inventory turnover (turns)		4.61	4.92	5.19
	Accounts payable turnover (turns)		5.52	4.92	4.67
	Average days in sales		79	74	70
	Property, Plant and Equipment turnover (turns)		5.06	5.68	5.98
	Total assets turnover (turns)		1.42	1.56	1.55
Profitability	Return on total assets (%)		2.94	3.39	1.32
	Return on stockholders' equity (%)		7.99	9.57	3.92
	Pretax income Ratio to issued capital (%)		13.16	14.04	6.20
	Operating profit				
	Profit ratio (%)		1.60	1.82	3.06
Cash flow	Earnings per share (\$)		1.03	1.30	0.56
	Cash flow ratio (%)		36.20	11.50	0.97
	Cash flow adequacy ratio (%)		91.97	98.80	92.66
Leverage	Cash reinvestment ratio (%)		20.37	4.43	1.28
	Operating leverage		15.82	14.97	8.34
	Financial leverage		1.37	1.24	1.13

Note : 1Q/2014 financial data have been reviewed by independent auditors.

## 6.2.4 Standalone Financial Analysis - IFRSs

Item		Year	Financial analysis in the past 2 years	
			2012	2013
Financial structure (%)	Ratio of liabilities to assets		48.63	50.65
	Ratio of long-term capital to Property, Plant and Equipment		1,739.68	1,821.62
Solvency (%)	Current ratio		168.04	142.23
	Quick ratio		154.58	135.38
	Times interest earned ratio		7.45	12.67
AR/AP (turnover)	Accounts receivable turnover (turns)		3.45	3.89
	Average collection period		106	94
	Inventory turnover (turns)		65.09	71.44
	Accounts payable turnover (turns)		6.99	5.33
	Average days in sales		6	5
	Property, Plant and Equipment turnover (turns)		20.43	21.64
	Total assets turnover (turns)		0.82	0.92
Profitability	Return on total assets (%)		4.03	5.13
	Return on stockholders' equity (%)		7.21	9.49
	Pretax income Ratio to issued capital (%)		10.96	12.81
	Operating profit			
	Profit ratio (%)		4.28	5.22
	Earnings per share (\$)		1.03	1.30
Cash flow	Cash flow ratio (%)		101.85	32.96
	Cash flow adequacy ratio (%)		10.30	38.90
	Cash reinvestment ratio (%)		28.40	15.13
Leverage	Operating leverage		12.79	16.26
	Financial leverage		7.37	4.53

### 6.2.3 Five-Year Financial Analysis - ROC GAAP

Item	Year	Financial analysis in the past five years					
		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	9.65	11.54	11.79	6.79	
	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	5.75
		Pretax income	6.45	3.12	11.94	13.21	14.42
	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: Test Rite International Co., Ltd. 2014 Shareholders Meeting  
From: Supervisors of Test Rite International Co., Ltd  
Re: Supervisor's review report on the 2013 Financial Statements

Dear shareholders,

Here we ensure the annual financial reports of TRIC stands alone and its consolidation for 2013 have been rendered by Board and audited independent auditors Mr. HONG, KUO-TYAN and Mr. WU, KER-CHANG of Deloitte Touche. Further we review 2013 Business report and 2013 Profits Distribution proposal and assure to it's compliance with Company Act No. 219 as well.

Supervisors:  
Tsai-Chi Co., Ltd.  
Representative: Mr. Lai, Yung-Chi  
Representative: Mr. Liao, Hsueh-Hsing

March 25, 2014

**6.4 Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012, 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 its subsidiaries (the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012 (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 consolidated financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Test-Rite International Co., Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 25, 2014

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.*

*For the convenience of readers, the independent 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 independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under accounting principles and practices generally applied in the Republic of China were not translated into English.*

**TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4 and 6)	\$ 2,418,439	10	\$ 1,881,727	9	\$ 2,093,773	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	351,967	1	299,925	1	249,736	1
Available-for-sale financial assets - current (Notes 4 and 8)	-	-	-	-	2,141	-
Debt investments with no active market - current (Notes 4 and 10)	166,123	1	-	-	2,000	-
Notes receivable (Notes 4 and 11)	5,176	-	5,207	-	39,343	-
Trade receivables (Notes 4 and 11)	2,754,264	12	2,408,278	11	2,952,561	11
Other receivables	455,619	2	364,285	2	310,823	1
Inventories (Notes 4 and 12)	5,154,266	22	4,840,887	22	5,928,469	21
Prepayments	563,633	2	547,474	3	915,460	3
Other current financial assets	262	-	599	-	613	-
Other current assets	141,552	1	91,094	-	232,268	1
Total current assets	<u>12,011,301</u>	<u>51</u>	<u>10,439,476</u>	<u>48</u>	<u>12,727,187</u>	<u>46</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current (Notes 4 and 8)	-	-	-	-	30,450	-
Financial assets measured at cost - non-current (Notes 4 and 9)	71,823	-	73,709	-	109,989	-
Debt investments with no active market - non-current (Notes 4 and 10)	50,000	-	50,000	-	50,000	-
Investments accounted for using equity method (Notes 4 and 13)	-	-	-	-	1	-
Property, plant and equipment (Notes 4 and 14)	6,208,064	27	6,195,672	28	7,743,922	28
Goodwill (Notes 4 and 15)	2,205,300	9	2,180,889	10	3,647,854	13
Other intangible assets (Notes 4 and 16)	214,036	1	219,730	1	209,675	1
Deferred tax assets (Notes 4 and 23)	1,089,192	5	1,066,752	5	1,031,216	4
Refundable deposits paid	933,648	4	841,804	4	833,364	3
Other non-current assets	588,874	3	829,543	4	1,224,003	5
Total non-current assets	<u>11,360,937</u>	<u>49</u>	<u>11,458,099</u>	<u>52</u>	<u>14,880,474</u>	<u>54</u>
<b>TOTAL</b>	<u>\$ 23,372,238</u>	<u>100</u>	<u>\$ 21,897,575</u>	<u>100</u>	<u>\$ 27,607,661</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ 2,256,663	10	\$ 1,764,129	8	\$ 3,397,071	12
Short-term bills payable (Note 17)	9,997	-	-	-	159,842	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	21,085	-	33,755	-
Notes payable	101,403	-	18,372	-	21,100	-
Trade payables	5,365,575	23	4,512,979	20	4,450,756	16
Other payables (Notes 4 and 19)	1,831,223	8	2,164,747	10	1,883,173	7
Current tax liabilities (Note 4)	105,401	-	134,184	1	180,359	1
Advance receipts	603,381	3	604,073	3	655,472	2
Current portion of long-term borrowings (Note 17)	300,000	1	200,000	1	-	-
Liability component of preferred stocks, current	-	-	-	-	335,361	1
Other current liabilities	230,843	1	222,923	1	415,438	2
Total current liabilities	<u>10,804,486</u>	<u>46</u>	<u>9,642,492</u>	<u>44</u>	<u>11,532,327</u>	<u>42</u>
<b>LONG-TERM LIABILITIES</b>						
Long-term borrowings (Note 17)	<u>5,227,615</u>	<u>23</u>	<u>5,013,197</u>	<u>23</u>	<u>7,150,590</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Accrued pension liabilities (Notes 4 and 20)	123,385	-	129,709	1	406,765	1
Refundable deposits received	197,999	1	180,471	1	157,853	1
Deferred credit (Note 14)	150,000	1	200,000	1	250,000	1
Other non-current liabilities	75,593	-	82,837	-	140,678	-
Total non-current liabilities	<u>546,977</u>	<u>2</u>	<u>593,017</u>	<u>3</u>	<u>955,296</u>	<u>3</u>
Total liabilities	<u>16,579,078</u>	<u>71</u>	<u>15,248,706</u>	<u>70</u>	<u>19,638,213</u>	<u>71</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital						
Common stock (Notes 4 and 21)	<u>5,219,555</u>	<u>22</u>	<u>5,219,555</u>	<u>24</u>	<u>5,074,228</u>	<u>18</u>
Capital surplus (Notes 4 and 21)	<u>694,476</u>	<u>3</u>	<u>694,476</u>	<u>3</u>	<u>694,476</u>	<u>3</u>
Retain earnings (Notes 4 and 21)						
Legal reserve	874,164	4	805,210	4	744,159	3
Special reserve	148,098	1	-	-	-	-
Unappropriated earnings	557,887	2	663,161	3	1,426,309	5
Total retain earnings	<u>1,580,149</u>	<u>7</u>	<u>1,468,371</u>	<u>7</u>	<u>2,170,468</u>	<u>8</u>
Other equity (Notes 4 and 21)	(2,390)	-	(23,484)	-	1,682	-
Treasury shares (Notes 4 and 22)	(729,124)	(3)	(729,124)	(4)	(437,139)	(2)
Total equity attributable to owners of the Company	<u>6,762,666</u>	<u>29</u>	<u>6,629,794</u>	<u>30</u>	<u>7,503,715</u>	<u>27</u>
<b>NON-CONTROLLING INTERESTS (Note 4)</b>	<u>30,494</u>	<u>-</u>	<u>19,075</u>	<u>-</u>	<u>465,733</u>	<u>2</u>
Total equity	<u>6,793,160</u>	<u>29</u>	<u>6,648,869</u>	<u>30</u>	<u>7,969,448</u>	<u>29</u>
<b>TOTAL</b>	<u>\$ 23,372,238</u>	<u>100</u>	<u>\$ 21,897,575</u>	<u>100</u>	<u>\$ 27,607,661</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 COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 35,203,864	100	\$ 35,252,142	100
OPERATING COSTS (Note 12)	<u>24,593,530</u>	<u>70</u>	<u>24,848,981</u>	<u>71</u>
GROSS PROFIT	10,610,334	30	10,403,161	29
OPERATING EXPENSES	<u>9,833,596</u>	<u>28</u>	<u>9,682,844</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>776,738</u>	<u>2</u>	<u>720,317</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	19,754	-	16,960	-
Other income	211,972	1	134,986	-
Share of profit of associates and joint ventures accounted for using equity method	-	-	6,798	-
Gain on disposal of property, plant and equipment	-	-	320	-
Gain on sale of investments, net	9,950	-	48,482	-
Foreign exchange gain, net	1,553	-	194,698	1
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	34,036	-	11,588	-
Interest expense	(152,665)	-	(195,366)	(1)
Other expense	(160,778)	(1)	(82,079)	-
Loss on disposal of property, plant and equipment	(7,838)	-	(5,621)	-
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(164,356)</u>	<u>-</u>
Total non-operating income and expenses	<u>(44,016)</u>	<u>-</u>	<u>(33,590)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	732,722	2	686,727	2
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(92,108)</u>	<u>-</u>	<u>(122,033)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>640,614</u>	<u>2</u>	<u>564,694</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME AND LOSSES				
Exchange differences on translating foreign operations	27,038	-	(41,749)	-

(Continued)

## TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Unrealized loss on available-for-sale financial assets	\$ -	-	\$ (1,605)	-
Actuarial gain and loss arising from defined benefit plans	<u>2,694</u>	-	<u>(6,823)</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>29,732</u>	-	<u>(50,177)</u>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 670,346</u>	<u>2</u>	<u>\$ 514,517</u>	<u>1</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 635,139	2	\$ 509,214	2
Non-controlling interests	<u>5,475</u>	-	<u>55,480</u>	-
	<u>\$ 640,614</u>	<u>2</u>	<u>\$ 564,694</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 658,927	2	\$ 477,225	1
Non-controlling interests	<u>11,419</u>	-	<u>37,292</u>	-
	<u>\$ 670,346</u>	<u>2</u>	<u>\$ 514,517</u>	<u>1</u>
<b>EARNINGS PER SHARE (Notes 4 and 24)</b>				
Basic	<u>\$ 1.30</u>		<u>\$ 1.03</u>	
Diluted	<u>\$ 1.30</u>		<u>\$ 1.02</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 EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	
	Share (In Thousands of Shares)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2012	507,423	\$ 5,074,228	\$ 694,476	\$ 744,159	\$ -	\$ 1,426,309	\$ -	\$ 1,682	\$ (437,139)	\$ 7,503,715	\$ 465,733	\$ 7,969,448
Appropriation of 2011 earnings												
Legal reserve	-	-	-	61,051	-	(61,051)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(387,538)	-	-	-	(387,538)	-	(387,538)
Stock dividends	14,533	145,327	-	-	-	(145,327)	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	-	509,214	-	-	-	509,214	55,480	564,694
Other comprehensive loss for the year ended December 31, 2012	-	-	-	-	-	(6,823)	(23,509)	(1,657)	-	(31,989)	(18,188)	(50,177)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	502,391	(23,509)	(1,657)	-	477,225	37,292	514,517
Buy-back of ordinary shares of treasury shares	-	-	-	-	-	-	-	-	(291,985)	(291,985)	-	(291,985)
Disposal of investments accounted for using equity method	-	-	-	-	-	86,210	-	-	-	86,210	(382,627)	(296,417)
Equity transactions with non-controlling interests	-	-	-	-	-	(757,833)	-	-	-	(757,833)	341,697	(416,136)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(443,020)	(443,020)
BALANCE AT DECEMBER 31, 2012	521,956	5,219,555	694,476	805,210	-	663,161	(23,509)	25	(729,124)	6,629,794	19,075	6,648,869
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	148,098	(148,098)	-	-	-	-	-	-
Appropriation of 2012 earnings												
Legal reserve	-	-	-	68,954	-	(68,954)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(526,055)	-	-	-	(526,055)	-	(526,055)
Net profit for the year ended December 31, 2013	-	-	-	-	-	635,139	-	-	-	635,139	5,475	640,614
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	2,694	21,094	-	-	23,788	5,944	29,732
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	637,833	21,094	-	-	658,927	11,419	670,346
BALANCE AT DECEMBER 31, 2013	<u>521,956</u>	<u>\$ 5,219,555</u>	<u>\$ 694,476</u>	<u>\$ 874,164</u>	<u>\$ 148,098</u>	<u>\$ 557,887</u>	<u>\$ (2,415)</u>	<u>\$ 25</u>	<u>\$ (729,124)</u>	<u>\$ 6,762,666</u>	<u>\$ 30,494</u>	<u>\$ 6,793,160</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

(In Thousands of New Taiwan Dollars)

	For the Year Ended December	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 732,722	\$ 686,727
Adjustments for:		
Depreciation expenses	668,398	653,700
Amortization expenses	143,140	162,781
Impairment loss recognized on trade receivables	4,501	3,174
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(34,036)	152,768
Interest expense	152,665	195,366
Interest income	(19,754)	(16,960)
Share of profit of associates and joint ventures accounted for using equity method	-	(6,798)
Loss on disposal and impairment of property, plant and equipment	7,838	5,301
Gain on sale of investments	(9,950)	(48,482)
Unrealized net gain on foreign currency exchange	(1,553)	(194,698)
Amortization of unrealized gain on sale-leaseback	(50,000)	(50,000)
Amortization of liability component of preferred stocks, non-current	-	5,229
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(39,092)	(159,435)
Decrease in notes receivable	31	34,136
(Increase) decrease in trade receivables	(303,563)	439,334
Increase in other receivables	(95,212)	(49,436)
(Increase) decrease in inventories	(313,375)	519,035
(Increase) decrease in prepayments	(42,611)	347,335
(Increase) decrease in other current assets	(50,212)	54,744
Decrease in other financial assets	337	14
Decrease in other operating assets	198,932	737,929
Increase (decrease) in notes payable	82,029	(2,728)
Increase in trade payables	817,872	383,578
(Decrease) increase in other payables	(360,783)	274,327
Decrease in advance receipts	(692)	(51,399)
Increase (decrease) in other current liabilities	7,771	(192,515)
Decrease in other operating liabilities	(10,873)	(24,557)
Cash generated from operations	1,484,530	3,858,470
Interest received	23,636	12,934
Interest paid	(151,766)	(197,921)
Income tax paid	(114,397)	(183,093)
Net cash generated from operating activities	<u>1,242,003</u>	<u>3,490,390</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of debt investments with no active market	(166,123)	-
Proceeds from decreased capital stock of financial assets carried at cost, non-current	4,867	635

(Continued)

# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
Proceeds on sale of financial assets measured at cost	\$ 6,969	\$ 175
Proceeds on sale of available-for-sale financial assets	-	28,771
Net cash outflow on acquisition of subsidiaries	(8,053)	-
Net cash inflow on disposal of subsidiaries	-	2,109,643
Payments for property, plant and equipment	(703,022)	(563,593)
Proceeds from disposal of property, plant and equipment	14,588	8,304
Increase in refundable deposits paid	(91,844)	(8,440)
Payments for intangible assets	(119,806)	(603,063)
Proceeds from disposal of intangible assets	21,673	130,758
Proceeds on sale of debt investments with no active market	-	2,000
	<u>(1,040,751)</u>	<u>1,105,190</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	492,534	(1,275,677)
Increase (decrease) in short-term bills payable	9,997	(29,923)
Increase in long-term borrowings	2,496,413	7,505,202
Decrease in long-term borrowings	(2,181,995)	(9,442,595)
Increase in refundable deposits received	17,528	22,618
Dividends paid to owners of the Company	(526,055)	(387,538)
Payments for buy-back of ordinary shares	-	(291,985)
Payments for equity transactions with non-controlling interests	-	(416,136)
Change in non-controlling interests	-	(443,020)
	<u>308,422</u>	<u>(4,759,054)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>27,038</u>	<u>(48,572)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	536,712	(212,046)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>1,881,727</u>	<u>2,093,773</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 2,418,439</u>	<u>\$ 1,881,727</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, 2013 AND 2012

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

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### 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.

The consolidated financial statements are presented in Test-Rite’s functional currency, New Taiwan dollars.

As of December 31, 2013 and 2012, Test-Rite and subsidiaries (collectively, the “Company”) had 6,115 and 6,318 employees, respectively.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2014.

### 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. New, amended and revised standards and interpretations (the “New IFRSs”) in issue but not yet effective

Test-Rite and its entire controlled subsidiaries (the “Company”) have not applied the following International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations, and Standing Interpretations that have been issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the “New IFRSs”) included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

<b>The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Improvements to IFRSs (2009) - amendment to IAS 39 Amendment to IAS 39 “Embedded Derivatives”	January 1, 2009 and January 1, 2010, as appropriate Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

<b>The New IFRSs Not Included in the 2013 IFRSs Version</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date	Note 3

<b>The New IFRSs Not Included in the 2013 IFRSs Version</b>	<b>Effective Date Announced by IASB (Note 1)</b>
of IFRS 9 and Transition Disclosures”	
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after 1 July 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

- b. Significant impending changes in accounting policy that would result from adoption of New IFRSs in issue but not yet effective

Except for the following, the impending initial application of the above New IFRSs would not have any material impact on the Company’s accounting policies:

- 1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of

change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Company presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Company considers whether it has control over other entities for consolidation. The Company has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

c) Revision to IAS 28 "Investments in Associates and Joint Ventures"

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in

every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

- c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) in issue but not yet effective on the Company’s consolidated financial statements is as follows:

As of the date the consolidated financial statements were authorized for issue, the Company is continually assessing the possible impact that the application of the above New IFRSs will have on the Company’s financial position and operating result, and will disclose the relevant impact when the assessment is complete.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

On May 14, 2009, the FSC announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved by the FSC.

The Company’s consolidated financial statements for the years ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 37 for the impact of IFRS conversion on the Company’s consolidated financial statements.

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards. The applicable IFRSs have been applied retrospectively by the Company except for some aspects where other IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions taken by the Company, please refer to Note 37.

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Those assets held primarily for trading purposes;
- b. Those assets to be realized within twelve months;
- c. Cash and cash equivalents from the balance sheet date unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the balance sheet date.

Current liabilities are:

- a. Obligations incurred for trading purposes;
- b. Obligations to be settled within twelve months from the balance sheet date;
- c. An unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Aforementioned assets and liabilities that are not classified as current are classified as non-current.

## Basis of Consolidation

### a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of Test-Rite and entities controlled by Test-Rite (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill), and liabilities of the former subsidiary and any non-controlling interests at their carrying amounts at the date when control is lost. If the Company loses control of a subsidiary, the Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

### b. Subsidiary included in consolidated financial statements

Investor	Subsidiaries	Main Businesses	% of Ownership		
			December 31, 2013	December 31, 2012	January 1, 2012
Test-Rite International Co., Ltd.	Fortune Miles Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Star Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Investment (B.V.I) Co., Ltd.	Investment in various industries	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	TRS Investment Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Product (Hong Kong) Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Int'l (Australia) Pty Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Canada Co., Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite (UK) Co., Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Development Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Upmaster Co., Ltd.	Investment holding company	100.00	100.00	-
Test-Rite International Co., Ltd. and Upmaster Co., Ltd.	Test-Rite Int'l (U.S.) Co., Ltd.	Investment holding company	100.00	100.00	49.00
Test-Rite International Co., Ltd.	Test-Rite Vietnam Co., Ltd.	Importation and exportation	95.00	95.00	95.00
Test-Rite International Co., Ltd.	Test-Rite Int'l (Thailand) Ltd.	Importation and exportation	48.99	48.99	48.99

(Continued)

Investor	Subsidiaries	Main Businesses	% of Ownership		
			December 31, 2013	December 31, 2012	January 1, 2012
Test-Rite International Co., Ltd.	Lih Chiou Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Lih Teh International Co., Ltd.	Logistics services	100.00	100.00	100.00
Test-Rite International Co., Ltd.	B&S Link Co., Ltd.	Providing information software and electronic information	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Fusion International Distribution, Inc.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Chung Cin Enterprise Co., Ltd.	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	100.00
Test-Rite International Co., Ltd. and Lih Chiou Co., Ltd.	Test-Rite Retail Co., Ltd.	Sale of house decoration hardware and construction materials	100.00	100.00	100.00
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	-	-
Test-Rite International Co., Ltd.	Tong Lung Metal Industry Co., Ltd.	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
Lih Chiou Co., Ltd.	Hola Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	100.00
Lih Chiou Co., Ltd.	Homy Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	100.00
Lih Chiou Co., Ltd.	Freer Inc.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	51.00	51.00	51.00
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	100.00
Tong Lung Metal Industry Co., Ltd.	Lucky International (Samoa) Ltd.	Investment	-	-	68.27
Lucky International (Samoa) Ltd.	Tong Lung (Philippines) Metal Industry Co., Inc.	The manufacture and fabrication of various lock	-	-	68.27

(Concluded)

Note 1: Acquisition Upmaster in August 2012.

Note 2: Acquisition International Art Enterprise in January 2013.

Note 3: Disposal Tong Lung in August 2012.

### Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

### **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.

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.

### **Investment in Associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

## **Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When an item of property, plant and equipment is purchased, the Company calculates related cost of future dismantling and transportation of the asset as well as the cost of restoring the area to its original condition; interest expense is recognized annually at the original discount rate and added to the book value of the asset; when the asset is decommissioned at the end of its useful life, the book value is accumulated in the estimated cost of decommissioning the asset.

## **Goodwill**

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

## **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

## **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

##### **a) Financial assets at fair value through profit or loss**

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

##### **b) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

d) Financial assets measured at cost

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is subsequently measured at cost less any identified impairment loss at the end of each reporting period.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the aging of receivables, historical experience of the counterparties and an analysis of their current financial position for estimating irrecoverable amounts.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

### 3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

## b. Financial liabilities

### 1) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

### 2) Derecognition of financial liabilities

The Company derecognizes a financial liabilities only when the obligation is removed, cancelled or at maturity. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## c. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

## **Provisions**

The Company recognizes provisions when it has the present obligation resulting from past events which would be paid probably, and the amount can be reliably measured.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

#### **a. Sale of goods**

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- 1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, the Company recognize sales revenue when goods are delivered to the buyer and the legal ownership is transferred to the buyer.

Sales of goods that result in award credits for customers, under the Company's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

#### **b. Rendering of services**

Service is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

#### **c. Dividend and interest income**

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

b. The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **Retirement Benefit Costs**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Estimated Impairment of Trade Receivables**

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of trade receivables were \$2,754,264 thousand, \$2,408,278 thousand and \$2,952,561 thousand (deducted by allowances for doubtful debts of \$44,755 thousand, \$40,238 thousand and \$49,807 thousand, respectively).

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 55,850	\$ 47,566	\$ 55,639
Checking accounts and demand deposits	2,241,054	1,736,589	2,014,836
Cash equivalents	<u>121,535</u>	<u>97,572</u>	<u>23,298</u>
	<u>\$ 2,418,439</u>	<u>\$ 1,881,727</u>	<u>\$ 2,093,773</u>

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

The time deposits with original maturity more than 3 months were \$166,123 thousand, zero and \$2,000 thousand, respectively, as of December 31, 2013, December 31, 2012 and January 1, 2012 were reclassified to debt investments with no active market (Notes 10 and 32).

The time certificates of deposit of the Company, pledged as collaterals for purchases of raw materials and collaterals for warranties of construction and reclassified to refundable deposits paid were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	<u>\$ 114,169</u>	<u>\$ 13,134</u>	<u>\$ 27,275</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading - current			
Derivative financial assets			
Foreign exchange forward contracts	\$ 2,348	\$ -	\$ 150,289
Non-derivative financial assets			
Equity securities listed in open market	92,464	85,676	7,358
Mutual funds	101,496	149,451	80,472
Corporate bonds	61,862	64,508	11,127
Receivable on short selling stocks	-	290	490
Other	<u>93,797</u>	<u>-</u>	<u>-</u>
	<u>\$ 351,967</u>	<u>\$ 299,925</u>	<u>\$ 249,736</u>
Financial liabilities held for trading - current			
Derivative financial liabilities			
Payable on forward contracts, net	\$ -	\$ 20,795	\$ 11,975
Metal commodity futures contracts	-	-	1,340
Non-derivative financial liabilities			
Payable on short selling stocks	-	290	490

Put option on convertible preferred stocks	-	-	19,950
	<u>\$ -</u>	<u>\$ 21,085</u>	<u>\$ 33,755</u>

Outstanding forward exchange contracts as of balance sheet dates were as follows:

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2013</u>			
Forward exchange contracts - sell	US\$/NT\$	2014.01.02-2014.01. 15	US\$10,000/NT\$299,500
Forward exchange contracts - sell	EUR/US\$	2014.01.29	EUR100/US\$137
Forward exchange contracts - buy	US\$/NT\$	2014.01.07-2014.06. 18	US\$23,000/NT\$688,850
<u>December 31, 2012</u>			
Forward exchange contracts - sell	US\$/NT\$	2013.01.02-2013.05. 24	US\$176,900/NT\$5,154,1 58
Forward exchange contracts - buy	US\$/NT\$	2013.01.02-2013.06. 26	US\$169,900/NT\$4,950,2 06
Forward exchange contracts - sell	EUR/US\$	2013.01.28-2013.09. 27	EUR3,282/US\$4,325
<u>January 1, 2012</u>			
Forward exchange contracts - sell	US\$/NT\$	2012.01.05-2012.10. 17	US\$204,930/NT\$6,207,3 30
Forward exchange contracts - buy	US\$/NT\$	2012.01.05-2012.12. 19	US\$146,000/NT\$4,422,3 40
Forward exchange contracts - sell	EUR/US\$	2012.01.31-2012.09. 28	EUR5,957/US\$7,701
Forward exchange contracts - sell	US\$/NT\$	2012.0.05-2012.10.1 7	US\$16,000/NT\$484,400
Forward exchange contracts - sell	US\$/NT\$	2012.01.05-2012.07. 17	US\$21,430/NT\$648,793
Forward exchange contracts - buy	US\$/NT\$	2012.01.31	US\$2,000/NT\$60,550

The Company entered into derivative contracts to manage exposures to exchange rate fluctuations of foreign-currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
------------------------------	------------------------------	----------------------------

Listed stocks	\$ -	\$ -	\$ 1,521
Mutual funds	<u>-</u>	<u>-</u>	<u>31,070</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,591</u>
Current	\$ -	\$ -	\$ 2,141
Non-current	<u>-</u>	<u>-</u>	<u>30,450</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,591</u>

## 9. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Domestic unlisted common shares	\$ 43,902	\$ 46,304	\$ 48,657
Foreign investments			
Overseas unlisted common shares	<u>27,921</u>	<u>27,405</u>	<u>61,332</u>
	<u>\$ 71,823</u>	<u>\$ 73,709</u>	<u>\$ 109,989</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 71,823</u>	<u>\$ 73,709</u>	<u>\$ 109,989</u>

Management believed that the above unlisted equity investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Time deposits with original maturity more than 3 months (Note 6)	<u>\$ 166,123</u>	<u>\$ -</u>	<u>\$ 2,000</u>
Non-current			
Subordinated bond of Ta Chong Bank	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, time deposits with no active market of \$100,932 thousand, zero and zero were pledged as collaterals for borrowings (see Note 33).

## 11. NOTES AND TRADE RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Non-related parties			
Notes receivable	\$ 5,176	\$ 5,207	\$ 39,343
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,176</u>	<u>5,207</u>	<u>39,343</u>
Trade receivables	2,799,019	2,448,516	3,002,368
Less allowance for doubtful accounts	<u>(44,755)</u>	<u>(40,238)</u>	<u>(49,807)</u>
	<u>2,754,264</u>	<u>2,408,278</u>	<u>2,952,561</u>
	<u>\$ 2,759,440</u>	<u>\$ 2,413,485</u>	<u>\$ 2,991,904</u>

The average credit period of sales of goods was 90 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss is recognized based on estimated irrecoverable amounts determined by reference to the aging of receivables, historical experience of the counterparties and an analysis of their current financial position.

The aging of trade receivables (current and past due) was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not overdue	\$ 2,347,396	\$ 1,979,758	\$ 2,679,949
Less than 30 days	155,356	243,262	228,448
31-60 days	24,514	117,255	22,576
More than 61 days	<u>271,753</u>	<u>108,241</u>	<u>71,395</u>
	<u>\$ 2,799,019</u>	<u>\$ 2,448,516</u>	<u>\$ 3,002,368</u>

Movements in the allowance for impairment loss recognized on notes receivable and trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 40,238	\$ 49,807
Add: Impairment losses recognized on receivables	4,501	3,174
Effect of exchange rate changes	<u>16</u>	<u>(12,743)</u>
Balance at December 31	<u>\$ 44,755</u>	<u>\$ 40,238</u>

The trade receivables 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>2013</u>									
E.SUN Bank	\$ _____	\$ <u>617</u> (Note 3)	\$ <u>617</u> (Note 4)	\$ _____	\$ _____	-	\$ _____	-	-
<u>2012</u>									
Taishin International Bank	\$ <u>22,507</u> (Note 2)	\$ <u>46,524</u> (Note 3)	\$ <u>55,389</u> (Note 4)	\$ _____	\$ _____	-	\$ _____	US\$6,200,000	US\$ 620,000
Taipei Fubon Bank	\$ <u>356,819</u> (Note 5)	\$ <u>1,605,193</u> (Note 6)	\$ <u>1,962,012</u> (Note 7)	\$ _____	\$ _____	-	\$ _____	-	-

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

Note 2: US\$772,475.

Note 3: US\$20,602; US\$1,128,587.

Note 4: US\$20,602; US\$1,901,062.

Note 5: US\$12,246,670.

Note 6: US\$55,093,105.

Note 7: US\$67,339,775.

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

## 12. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Merchandise - retail	\$ 3,465,040	\$ 3,351,533	\$ 3,606,406
Merchandise - trade	1,367,664	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>321,562</u>	<u>126,911</u>	<u>65,594</u>
	<u>\$ 5,154,266</u>	<u>\$ 4,840,887</u>	<u>\$ 5,928,469</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was \$22,369,054 thousand and \$22,703,295 thousand, respectively.

The operating cost included inventory devaluation in the amount of \$16,975 thousand and loss on physical inventory count in the amount of \$922 thousand for the year ended December 31, 2013; 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.

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.

Construction in progress is the inventories of Chung Cin Enterprise, Tony Construction, Test Cin M&E Engineering, Chung Cin Interior Design Construction.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Associates

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies			
TR Mexico	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
TR Mexico	-	-	49%

## 14. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Land	\$ 545,512	\$ 527,853	\$ 813,086
Buildings and improvements	2,215,134	2,101,200	2,983,910
Machinery and equipment	6,048	26,683	115,612
Transportation equipment	24,879	24,642	39,346
Furniture, fixtures and office equipment	214,169	211,249	97,481
Leasehold improvements	2,915,564	2,800,433	3,025,418
Molds and tools	4,520	6,120	68,552
Other equipment	254,957	396,544	540,330
Prepayments for property, plant and equipment	<u>27,281</u>	<u>100,948</u>	<u>60,187</u>
	<u>\$ 6,208,064</u>	<u>\$ 6,195,672</u>	<u>\$ 7,743,922</u>

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
<b>Cost</b>										
Balance at January 1, 2012	\$ 813,086	\$ 3,373,492	\$ 921,239	\$ 106,930	\$ 286,633	\$ 6,205,344	\$ 139,693	\$ 1,746,922	\$ 60,187	\$13,653,526
Additions	-	-	10,482	11,250	237,045	267,937	5,194	67,600	70,835	670,343
Disposals	-	-	(271)	(5,284)	(10,714)	(17,580)	(274)	(22,320)	(14,327)	(70,770)
Disposal of subsidiaries	(285,233)	(864,801)	(965,177)	(39,610)	(42,276)	-	(93,143)	(43,275)	(11,028)	(2,344,543)
Reclassified	-	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(157,262)	104,199	(14,030)	329,023	101,581	(39,539)	(531,704)	(4,719)	(212,451)
Balance at December 31, 2012	<u>\$ 527,853</u>	<u>\$ 2,351,429</u>	<u>\$ 70,472</u>	<u>\$ 59,256</u>	<u>\$ 799,711</u>	<u>\$ 6,557,282</u>	<u>\$ 11,931</u>	<u>\$ 1,217,223</u>	<u>\$ 100,948</u>	<u>\$11,696,105</u>
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2012	\$ -	\$ 389,582	\$ 805,627	\$ 67,584	\$ 189,152	\$ 3,179,926	\$ 71,141	\$ 1,206,592	\$ -	\$ 5,909,604
Depreciation expense	-	57,353	33,522	6,791	20,530	352,442	297	108,904	-	579,839
Disposals	-	-	(18)	(2,212)	(8,593)	(9,054)	(21)	(45,571)	-	(65,469)
Disposal of subsidiaries	-	(188,071)	(786,704)	(28,583)	(27,310)	-	(34,294)	(36,889)	-	(1,101,851)
Reclassified	-	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(8,635)	(8,638)	(8,966)	414,683	233,535	(31,312)	(412,357)	-	178,310
Balance at December 31, 2012	<u>\$ -</u>	<u>\$ 250,229</u>	<u>\$ 43,789</u>	<u>\$ 34,614</u>	<u>\$ 588,462</u>	<u>\$ 3,756,849</u>	<u>\$ 5,811</u>	<u>\$ 820,679</u>	<u>\$ -</u>	<u>\$ 5,500,433</u>
Carrying amounts at January 1, 2012	<u>\$ 813,086</u>	<u>\$ 2,983,910</u>	<u>\$ 115,612</u>	<u>\$ 39,346</u>	<u>\$ 97,481</u>	<u>\$ 3,025,418</u>	<u>\$ 68,552</u>	<u>\$ 540,330</u>	<u>\$ 60,187</u>	<u>\$ 7,743,922</u>
Carrying amounts at December 31, 2012	<u>\$ 527,853</u>	<u>\$ 2,101,200</u>	<u>\$ 26,683</u>	<u>\$ 24,642</u>	<u>\$ 211,249</u>	<u>\$ 2,800,433</u>	<u>\$ 6,120</u>	<u>\$ 396,544</u>	<u>\$ 100,948</u>	<u>\$ 6,195,672</u>
<b>Cost</b>										
Balance at January 1, 2013	\$ 527,853	\$ 2,351,429	\$ 70,472	\$ 59,256	\$ 799,711	\$ 6,557,282	\$ 11,931	\$ 1,217,223	\$ 100,948	\$11,696,105
Additions	17,659	19,885	28,778	5,399	52,894	200,891	2,677	418	327,184	655,785
Disposals	-	-	(9,803)	(3,544)	(21,474)	(43,052)	-	(6,925)	(245)	(85,043)
Reclassified	-	-	(12,375)	(580)	23,568	164,425	(3,978)	2,622	(401,642)	(227,960)
Effect of foreign currency exchange differences	-	557,029	-	8,862	9,356	190,718	(152)	(446,101)	1,036	320,748
Balance at December 31, 2013	<u>\$ 545,512</u>	<u>\$ 2,928,343</u>	<u>\$ 77,072</u>	<u>\$ 69,393</u>	<u>\$ 864,055</u>	<u>\$ 7,070,264</u>	<u>\$ 10,478</u>	<u>\$ 767,237</u>	<u>\$ 27,281</u>	<u>\$12,359,635</u>
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2013	\$ -	\$ 250,229	\$ 43,789	\$ 34,614	\$ 588,462	\$ 3,756,849	\$ 5,811	\$ 820,679	\$ -	\$ 5,500,433
Depreciation expense	-	83,707	69,918	8,513	79,726	405,612	4,105	16,817	-	668,398
Disposals	-	-	(15,006)	(3,177)	(31,627)	(25,151)	-	(6,860)	-	(81,821)
Reclassified	-	(5)	(27,677)	(580)	(148)	(14,383)	(3,978)	29	-	(46,742)
Effect of foreign currency exchange differences	-	379,278	-	5,144	13,473	31,773	20	(318,385)	-	111,303
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 713,209</u>	<u>\$ 71,024</u>	<u>\$ 44,514</u>	<u>\$ 649,886</u>	<u>\$ 4,154,700</u>	<u>\$ 5,958</u>	<u>\$ 512,280</u>	<u>\$ -</u>	<u>\$ 6,151,571</u>
Carrying amounts at December 31, 2013	<u>\$ 545,512</u>	<u>\$ 2,215,134</u>	<u>\$ 6,048</u>	<u>\$ 24,879</u>	<u>\$ 214,169</u>	<u>\$ 2,915,564</u>	<u>\$ 4,520</u>	<u>\$ 254,957</u>	<u>\$ 27,281</u>	<u>\$ 6,208,064</u>

The property, plant and equipment of the Company were depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building and improvements	35-60 years
Machinery and equipment	2-20 years
Transportation equipment	3-05 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

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. Under R.O.C. GAAP, Test-Rite recorded \$2,347,885 thousand unrealized gain, which is amortized over lease term. 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. For the years ended December 31, 2013 and 2012, the amortization of unrealized gain was \$50,000 thousand, which was treated as a reduction of rental cost. As of December 31, 2013 and 2012, the unrealized gain was \$200,000 thousand and \$250,000 thousand, respectively, which were recorded: The current portion of \$50,000 thousand as other current liabilities and the noncurrent portion of \$150,000 thousand and \$200,000 thousand, respectively, as other liabilities - deferred credit.

The owner of the property mentioned above had sold the property 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 \$291,531 thousand and \$280,642 thousand, respectively, before amortization of unrealized gain, was paid to the related party.

The carrying values of property, plant and equipment pledged as collaterals to banks to secure short-term and long-term borrowings were as follows (see Note 33):

	December 31, 2013	December 31, 2012	January 1, 2012
Land	\$ -	\$ -	\$ 247,665
Buildings and improvements	<u>-</u>	<u>-</u>	<u>156,116</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,781</u>

## 15. GOODWILL

	For the Year Ended December 31	
	2013	2012
Balance at January 1	\$ 2,180,889	\$ 3,647,854
Additional amounts recognized from business combinations occurring during the year (Note 25)	53,799	-
Derecognized on disposal of a subsidiary (Note 26)	-	(1,470,222)
Effect of foreign currency exchange differences	<u>(29,388)</u>	<u>3,257</u>
Balance at December 31	<u>\$ 2,205,300</u>	<u>\$ 2,180,889</u>

The carrying amount of goodwill was allocated to cash-generating units as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Retail	\$ 2,092,938	\$ 2,120,623	\$ 2,116,748

Trading	92,969	40,873	1,511,713
Others	<u>19,393</u>	<u>13,393</u>	<u>19,393</u>
	<u>\$ 2,205,300</u>	<u>\$ 2,180,889</u>	<u>\$ 3,647,854</u>

For the years ended December 31, 2013 and 2012, the Company evaluated the recoverable amounts of the above three cash-generating units, and no indication of impairment was found.

The calculation of value in use was based on expected future cash flows of financial budgets approved by management covering a five-year period and the growth rate used in preparing the budgets was based on the prediction of related industry.

## 16. OTHER INTANGIBLE ASSETS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Computer software	<u>\$ 214,036</u>	<u>\$ 219,730</u>	<u>\$ 209,675</u>
			<b>Computer Software</b>
<u>Cost</u>			
Balance at January 1, 2012			\$ 479,492
Additions			603,063
Disposals			(130,758)
Classified			<u>(299,469)</u>
Balance at December 31, 2012			<u>\$ 652,328</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2012			\$ 269,817
Amortization expense			<u>162,781</u>
Balance at December 31, 2012			<u>\$ 432,598</u>
Carrying amounts at January 1, 2012			<u>\$ 209,675</u>
Carrying amounts at December 31, 2012			<u>\$ 219,730</u>
<u>Cost</u>			
Balance at January 1, 2013			\$ 652,328
Additions			119,806
Disposals			(21,673)
Classified			<u>27,270</u>
Balance at December 31, 2013			<u>\$ 777,731</u>
<u>Accumulated amortization and impairment</u>			

	<b>Computer Software</b>
Balance at January 1, 2013	\$ 432,598
Amortization expense	143,140
Classified	<u>(12,043)</u>
Balance at December 31, 2013	<u>\$ 563,695</u>
Carrying amounts at December 31, 2013	<u>\$ 214,036</u>

## 17. BORROWINGS

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term borrowings	<u>\$ 2,256,663</u>	<u>\$ 1,764,129</u>	<u>\$ 3,397,071</u>
Short-term bills payable	<u>\$ 9,997</u>	<u>\$ -</u>	<u>\$ 159,842</u>
Current portion of long-term borrowings	<u>\$ 300,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>
Long-term borrowings	<u>\$ 5,227,615</u>	<u>\$ 5,013,197</u>	<u>\$ 7,150,590</u>

- a. Short-term borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
Secured borrowings	0.88%-6.60%	\$ 2,256,663	1.11%-6.60%	\$ 1,764,129	0.75%-7.216%	\$ 3,291,316
Unsecured borrowings	-	-	-	-	6.405%	105,755
		<u>\$ 2,256,663</u>		<u>\$ 1,764,129</u>		<u>\$ 3,397,071</u>

- b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	\$ 10,000	\$ -	\$ 160,000
Less: Unamortized discount on bills payable	<u>(3)</u>	<u>-</u>	<u>(158)</u>
	<u>\$ 9,997</u>	<u>\$ -</u>	<u>\$ 159,842</u>

- c. Long-term borrowings

	December 31, 2013		December 31, 2012	January 1, 2012
	Interest Rate	Amount	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.	1.6284%	\$ 1,800,000	\$ 2,000,000	\$ 2,000,000
Unsecured loan from September 24, 2013 to June 24, 2016. The authorized credit line of \$4,000 million.	1.5947%	300,000	-	-

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	<u>January 1, 2012</u>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
Interest is paid monthly, principal due on June 24, 2016.				
				(Continued)

	<b>December 31, 2013</b>		<b>December 31, 2012</b>	<b>January 1, 2012</b>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
Unsecured loan from October 1, 2011 to June 24, 2016. The authorized credit line of \$4,000 million. Interest is paid monthly, principal due on June 24, 2016.	0.9372%- 0.9399%	\$ 898,500	\$ 1,019,760	\$ 2,150,590
Unsecured loan from June 22, 2012 to July 30, 2017. The authorized credit line of \$500 million. The remaining principal with first installment is due on June 22, 2015.	1.750%- 2.000%	500,000	500,000	-
<b>Taiwan Business Bank's Syndicate Loan</b>				
Unsecured loan from October 26, 2009 to October 26, 2014. The authorized credit line is \$2,160,000 thousand, principal due on October 26, 2014. In October 2013, the Company paid the principal in full in advance.		-	500,000	1,200,000
Unsecured loan from October 26, 2013 to January 16, 2014. The authorized credit line is \$29,000 thousand, principal due on January 16, 2014. Interest is paid monthly.	2.150%	709,815	-	-
<b>First Commercial Bank and Taiwan Business Bank's Syndicate Loan</b>				
Unsecured loan from July 16, 2012 to July 16, 2019. The authorized credit line is \$29,000 thousand. The principal due in annual installments with first installment due on July 16, 2017.	2.150%	299,500	693,437	-
<b>Bank SinoPac Co., Ltd.</b>				
Unsecured loan from June 18, 2012 to June 18, 2015. The authorized credit line of \$500 million. Interest is paid	1.547%	500,000	500,000	500,000

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	<u>January 1, 2012</u>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
monthly, principal due on June 18, 2015.				

(Continued)

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	<u>January 1, 2012</u>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
Export-Import Bank of the Republic of China				
Unsecured loan period from November 18, 2013 to November 19, 2018. The principal is due in 5 semi-annual installments with first installment due on first interest payment after the first 3 years since the initial borrowing. Interest is paid quarterly.	1.2331%	\$ 119,800	\$ -	\$ -
Chang Hwa Bank				
Unsecured loan from October 1, 2013 to October 1, 2016. The authorized credit line of \$400 million, shared with Taiwan Business Bank's syndicate loan. The principal due on October 1, 2016.	1.8970%	200,000	-	-
Industrial Bank of Taiwan				
Unsecured loan from August 29, 2013 to August 15, 2017. The authorized credit line of \$200 million. The principal due in 12 monthly installments with first installment due on September 15, 2016.	1.7918%	100,000	-	-
Unsecured loan from September 25, 2013 to August 29, 2017. The authorized credit line of \$200 million. The principal due on August 29, 2017.	1.7918%	100,000	-	-
Taishin International Bank				
Unsecured loan from 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,		-	-	200,000

<u>December 31, 2013</u>		<u>December 31, 2012</u>	<u>January 1, 2012</u>
<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>

2013. In January 2012, the Company paid the principal in full in advance.

(Continued)

	<u>December 31, 2013</u>		<u>December 31, 2012</u>		<u>January 1, 2012</u>	
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
Taiwan Business Bank						
Unsecured loan from November 22, 2010 to November 22, 2015. 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>(300,000)</u>	<u>(200,000)</u>		<u>-</u>	
		<u>\$ 5,227,615</u>	<u>\$ 5,013,197</u>		<u>\$ 7,150,590</u>	(Concluded)

- 1) Test-Rite promised to maintain the following financial covenants according to the loan agreements:
- a) First Commercial Bank Syndicated Loan
    - i. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1.
    - ii. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
    - iii. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
    - iv. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
    - v. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.
  - b) First Commercial Bank and Taiwan Business Bank's Syndicated Loan

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

## 18. PROVISIONS

December 31, 2013	December 31, 2012	January 1, 2012
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Decommissioning cost (included in other non-current liabilities)	\$ 46,357	\$ 51,300	\$ 49,233
Employee benefits (included in other payables)	-	16,796	23,107
Customer returns and rebates (included in other payables)	<u>7,189</u>	<u>1,822</u>	<u>30,090</u>
	<u>\$ 53,546</u>	<u>\$ 69,918</u>	<u>\$ 102,430</u>

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Current	\$ 7,189	\$ 18,618	\$ 53,197
Non-current	<u>46,357</u>	<u>51,300</u>	<u>49,233</u>
	<u>\$ 53,546</u>	<u>\$ 69,918</u>	<u>\$ 102,430</u> (Concluded)

- a. The provision of decommissioning cost represents the present value of the cost of clearing away and recovering property, plant and equipment. The estimated cost was required by laws and contracts.
- b. The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.
- c. The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

## 19. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued expenses	\$ 1,344,042	\$ 1,205,924	\$ 1,229,728
Payable for purchase of property, plant and equipment	29,202	76,439	67,684
Other notes payable	5,991	31,662	19,826
Bonuses payable to employees	15,920	56,430	53,452
Bonuses payable to directors and supervisors	28,467	30,718	30,829
Payable for annual leave	-	16,796	23,107
Allowance of customer returns	7,189	1,822	30,090
Others	<u>400,412</u>	<u>744,956</u>	<u>428,457</u>
	<u>\$ 1,831,223</u>	<u>\$ 2,164,747</u>	<u>\$ 1,883,173</u>

## 20. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

- b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Discount rate	1.250%-1.875 %	1.375%-1.625 %	1.875%
Expected return on plan assets	1.200%-2.000 %	1.875%	1.875%
Expected rate of salary increase	2.500%-3.000 %	2.500%-3.000 %	3.000%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current service cost	\$ 3,425	\$ 3,880
Interest cost	4,852	5,414
Expected return on plan assets	<u>(4,585)</u>	<u>(4,979)</u>
	<u>\$ 3,692</u>	<u>\$ 4,315</u>
An analysis by function		
Marketing expenses	<u>\$ 3,692</u>	<u>\$ 4,315</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was actuarial gains \$2,694 thousand and actuarial losses \$6,823 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 was \$4,129 thousand and \$6,823 thousand, respectively.

The amount included in the consolidated balance sheet arising from the Company's obligation in respect of its defined benefit plans was as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of funded defined benefit obligation	\$ 345,784	\$ 324,789	\$ 785,153
Fair value of plan assets	<u>(281,734)</u>	<u>(247,899)</u>	<u>(411,578)</u>
Net liability arising from defined benefit obligation	64,050	76,890	373,575
Prepaid pension cost (included in other assets)	<u>59,335</u>	<u>52,819</u>	<u>33,190</u>

Liability arising from defined benefit obligation (included in other liabilities)	<u>\$ 123,385</u>	<u>\$ 129,709</u>	<u>\$ 406,765</u>
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Movements in the present value of the defined benefit obligations were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening defined benefit obligation	\$ 324,789	\$ 785,153
Current service cost	3,425	3,880
Interest cost	4,852	5,414
Actuarial losses	15,624	5,654
Benefits paid	(2,906)	(21,132)
Disposal of investment under equity method	<u>-</u>	<u>(454,180)</u>
Closing defined benefit obligation	<u>\$ 345,784</u>	<u>\$ 324,789</u>

Movements in the fair value of the plan assets were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening fair value of plan assets	\$ 247,899	\$ 411,578
Expected return on plan assets	4,585	4,979
Actuarial losses (gains)	18,318	(1,168)
Contributions from the employer	13,838	13,161
Benefits paid	(2,906)	(21,132)
Disposal of investment under equity method	<u>-</u>	<u>(159,519)</u>
Closing fair value of plan assets	<u>\$ 281,734</u>	<u>\$ 247,899</u>

The major categories of plan assets at the end of the reporting period for each category were disclosed as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Cash	22.86%	23.39%
Short-term payables	4.10%	10.45%
Debt instruments	9.37%	11.00%
Fixed income instruments	18.11%	16.06%
Equity instruments	44.77%	38.29%
Government loans	-	0.07%
Others	<u>0.79%</u>	<u>0.74%</u>
	<u>100.00%</u>	<u>100.00%</u>

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

## 21. EQUITY

### a. Share capital

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	<u>750,000</u>	<u>750,000</u>	<u>660,000</u>
Shares authorized	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 6,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>521,956</u>	<u>521,956</u>	<u>507,423</u>
Shares issued	<u>\$ 5,219,555</u>	<u>\$ 5,219,555</u>	<u>\$ 5,074,228</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

### b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital - issuance of shares in excess of par	\$ 689,395	\$ 689,395	\$ 689,395
Treasury shares	<u>5,081</u>	<u>5,081</u>	<u>5,081</u>
	<u>\$ 694,476</u>	<u>\$ 694,476</u>	<u>\$ 694,476</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, treasury share transactions and donations) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus and once a year.

### c. Retained earnings and dividend policy

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:

- 1) Bonus to directors and supervisors - 2%, and
- 2) Bonus to employees - at least 1% or more,
- 3) The remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

The dividend policy of Test-Rite is as follows:

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 \$0.1, stock dividends could be distributed instead of cash dividends.

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 17, 2013 and June 18, 2012, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Legal reserve	\$ 68,954	\$ 61,051	\$ -	\$ -
Share dividends	-	145,327	-	0.30
Cash dividends	526,055	387,538	1.08	0.80

Bonuses to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 17, 2013 and June 18, 2012, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>Cash Dividends</b>	<b>Cash Dividends</b>
Bonus to employees	\$ 49,647	\$ 43,956
Remuneration of directors and supervisors	12,412	10,989

For the years ended December 31, 2013 and 2012, the bonus to employees was \$5,260 thousand and \$49,200 thousand, respectively, and the remuneration to directors and supervisors was \$10,521 thousand and \$12,100 thousand, respectively. For the year ended December 31, 2013, the bonus to employees and remuneration to directors and supervisors represented 1% and 2%, respectively, of net income (net of bonus and remuneration). And for the year ended December 31, 2012, 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.

The appropriations of 2013 earnings had been proposed by the board of directors on March 25, 2014. The proposed appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 55,789	\$ -
Cash dividends	502,088	1.00

The appropriations of 2013 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 11, 2014.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards. Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of cash flow hedge) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed.

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.

d. Special reserves appropriated following first-time adoption of IFRSs

The Company's special reserves appropriated following first-time adoption of IFRSs were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Special reserve	<u>\$ 148,098</u>	<u>\$ -</u>	<u>\$ -</u>

e. Others equity items

1) Exchange differences on translating foreign operations

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

2) Unrealized gains or losses on available-for-sale financial assets

Unrealized gains or losses on available-for-sale financial assets represents the cumulative gains and losses arising on the revaluation of AFS financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

## 22. TREASURY SHARES

The changes in treasury shares for the years ended December 31, 2013 and 2012 were summarized as follows (in shares):

<b>Purpose</b>	<b>2013.1.1</b>	<b>Increase</b>	<b>Decrease</b>	<b>2013.12.31</b>
To transfer to employees	<u>34,868,000</u>	<u>-</u>	<u>-</u>	<u>34,868,000</u>

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

As of December 31, 2013 and 2012, the treasury shares of Test-Rite was both \$729,124 thousand, 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.

According to the Stock Exchange Law of the ROC, the shares of treasury shares should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury shares should not be over the total of retained earnings and realized additional paid-in capital. The highest number of shares of treasury shares that Test-Rite held as of December 31, 2013 was 34,868 thousand shares. The total amount was \$729,124 thousand pursuant to the law.

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

## 23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
In respect of the current year	\$ 104,300	\$ 126,067
Adjustments to deferred tax	(5,498)	6
Income tax expense of unappropriated earnings	9,500	1,700
In respect of prior periods	(16,194)	(6,150)
Additional income tax under alternative minimum tax act	<u>-</u>	<u>410</u>
	<u>\$ 92,108</u>	<u>\$ 122,033</u>

- b. A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 303,672	\$ 363,202
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(190,504)	(141,011)
Others	(14,366)	(96,118)
Additional income tax on unappropriated earnings	9,500	1,700
In respect of prior periods	(16,194)	(6,150)
Additional income tax under the Alternative Minimum Tax Act	<u>-</u>	<u>410</u>
Income tax expense recognized in profit or loss	<u>\$ 92,108</u>	<u>\$ 122,033</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

- c. The information of Test-Rite about Imputation Credit (“IC”) on the undistributed earnings was summarized as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 557,887</u>	<u>\$ 663,161</u>	<u>\$ 1,426,309</u>
Imputation credits accounts	<u>\$ 506,515</u>	<u>\$ 464,111</u>	<u>\$ 425,559</u>

The creditable ratio for distribution of earnings of 2013 and 2012 was 20.48% (expected) and 20.48% (actual), respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating the creditable ratio in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

- d. Income tax assessments

The income tax returns of Test-Rite for years through 2011 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 2007 income tax returns. Test-Rite evaluated that it has reasons to make an appeal. Therefore, Test-Rite decided not to record the disputed tax payable on its book.

## 24. EARNINGS PER SHARE

For the years ended December 31, 2013 and 2012, the amounts of earnings per share were calculated as follows:

	2013						
	Amounts (Numerator)			Shares (Denominator) (In Thousands)	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	\$ 732,722	\$ 640,614	\$ 635,139	487,087,558	<u>\$ 1.50</u>	<u>\$ 1.32</u>	<u>\$ 1.30</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	1,264,906			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 732,722</u>	<u>\$ 640,614</u>	<u>\$ 635,139</u>	<u>488,352,464</u>	<u>\$ 1.50</u>	<u>\$ 1.31</u>	<u>\$ 1.30</u>
	Amounts (Numerator)			Shares (Denominator) (In Thousands)	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	\$ 686,727	\$ 564,694	\$ 509,214	493,689,891	<u>\$ 1.39</u>	<u>\$ 1.14</u>	<u>\$ 1.03</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>\$ 686,727</u>	<u>\$ 564,694</u>	<u>\$ 509,214</u>	<u>497,045,305</u>	<u>\$ 1.38</u>	<u>\$ 1.14</u>	<u>\$ 1.02</u>

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share 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. 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.

## 25. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
International Art Enterprise Trading of leisure goods	January 30, 2013	100%	<u>\$ 107,109</u>

International Art Enterprise was acquired in order to continue the expansion of the Company's trading activities in leisure goods.

b. Considerations transferred

	<b>International Art Enterprise</b>
Cash	\$ 78,069
Contingent consideration arrangement	<u>29,040</u>
	<u>\$ 107,109</u>

Under the contingent consideration arrangement, the Company is required to pay the vendors an additional US\$1,000 thousand if International Art Enterprise's sales revenue in 2013 exceeds US\$24,000 thousand or gross profit in 2013 exceeds US\$3,240 thousand. The amount of US\$1,000 thousand represents the estimated fair value of this obligation at the acquisition date, which amounted to \$29,040 thousand approximately.

c. Assets acquired and liabilities assumed at the date of acquisition

	<b>Amount</b>
Cash	\$ 70,016
Trade receivables	45,371
Inventories	4
Other receivables	4
Prepayments	2,482
Other current assets	246
Other intangible assets	13,700
Goodwill	53,799
Other assets	1,919
Notes payable	(1,002)
Trade payables	(34,724)
Other payables	(44,557)
Other current liabilities	<u>(149)</u>
	<u>\$ 107,109</u>

d. Net cash outflow on acquisition of subsidiaries

	<b>For the Year Ended December 31, 2013</b>
Consideration paid in cash	\$ 78,069
Less: Cash and cash equivalent balances acquired	<u>(70,016)</u>
	<u>\$ 8,053</u>

## 26. DISPOSAL OF SUBSIDIARIES

Tong Lung Metal Industry Co., Ltd. was an entity included in the consolidated financial statements. In August 2012, the Company disposed of 68.27% interest in Tong Lung Metal Industry Co., Ltd. for proceeds of \$2,270,629 thousand and this transaction resulted in a gain of \$1,687 thousand. Tong Lung Metal Industry Co., Ltd. was not included in the consolidated financial statements anymore as of September 2012.

- a. 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:

	<b>Amount</b>
Cash	\$ 160,986
Available-for-sale financial assets - current	1,863
Trade receivables	296,473
Inventories	568,547
Other current assets	86,430
Financial assets carried at cost - non-current	33,223
Property, plant and equipment	1,242,691
Goodwill	1,470,222
Other assets	163,346
Short-term borrowings	(357,265)
Short-term bills payable	(129,919)
Trade payables	(321,355)
Current portion of long-term borrowings	(339,543)
Other liabilities	(224,130)
Non-controlling interests	<u>(382,627)</u>
Total cost of disposal of Tong Lung Metal Industry Co., Ltd.	2,268,942
Less: Balance of cash from Tong Lung Metal Industry Co., Ltd.	(160,986)
Add: Gain on disposal of subsidiary	<u>1,687</u>
Cash from disposal of Tong Lung Metal Industry Co., Ltd.	<u>\$ 2,109,643</u>

- b. Gain on disposal of subsidiary

	<b>For the Year Ended December 31, 2012</b>
Consideration received	\$ 2,270,629
Net assets disposed of	<u>(2,268,942)</u>
Gain on disposal	<u>\$ 1,687</u>

c. Net cash inflow on disposal of subsidiary

	<b>For the Year Ended December 31, 2012</b>
Consideration received in cash and cash equivalents	\$ 2,270,629
Less: Cash and cash equivalent balances disposed of	<u>(160,986)</u>
	<u>\$ 2,109,643</u>

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 31, 2012, the Company paid total US\$13,899 thousand to related parties, Quality Master, Li-Heng Lee, Li-Shan Lee and Robin Ho to acquire 100% of interests in Upmaster and additional 10.53% of interests in TR US.

After these acquisitions, the Company increased both its interests of ownership in TR US and TR PRODUCTS to 100%. The Company acquired entire non-controlling interests of TR US and TR PRODUCTS, so the transactions were accounted for as equity transaction.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

	<b>TR US</b>
Cash consideration paid	\$ 416,136
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>341,697</u>
Differences arising from equity transaction	<u>\$ 757,833</u>

## 28. 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 4 years as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 298,513
2015	307,468
2016	316,693
2017	<u>326,193</u>
	<u>\$ 1,248,867</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 4 years as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 421,020
2015	244,881
2016	186,168
2017	<u>62,056</u>
	<u>\$ 914,125</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 including the present value of rentals from 2019 to 2028 as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 584,144
2015	575,559
2016	542,646
2017	517,600
2018	512,403
2019-2023 (present value \$954,990 thousand)	1,137,867
2024-2028 (present value \$228,173 thousand)	<u>321,045</u>
	<u>\$ 4,191,264</u>

Test-Rite Retail’s lease agreement for office premises with non-related parties required Test-Rite Retail to pay guarantee deposit of \$466,427 thousand, which was recorded under “refundable deposits paid”. A list of rent expense for the next 5 years including the present value from 2019 to 2038 as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 959,891
2015	980,355
2016	759,203
2017	646,079
2018	578,804
2019-2023 (present value \$2,367,441 thousand)	2,595,797
2024-2028 (present value \$370,645 thousand)	431,190
2029-2033 (present value \$135,278 thousand)	169,254
2034-2038 (present value \$78,156 thousand)	<u>104,932</u>
	<u>\$ 7,225,505</u>

## 29. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2013 and 2012 were summarized as follows:

Expense Item	Function	2013			2012		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses							
Salaries		\$ 90,014	\$ 2,587,630	\$ 2,677,644	\$ 241,543	\$ 3,053,772	\$ 3,295,315
Labor insurance and health insurance		5,396	214,599	219,995	15,394	235,568	250,962
Pension cost		3,266	117,149	120,415	15,601	133,013	148,614
Others		2,417	267,680	270,097	12,528	262,197	274,725
Depreciation expenses		61,671	606,727	668,398	83,260	570,440	653,700
Amortization expenses		25	143,115	143,140	1,656	161,125	162,781

## 30. CAPITAL MANAGEMENT

The objective of the company's capital management is to ensure it has the necessary financial resource and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures and dividends spending.

## 31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Test-Rite and its subsidiaries have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

### a. Operating transactions

	<u>Rent Expense</u>	
	<u>Year Ended December 31</u>	
	2013	2012
Others (Tsai Wang)	<u>\$ 291,531</u>	<u>\$ 280,692</u>
	<u>Commission Expense</u>	
	<u>Year Ended December 31</u>	
	2013	2012
Associates (TR Mexico)	<u>\$ -</u>	<u>\$ 2,979</u>

Outstanding balance in reporting date was as follows:

	<u>Receivables From Related Parties</u>		
	<u>December 31,</u>	<u>December 31,</u>	<u>January 1,</u>
	2013	2012	2012
Associates (TR Mexico)	<u>\$ -</u>	<u>\$ 1,798</u>	<u>\$ 5,400</u>
	<u>Accrued Commission Expense to Related Parties</u>		
	<u>December 31,</u>	<u>December 31,</u>	<u>January 1,</u>
	2013	2012	2012
Associates (TR Mexico)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394</u>

	<b>Refundable Deposits Paid</b>		
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Others (Tsai Wang)	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>

The transaction conditions of related parties are almost the same as non-related parties.

b. Equity transaction

See Note 27.

c. Property lease

See Notes 14 and 28.

d. Endorsements or Guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 34.

As of December 31, 2013, short-term borrowings of \$512,794 thousand were guaranteed by others (Tony Ho and Judy Lee).

As of December 31, 2013, long-term borrowings of \$1,006,788 thousand was guaranteed by others (Tony Ho and Judy Lee) and long-term borrowings of \$3,198,500 thousand was guaranteed by others (Judy Lee).

e. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits	\$ 354,267	\$ 201,354
Post-employment benefits	<u>618</u>	<u>3,365</u>
	<u>\$ 354,885</u>	<u>\$ 204,719</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments,

1) Fair value of financial instruments not carried at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value or the fair values are not measured reliably.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

December 31, 2013

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets	<u>\$ 349,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,619</u>
Derivative financial assets	<u>\$ -</u>	<u>\$ 2,348</u>	<u>\$ -</u>	<u>\$ 2,348</u>

December 31, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets	<u>\$ 299,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,925</u>
Financial liabilities at FVTPL				
Non-derivative financial liabilities	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290</u>
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 20,795</u>	<u>\$ -</u>	<u>\$ 20,795</u>

January 1, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets	<u>\$ 99,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,447</u>
Derivative financial assets	<u>\$ -</u>	<u>\$ 150,289</u>	<u>\$ -</u>	<u>\$ 150,289</u>
Financial liabilities at FVTPL				
Non-derivative financial liabilities	<u>\$ 20,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,440</u>
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 13,315</u>	<u>\$ -</u>	<u>\$ 13,315</u>

There were no transfers between Level 1 and 2 in the current and prior periods.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument;
- The fair values of foreign currency forward contracts of derivative instruments were calculated using forward exchange swap rate and discount rate published by financial organization and the forward exchange rates on maturity date of specific contract, respectively. Discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

**Fair Value of Financial Instruments**

The fair value of non-derivative financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 was summarized as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,418,439	\$ 1,881,727	\$ 2,093,773
Financial assets at fair value through profit or loss - current	351,967	299,925	249,736
Notes receivable, trade receivables and other receivables	3,215,059	2,777,770	3,302,727
Prepayments	563,633	547,474	915,460
Other current assets	262	599	613
Available-for-sale financial assets	-	-	32,591
Financial assets measured at cost	71,823	73,709	109,989
Debt investments with no active market	<u>216,123</u>	<u>50,000</u>	<u>52,000</u>
	<u>\$ 6,837,306</u>	<u>\$ 5,631,204</u>	<u>\$ 6,756,889</u>
<b>Liabilities</b>			
Short-term borrowings	\$ 2,256,663	\$ 1,764,129	\$ 3,397,071
Short-term bills payable	9,997	-	159,842
Financial liabilities at fair value through profit or loss - current	-	21,085	33,755
Notes payable, trade payables and other payables	7,298,201	6,696,098	6,355,029
Liability component of preferred stocks, current	-	-	335,361
Advance receipts	603,381	604,073	655,472
Long-term borrowings (Note)	<u>5,527,615</u>	<u>5,213,197</u>	<u>7,150,590</u>
	<u>\$ 15,695,857</u>	<u>\$ 14,298,582</u>	<u>\$ 18,087,120</u>

Note: The balance included short-term portion of long-term borrowings.

## Financial Risk Management Objectives and Policies

The Company's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.

### a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the export.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

#### 1) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (see Note 35).

	Currency USD Impact		Currency EUR Impact		Currency GBP Impact		Currency RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012	2013	2012	2013	2012
Equity	\$ (305,304)	\$ (64,851)	\$ (6,853)	\$ (2,861)	\$ 1,965	\$ 1,781	\$ (110,345)	\$ (129,589)

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and the effect on profit and loss by their translation at the end of the reporting period for a 10% change in foreign currency rates.

#### 2) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at floating interest rates. The risk is managed by the Company by maintaining floating rate borrowings, and using Company forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Company's interest rate risk arises primarily from fixed revenue investment and floating interest rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Fair value interest rate risk			
Financial assets	\$ 287,658	\$ 97,572	\$ 25,298
Financial liabilities	7,794,275	6,977,326	10,707,503

The sensitivity analyses were calculated by a change in fair value of the fixed interest rates financial assets and liabilities at the end of the reporting period.

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Company's cash outflow for the years ended December 31, 2013 and 2012 would have been higher by \$75,066 thousand and \$68,798 thousand.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

- 1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- 2) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company direct against the counterparties which deal with materially to providing sufficient collateral or other right pledged, so that it could minimize credit risk effectively. Management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company did transactions with a large number of customers among different industries and geography area. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

The Company manages and contains sufficient working capital to support the operations so there is no liquidity risk of shortage of funds by the maturity date of implementing obligation to the contracts, reduce the impact on fluctuation of cash flow.

The Company's non-derivative financial liabilities with their agreed repayment period were as follows:

	<b>December 31, 2013</b>			
	<b>1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,298,201	\$ -	\$ 197,999	\$ 7,496,200
Variable interest rate liabilities	<u>2,566,660</u>	<u>-</u>	<u>5,227,615</u>	<u>7,794,275</u>
	<u>\$ 9,864,861</u>	<u>\$ -</u>	<u>\$ 5,425,614</u>	<u>\$ 15,290,475</u>
	<b>December 31, 2012</b>			
	<b>1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,696,098	\$ -	\$ 180,471	\$ 6,876,569
Variable interest rate liabilities	<u>1,964,129</u>	<u>-</u>	<u>5,013,197</u>	<u>6,977,326</u>
	<u>\$ 8,660,227</u>	<u>\$ -</u>	<u>\$ 5,193,668</u>	<u>\$ 13,853,895</u>
	<b>January 1, 2012</b>			
	<b>1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,355,029	\$ -	\$ 157,853	\$ 6,512,882
Variable interest rate liabilities	<u>3,556,913</u>	<u>-</u>	<u>7,150,590</u>	<u>10,707,503</u>
	<u>\$ 9,911,942</u>	<u>\$ -</u>	<u>\$ 7,308,443</u>	<u>\$ 17,220,385</u>

### 33. PLEDGED ASSETS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Time deposits (see Notes 6 and 10)	\$ 215,101	\$ 13,134	\$ 27,275
Land (see Note 14)	-	-	247,665
Buildings and improvements (see Note 14)	<u>-</u>	<u>-</u>	<u>156,116</u>
	<u>\$ 215,101</u>	<u>\$ 13,134</u>	<u>\$ 431,056</u>

### 34. COMMITMENTS AND CONTINGENCIES

## Letter of Credit

Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2013 were US\$127 thousand and EUR173 thousand.

Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2012 were US\$372 thousand and EUR73 thousand.

Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2011 were US\$2,896 thousand, EUR22 thousand and NT\$1,300 thousand.

Endorsements/guarantees provided: As of December 31, 2013, December 31, 2012 and January 1, 2012, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Standby letters of credit			
Test-Rite Business Development	US\$ 3,000	US\$ 3,000	US\$ 3,000
TR Products	US\$ -	US\$ 9,000	US\$ 1,375
Energy Retailing	US\$ -	US\$ 2,000	US\$ 2,500
Hola Shanghai Retail & Trading Ltd.	US\$ -	US\$ 1,000	US\$ 3,000
Hola Shanghai Retail & Trading	US\$ -	US\$ -	US\$ 8,000
Endorsements			
TR Products	US\$ 29,074	US\$ 18,103	US\$ 20,699
TR Trading & TR Retailing	US\$ 17,500	US\$ 12,500	US\$ 17,500
Hola Shanghai Retail & Trading	US\$ 8,500	US\$ 8,500	US\$ 13,500
Test-Rite Business Development	US\$ 5,000	US\$ 5,000	US\$ 5,000
TR Pte.	US\$ 2,000	US\$ 2,000	US\$ -
TR GI	EUR 1,000	EUR 1,000	EUR 1,000
TR Thailand	US\$ -	US\$ 400	US\$ 400
TR Canada	CAD 60	CAD 60	CAD 30

As of December 31, 2013, December 31, 2012 and January 1, 2012 Test-Rite Retail has import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$119,679 thousand, \$86,850 thousand and \$102,554 thousand.

## 35. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The information of significant foreign-currency financial assets and liabilities as of December 31, 2013, December 31, 2012 and January 1, 2012 was summarized as follows:

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

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>									
Monetary items									
USD	\$ 86,373	29.95	\$ 2,586,871	\$ 47,488	29.136	\$ 1,383,610	\$ 87,077	30.29	\$ 2,637,562
EUR	2,072	41.1562	85,276	1,481	38.4025	56,874	1,821	39.16	71,310
GBP	398	49.3743	19,651	381	46.7544	17,813	556	46.7035	25,967
RMB	196,335	4.9355	969,011	275,880	4.6597	1,285,518	223,300	4.806	1,073,180
Nonmonetary items									
USD	10,000	29.95	299,500	175,900	29.136	5,125,022	167,500	30.29	5,073,575

EUR	100	41.1562	4,116	3,282	38.4025	126,037	5,957	39.16	233,276
<b>Financial liabilities</b>									
<b>Monetary items</b>									
USD	188,311	29.95	5,639,914	69,746	29.136	2,032,119	136,174	30.29	4,124,710
EUR	3,737	41.1562	153,801	2,226	38.4025	85,484	615	39.16	24,083
RMB	419,909	4.9355	2,072,461	553,986	4.6597	2,581,409	666,486	4.806	3,203,132
<b>Nonmonetary items</b>									
USD	23,000	29.95	688,850	169,900	29.136	4,950,206	144,000	30.29	4,361,760

### 36. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Company's reportable segments under IFRS 8 "Operating Segments" were 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, 2013 and 2012 was as follows:

	<b>2013</b>					
	<b>A Segment</b>	<b>B Segment</b>	<b>C Segment</b>	<b>D Segment</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Operating revenue	\$ 21,254,030	\$ 19,027,948	\$ -	\$ 1,918,553	\$ (6,996,667)	\$ 35,203,864
Operating costs	<u>(13,545,656)</u>	<u>(15,143,310)</u>	<u>-</u>	<u>(1,687,902)</u>	<u>5,783,338</u>	<u>(24,593,530)</u>
Gross profit	7,708,374	3,884,638	-	230,651	(1,213,329)	10,610,334
Operating expenses	<u>(7,114,645)</u>	<u>(3,859,919)</u>	<u>-</u>	<u>(125,244)</u>	<u>1,266,212</u>	<u>(9,833,596)</u>
Profit from operations	<u>\$ 593,729</u>	<u>\$ 24,719</u>	<u>\$ -</u>	<u>\$ 105,407</u>	<u>\$ 52,883</u>	<u>776,738</u>
Nonoperating income and expenses						<u>(44,016)</u>
Profit before income tax						<u>\$ 732,722</u>
	<b>2012</b>					
	<b>A Segment</b>	<b>B Segment</b>	<b>C Segment</b>	<b>D Segment</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Operating revenue	\$ 20,370,405	\$ 18,933,498	\$ 2,062,048	\$ 1,601,462	\$ (7,715,271)	\$ 35,252,142
Operating costs	<u>(13,203,261)</u>	<u>(15,051,588)</u>	<u>(1,651,115)</u>	<u>(1,362,391)</u>	<u>6,419,374</u>	<u>(24,848,981)</u>
Gross profit	7,167,144	3,881,910	410,933	239,071	(1,295,897)	10,403,161
Operating expenses	<u>(6,676,706)</u>	<u>(3,922,081)</u>	<u>(248,082)</u>	<u>(151,738)</u>	<u>1,315,763</u>	<u>(9,682,844)</u>
Profit from operations	<u>\$ 490,438</u>	<u>\$ (40,171)</u>	<u>\$ 162,851</u>	<u>\$ 87,333</u>	<u>\$ 19,866</u>	<u>720,317</u>
Nonoperating income and expenses						<u>(33,590)</u>
Profit before income tax						<u>\$ 686,727</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2013 and 2012.

## Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2013 and 2012 was as follows:

		2013					
		A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets		<u>\$ 8,407,033</u>	<u>\$ 16,406,444</u>	<u>\$ -</u>	<u>\$ 1,867,210</u>	<u>\$ (3,308,449)</u>	<u>\$ 23,372,238</u>
Liabilities		<u>\$ 8,407,033</u>	<u>\$ 9,573,665</u>	<u>\$ -</u>	<u>\$ 690,489</u>	<u>\$ (2,092,109)</u>	<u>\$ 16,579,078</u>

		2012					
		A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets		<u>\$ 9,642,569</u>	<u>\$ 14,477,297</u>	<u>\$ -</u>	<u>\$ 1,531,943</u>	<u>\$ (3,754,234)</u>	<u>\$ 21,897,575</u>
Liabilities		<u>\$ 6,439,169</u>	<u>\$ 9,856,335</u>	<u>\$ -</u>	<u>\$ 1,544,549</u>	<u>\$ (2,591,347)</u>	<u>\$ 15,248,706</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2013 and 2012.

## 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	
	2013	2012	2013	2012
Asia	\$ 30,501,624	\$ 30,432,580	\$ 10,332,024	\$ 12,155,322
America	4,195,312	4,451,594	-	-
Europe	468,401	336,770	-	-
Australia and others	<u>38,527</u>	<u>31,198</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,203,864</u>	<u>\$ 35,252,142</u>	<u>\$ 10,332,024</u>	<u>\$ 12,155,322</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 2013 and 2012.

## 37. FIRST-TIME ADOPTION OF IFRSs

### a. Basis of the preparation for financial information under IFRSs

The Company's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Company's not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

After transition to IFRSs, the impact on the Company's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	
<b>Current assets</b>					<b>Current assets</b>	
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 at fair value through profit or loss - current	
Available-for-sale financial assets - current	2,141	-	-	2,141	Available-for-sale financial assets - current	
Debt investments with no active market - current	-	-	2,000	2,000	Debt investments with no active market - current	5) g)
Notes receivable	39,343	-	-	39,343	Notes receivable	
Trade receivables	2,922,471	-	30,090	2,952,561	Trade receivables	5) d)
Other receivables	310,823	-	-	310,823	Other receivables	
Other current financial assets	613	-	-	613	Other current financial assets	
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)
<b>Total current assets</b>	<b>12,725,809</b>	<b>-</b>	<b>1,378</b>	<b>12,727,187</b>	<b>Total current assets</b>	
<b>Fund and investment</b>					<b>Non-current assets</b>	
Long-term equity investments at equity method	1	-	-	1	Investments accounted for using equity method	
Available-for-sale financial assets - non-current	30,450	-	-	30,450	Available-for-sale financial assets - non-current	
Financial assets carried at cost - non-current	109,989	-	-	109,989	Financial assets measured at cost - non-current	
Debt investments with no active market - non-current	50,000	-	-	50,000	Debt investments with no active market - non-current	
<b>Total long-term investments</b>	<b>190,440</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Property, plant and equipment, net	7,709,067	34,855	-	7,743,922	Property, plant and equipment	4) e)
<b>Intangible assets</b>						
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)
<b>Total intangible assets</b>	<b>3,877,221</b>	<b>(19,692)</b>	<b>-</b>	<b>-</b>		
<b>Other assets</b>						
Refundable deposits paid	833,364	-	-	833,364	Refundable deposits paid	
Deferred income tax assets - non-current	1,002,504	-	28,712	1,031,216	Deferred tax assets	5) a)
Other assets - other	1,224,003	-	-	1,224,003	Other assets	
<b>Total other assets</b>	<b>3,059,871</b>	<b>-</b>	<b>28,712</b>	<b>14,880,474</b>	<b>Total non-current assets</b>	
<b>Total assets</b>	<b>\$ 27,562,408</b>	<b>\$ 15,163</b>	<b>\$ 30,090</b>	<b>\$ 27,607,661</b>	<b>Total</b>	
<b>Current liabilities</b>					<b>Current liabilities</b>	
Short-term borrowings	\$ 3,397,071	\$ -	\$ -	\$ 3,397,071	Short-term 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 at fair value through profit or loss - current	
Notes payable	21,100	-	-	21,100	Notes payable	
Accounts payable	4,450,756	-	-	4,450,756	Trade payables	
Income tax payable	180,359	-	-	180,359	Current tax liabilities	
Other payables	1,860,066	23,107	-	1,883,173	Other payables	5) b)
Liability component of preferred stocks - current	335,361	-	-	335,361	Liability component of preferred stocks - current	
Advance receipts	457,602	197,870	-	655,472	Advance receipts	5) f)
Other current liabilities	582,137	(184,789)	18,090	415,438	Other current liabilities	5) a), 5) d), 5) e)
<b>Total current liabilities</b>	<b>11,478,049</b>	<b>36,188</b>	<b>18,090</b>	<b>11,532,327</b>	<b>Total current liabilities</b>	
<b>Long-term liabilities</b>					<b>Non-current liabilities</b>	
Long-term borrowings	7,150,590	-	-	7,150,590	Long-term borrowings	
Estimated land value increment tax payable	41,791	-	(41,791)	-		5) h)
<b>Other liabilities</b>						
Accrued pension cost	291,829	114,936	-	406,765	Accrued pension liabilities	5) c)
Refundable deposits received	157,853	-	-	157,853	Refundable deposits received	
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 non-current liabilities	4) e), 5) a), 5) h)
<b>Total other liabilities</b>	<b>1,661,278</b>	<b>(759,773)</b>	<b>53,791</b>	<b>8,105,886</b>	<b>Total non-current liabilities</b>	
<b>Total liabilities</b>	<b>20,331,708</b>	<b>(723,585)</b>	<b>30,090</b>	<b>19,638,213</b>	<b>Total liabilities</b>	
<b>Equity attributable to stockholders of the parent</b>					<b>Stockholders' equity</b>	
<b>Capital</b>					<b>Capital</b>	
Common stock	5,074,228	-	-	5,074,228	Common stock	
<b>Capital surplus</b>					<b>Capital surplus</b>	
Additional paid-in capital	689,395	-	-	689,395	Additional paid-in capital	
Treasury stock transactions	5,081	-	-	5,081	Treasury stock transactions	
<b>Retained earnings</b>					<b>Retained earnings</b>	
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)

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs			IFRSs		Explanation
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item		
Others					Other equity		
Cumulative translation adjustments	\$ 133,069	\$ (133,069)	\$ -	\$ -	Exchange differences on translating foreign operations		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 shares	(437,139)	-	-	(437,139)	Treasury shares		
Total equity attributable to stockholders of the parent	6,742,787	760,928	-	7,503,715	Total equity attributable to owners of the Company		
Minority interest	487,913	(22,180)	-	465,733	Non-controlling interests		
Total stockholders' equity	7,230,700	738,748	-	7,969,448	Total equity		
Total liabilities and stockholders' equity	\$ 27,562,408	\$ 15,163	\$ 30,090	\$ 27,607,661	Total		

(Concluded)

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

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	\$ 1,881,727	\$ -	\$ -	\$ 1,881,727	Cash and cash equivalents		5) g)
Financial assets at fair value through profit or loss - current	299,925	-	-	299,925	Financial assets at fair value through profit or loss - current		
Notes receivable	5,207	-	-	5,207	Notes receivable		
Trade receivables	2,406,456	-	1,822	2,408,278	Trade receivables		5) d)
Other receivables	364,285	-	-	364,285	Other receivables		5) g)
Other current financial assets	599	-	-	599	Other current financial assets		
Inventories	4,840,887	-	-	4,840,887	Inventories		
Other prepayments	547,474	-	-	547,474	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					Non-current assets		
Financial assets carried at cost - non-current	73,709	-	-	73,709	Financial assets measured at cost - non-current		
Debt investments with no active market - non-current	50,000	-	-	50,000	Debt investments with no active market - non-current		
Total long-term investments	123,709	-	-	123,709			
Property, plant and equipment, net	6,161,973	33,699	-	6,195,672	Property, plant and equipment		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)	-	-	Other intangible assets		5) i)
Total intangible assets	3,169,287	(768,668)	-	2,400,619			
Other assets							
Refundable deposits paid	841,804	-	-	841,804	Refundable deposits paid		
Deferred income tax assets - non-current	1,028,117	-	38,635	1,066,752	Deferred tax assets		5) a)
Other assets - other	829,543	-	-	829,543	Other non-current assets		
Total other assets	2,699,464	-	38,635	2,738,099	Total non-current assets		
Total assets	\$ 22,630,722	\$ (734,969)	\$ 1,822	\$ 21,897,575	Total		
Current liabilities					Current liabilities		
Short-term borrowings	\$ 1,764,129	\$ -	\$ -	\$ 1,764,129	Short-term borrowings		
Financial liabilities at fair value through profit or loss - current	21,085	-	-	21,085	Financial liabilities at fair value through profit and loss - current		
Notes payable	18,372	-	-	18,372	Notes payable		
Accounts payable	4,512,979	-	-	4,512,979	Trade payables		
Income tax payable	134,184	-	-	134,184	Current tax liabilities		
Other payables	2,147,951	16,796	-	2,164,747	Other payables		5) b)
Advance receipts	411,071	193,002	-	604,073	Advance receipts		5) f)
Current portion of long-term borrowings	200,000	-	-	200,000	Current portion of long-term borrowings		
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		
Long-term liabilities					Non-current liabilities		
Long-term borrowings	5,013,197	-	-	5,013,197	Long-term borrowings		
Other liabilities							
Accrued pension cost	85,667	44,042	-	129,709	Accrued pension liabilities		5) c)
Refundable deposits received	180,471	-	-	180,471	Refundable deposits received		
Deferred credit	939,153	(739,153)	-	200,000	Deferred credit		5) e)
Other liabilities - other	31,537	51,300	-	82,837	Other non-current liabilities		4) e), 5) a), 5) h)
Total other liabilities	1,236,828	(643,811)	-	593,017	Total non-current liabilities		
Total liabilities	15,865,686	(618,802)	1,822	15,248,706	Total liabilities		

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount		
Stockholders' equity					Stockholders' equity	
Capital					Capital	
Common stock	\$ 5,219,555	\$ -	\$ -	\$ 5,219,555	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	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), 5) i)
Others					Other equity	
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 shares	(729,124)	-	-	(729,124)	Treasury shares	
Total equity attributable to stockholders of the parent	6,745,961	(116,167)	-	6,629,794	Total equity attributable to owners of the Company	
Minority interest	19,075	-	-	19,075	Non-controlling interests	
Total stockholders' equity	6,765,036	(116,167)	-	6,648,869	Total equity	
Total liabilities and stockholders' equity	\$ 22,630,722	\$ (734,969)	\$ 1,822	\$ 21,897,575	Total	

(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			
Item	Amount			Amount		
Net operating revenue	\$ 35,247,274	\$ 4,868	\$ -	\$ 35,252,142	Operating revenue	5) f)
Operating costs	24,664,192	184,789	-	24,848,981	Operating costs	5) e)
Gross profit	10,583,082	(179,921)	-	10,403,161	Gross profit	
Operating expenses	9,679,286	3,558	-	9,682,844	Operating expenses	4) e), 5) b), 5) c)
Operating income	903,796	(183,479)	-	720,317	Profit from operations	
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	Share of profit of associates and joint ventures accounted for using 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	Net gain or loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	
Others	134,986	-	-	134,986	Other income	
Total non-operating income	413,832	-	-	413,832	Total non-operating income	
Nonoperating expenses and loss					Nonoperating expenses and loss	
Interest expenses	193,299	2,067	-	195,366	Interest expense	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 - non-current	5,229	-	-	5,229	Other expense	
Dividends paid on liability component of preferred stocks - non-current	8,726	-	-	8,726	Other expense	
Loss on valuation of financial assets	164,356	-	-	164,356	Net gain or loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	
Reverse split loss	1,717	-	-	1,717	Other expense	
Others	66,407	-	-	66,407	Other expense	
Total non-operating expenses	445,355	2,067	-	447,422	Total non-operating expenses	
Provision for income tax	872,273	(185,546)	-	686,727	Profit before income tax	
Income tax expense	(122,033)	-	-	(122,033)	Income tax expense	
Total consolidated net income	\$ 750,240	\$ (185,546)	\$ -	564,494	Net profit for the year	
				(41,749)	Exchange differences on translating foreign operations	
				(6,823)	Actuarial gain and loss arising from defined benefit plans	
				(1,605)	Unrealized loss on available-for-sale financial assets	
				\$ 514,517	Total comprehensive income for the year	

#### 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, 2012 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. 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 material differences between the accounting policies under R.O.C. GAAP 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 zero 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 trade payables by \$16,796 thousand and \$23,107 thousand for short-term employee benefits. 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 trade receivables. 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. 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 debt investments with no active market.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from cash and cash equivalents to other financial assets were zero 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 - non-current was zero 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.

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

### 7.1 Analysis of Financial Status

Unit : NTDS\$ thousand

Item \ Year	2012	2013	Difference	
			Amount	%
Current Assets	10,439,476	12,011,301	1,571,825	15.06%
Long-term Investment	6,195,672	6,208,064	12,392	0.20%
Fixed Assets	219,730	214,036	(5,694)	(2.59%)
Other Assets	5,042,697	4,938,837	(103,860)	(2.06%)
<b>Total Assets</b>	<b>21,897,575</b>	<b>23,372,238</b>	<b>1,474,663</b>	<b>6.73%</b>
Current Liabilities	9,642,492	10,804,486	1,161,994	12.05%
Long-term Liabilities	593,017	546,977	(46,040)	(7.76%)
Other Liabilities	15,248,706	16,579,078	1,330,372	8.72%
<b>Total Liabilities</b>	<b>5,219,555</b>	<b>5,219,555</b>	<b>0</b>	<b>0.00%</b>
Capital stock	694,476	694,476	0	0.00%
Capital surplus	1,468,371	1,580,149	111,778	7.61%
Retained Earnings	(23,484)	(2,390)	21,094	*(89.82%)
Other Adjustments	(729,124)	(729,124)	0	0.00%
<b>Total Stockholders' Equity</b>	<b>6,648,869</b>	<b>6,793,160</b>	<b>144,291</b>	<b>2.17%</b>

Analysis of changes in financial ratios:

The IFRSs cumulative translation adjustment is due to the exchange differences in the translation of financial statements by foreign operated institutions.

## 7.2 Analysis of Operating Results

Unit : NTD\$ thousand

Item \ Year	2012	2013	Difference	
			Amount	%
Net Sales	35,252,142	35,203,864	(48,278)	(0.14%)
Cost of Sales	24,848,981	24,593,530	(255,451)	(1.03%)
Gross Profit	10,403,161	10,610,334	207,173	1.99%
Operating Expenses	9,682,844	9,833,596	150,752	1.56%
Operating Income	720,317	776,738	56,421	7.83%
Non-operating Income and Expenses	(33,590)	(44,016)	(10,426)	*(31.04%)
Income Before Tax	686,727	732,722	45,995	6.70%
Tax Benefit (Expense)	(122,033)	(92,108)	(29,925)	*(24.52%)
Income After Tax	564,694	640,614	75,920	13.44%

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

1. The decrease of non-operating income and expense was due to the decrease of foreign exchange gain, net.
2. The decrease of tax expense was due to the increase of the gain shall not be taxable.

- **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 10-12 new Hola or TLW opening (4 in Taiwan and 6 to 8 in China) in 2014.

### 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
1,881,727	1,242,003	536,712	2,418,439	N.A.	N.A.

(1) Operating Activities: The net cash inflow from operating activities NTD 1,242,003,000, due to the implementation of the Company's vendor financing a project to make the increase in accounts payable and collection subsidiary dividends.

(2) Investment Activities: The net cash outflow from investing activities NTD 1,040,751,000, due to the current period's net cash outflow due to the acquisition of subsidiaries.

(3) Financing Activities: The Net cash outflow from financing activities NTD 308,422,000, due to reduced current long-term borrowings.

**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
2,418,439	1,561,000	(2,120,000)	298,439	N.A.	N.A.

Analysis of cash flow changes for the coming year:

A. Operating activities: Operating conditions due to the continued growth and working capital requirements are expected to be pre-closing period now, resulted in a net cash inflow from operating activities of NT\$1,561,000,000.

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\$2,120,000,000), 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.		1,546,212	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	Loss recognized by equity method.	NA
Upmaster		311,736	Investment holding company	Profit recognized by equity method	NA
Test-Rite Pte. Ltd.		66,625	Importation and exportation	Loss 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.
Test-Rite Vietnam Co., Ltd.		34,737	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Canada Co., Ltd.		51,483	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.,		402,097	Investment holding company	This was due mainly to the investment in the holding	Review and improve operational performance and establishing

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Ltd.				company of our European trading sub-subsidiary, the loss of which was recognized under the equity method.	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.		814,906	Authorized builder to build dwelling, rental and sale of building	Profit recognized by equity method	NA
International Art Enterprise Co., Ltd.		107,109	Trading of leisure goods	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 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

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
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.		9	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	2012	2013
Ratio of liabilities to assets (%)	69.63	70.93
Interest Expense	195,366	152,665
Income before Tax	686,727	732,722
Ratio of Interest Expense to income before tax (%)	28.45	20.84

- (1) The impact to company's profit and loss: The Company's interest expense on loans for the most recent two years, 2012 and 2013, was NT\$195,366,000 and NT\$152,665,000, respectively. Interest expense on borrowings decrease over the previous year, mainly due to the implementation of vendor financing projects and repayment of bank borrowings.
- (2) 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

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

Unit : NT\$ thousand

Item/Year	2012	2013
Foreign exchange gain	194,698	1,553
Operating revenues	35,252,142	35,203,864
Income before income tax	686,727	732,722
Foreign exchange gain / Operating revenues (%)	0.55%	0.004%
Foreign exchange gain / Income before income tax (%)	28.35%	0.21%

- (2) 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. Thereby have greater

financial resources to expand our business to grow, but also enables more suppliers all aspects of business development.

**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.

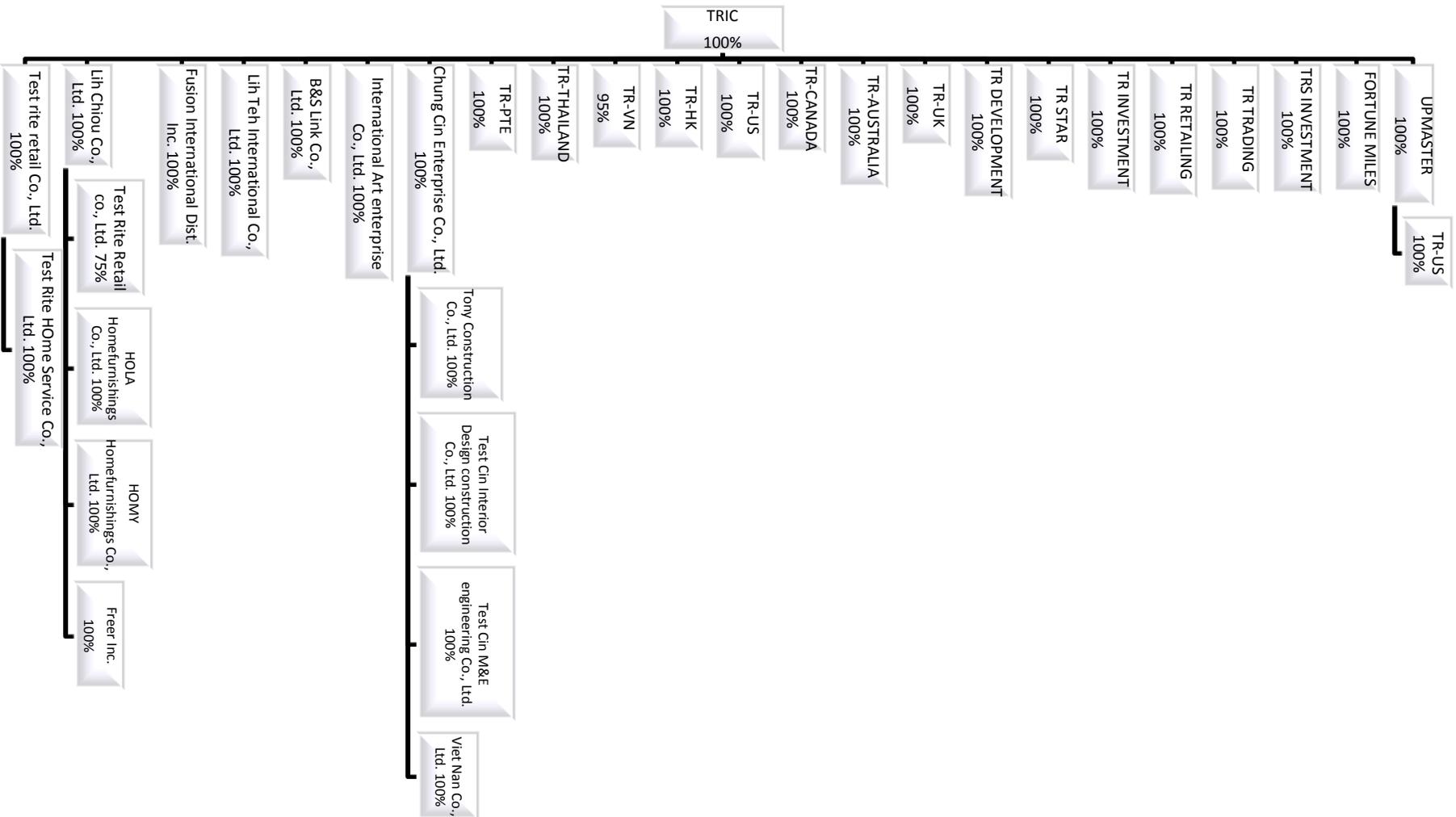
**7.6.12 Litigation or Non-litigation Matters : None.**

**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	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD54,998,380	Importation and exportation
International Art Enterprise Co., Ltd.	10/17/1972	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD10,000,000	Trading of leisure goods

Test-Rite Pte. Ltd.	8/11/1989	260 Orchard Road, #12-08 The Heeren Singapore 238855	SS\$3,520,000	Importation and exportation
Test-Rite Int'l (Thailand) Ltd.	1/7/1989	1000/60-61 P.B. Tower 15 <sup>th</sup> 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 Ward, District 7, HCMC	US\$1,120,000	Importation and exportation
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	GBPS\$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 Bldng, 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 Bldng, 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 Bldng, 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 12/31/2013  
(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.	5,219,555	13,702,521	6,939,855	6,762,666	12,175,665	73,554	635,139	1.30
Test-Rite Retail Co., Ltd.	1,000,000	9,017,345	5,717,761	3,299,584	16,089,696	743,484	645,409	6.45
Test-Rite Home Service Co., Ltd.	198,000	377,384	291,823	85,561	944,450	(54,148)	(43,072)	(2.18)
Hola Home Furnishings Co., Ltd.	300	115	-	115	-	(53)	(53)	(1.77)
Homy Furnishing Co., Ltd.	300	115	-	115	-	(53)	(53)	(1.77)
Freer Inc.	300	115	-	115	-	(53)	(53)	(1.77)
Chung Cin Enterprise Co., Ltd.	776,000	1,405,067	239,809	1,165,258	472,185	24,463	102,610	1.32
Tony Construction Co., Ltd.	230,000	554,873	218,820	336,053	976,563	33,773	36,948	1.61
Test Cin M&E Engineering Co., Ltd.	80,000	310,289	180,118	130,171	433,547	23,575	23,661	2.96
Chung Cin Interior Design Construction Co., Ltd.	12,000	121,487	68,669	52,818	226,671	25,221	26,054	21.71
Viet Han Co, Ltd.	30,603	24,147	112	24,035	-	(1,354)	(114)	(0.04)
B&S Link Co., Ltd.	50,000	51,879	795	51,084	3	(94)	443	0.09
Lih Teh International Co., Ltd.	162,695	243,305	28,234	215,071	194,104	29,482	33,289	2.05
Lih Chiou Co., Ltd.	4,194,140	4,686,772	10,981	4,675,791	-	20,876	481,315	1.15
Fusion International Distribution, Inc.	54,998	70,221	4,562	65,659	40,403	609	1,674	0.30
International Art Enterprise Co., Ltd.	10,000	108,907	65,687	43,220	696,234	2,306	3,417	3.42
Test-Rite Pte. Ltd.	66,625	79,459	12,320	67,139	111,330	(9,036)	(6,680)	(1.00)
Test-Rite Int'l (Thailand) Ltd.	1,206	16,086	12,864	3,222	12,288	1,366	1,958	16.24
Test-Rite Vietnam Co., Ltd.	34,706	13,307	1,345	11,962	12,570	794	859	0.25

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test-Rite Product (Hong Kong) Ltd.	3,795	24,544	3,643	20,901	23,418	2,716	2,579	6.80
Test-Rite Int'l (U.S.) Co., Ltd.	1,103,300	2,001,070	1,672,303	328,767	4,174,408	81,527	100,092	0.91
Test-Rite Canada Co., Ltd.	46,970	4,040	2,313	1,727	20,904	(4,880)	(4,915)	(1.05)
Test-Rite Int'l (Australia) Pty Ltd.	51,938	17,873	14,952	2,921	38,527	12,941	(1,722)	(0.33)
Test-Rite (UK) Co., Ltd.	57,011	19,786	12,529	7,257	7,073	(11,319)	(11,348)	(1.99)
Test-Rite Development Co., Ltd.	474,414	207,077	156,691	50,386	461,328	(1,985)	1,838	0.04
TR Star	38,148	11,902	-	11,902	-	(64)	(64)	(0.02)
Test-Rite Investment (B.V.I.) Co., Ltd.	17,387	22,455	-	22,455	-	(63)	(54)	(0.03)
Test-Rite Retailing Co., Ltd.	2,499,526	2,459,199	2,468,577	(9,378)	4,330,093	(104,842)	(140,665)	(0.56)
Test-Rite Trading Co., Ltd.	1,518,739	804,475	678,367	126,108	1,293,313	(133,922)	(153,279)	(1.01)
TRS Investment Co., Ltd.	76,717	78,041	-	78,041	-	(32)	(32)	(0.00)
Fortune Miles Co., Ltd.	947	1,034	-	1,034	-	(35)	(66)	(0.70)
Upmaster Int'l Co., Ltd.	191,616	60,518	-	60,518	-	(62,318)	16,588	0.87

#### **8.1.4. Consolidated financial statements of affiliated enterprises**

##### Statement of Declaration

For fiscal year 2013 (January 1 to December 31, 2013), 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 25, 2014

**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 2013 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.**