

Stock Code : 2908



Test Rite International Co., Ltd.

2014 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://mops.twse.com.tw/>

Test Rite's Annual Report is available at

<http://www.testitegroup.com>

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Auditors

Deloitte & Touche
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Corporate Website

<http://www.testritigroup.com>

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I. Letter to Shareholders

Dear shareholders,

Test-Rite's 2014 consolidated revenue, which includes trading and retail operations in Taiwan and China, totaled NT\$35.95 bn for a 2.1% increase. Net income attributable to shareholders increased by 11.1% YoY to NT\$ 705.7mn. The increase in net income can be attributable to economies of scale, resulting in operating margin expansion of 0.53 percentage point to 2.73%.

Excluding one-time items, net profit from recurring businesses was NT\$ 676.0 mn in FY2014, with recurring EPS of NT\$ 1.32 on a fully diluted basis, an increase of 28.9% and 30.9% respectively. Test-Rite's earnings growth in 2014 was fueled by gross margin improvement in our retail business in Taiwan and operating margin expansion of our trading business. FOREX contribution for FY2014 and FY2013 was NT\$ 35.5 mn and NT\$ 35.6 mn.

While operating environment in Taiwan and China remains challenging, demand for home furnishing and DIY products remained strong, buoyed by strong economic activities and equity markets. Revenue for our Taiwan retail operation, including TLW (DIY) and Hola, totaled NT\$ 17.2 bn in 2014, an increase of 3.3% YoY and accounted for 47.9% of our total revenue. Net profit of NT\$ 745.7 mn in FY2014 was flat versus FY2013. However, excluding the impact from the cash bonus rewards program that boosted both sales and net profit for FY2013, FY2014 sales increase would be higher at 4.3% and net profit would see an increase of NT\$100mn, driven by gross margin increase of 1.2ppt. Revenue for Hola China totaled NT\$ 4.1 bn, an increase of 5.2% and accounted for 11.4% of our total revenue. The increases are driven by higher private label products across all channels, and in particularly for Hola Taiwan. The home furnishing operation saw strong performance during the year, with sales totaling NT\$ 6.16bn, an increase of 9.4% YoY. The increase is driven by higher foot traffic and higher share of private label as a percentage of sale that reached 13.0% of the channel's revenue, an increase by 6.0 percentage point versus FY2013. We envision higher private label penetration will continue in FY2015

In 2014, we added one and two Hola stores in Taiwan and China respectively. In June 2014, we also re-launched our E-commerce platform in China, first in T-Mall and on Yi-hao-dian in 4Q14, to capture the ever-important E-commerce businesses. As of December 2014, we operated 26 TLW (DIY) stores, 23 HOLA stores in Taiwan, and 35 HOLA stores in China. In December 2013, we operated 26 TLW (DIY) stores and 22 HOLA stores in Taiwan, and 33 HOLA stores in China.

Our trading business continued to benefit from sustained recovery of consumer demand globally. Total shipments during the year reached NT\$18.45 bn, an increase of 4.6% YoY. In particular, shipments to Europe saw an increase of 39.9% to NT\$ 2.7 bn, accounting for 14.7% of total shipments. Our agency business, driven by strong auto and home related demand in the U.S., saw shipments increase by 9.1%, accounting for 31% of total shipment. This is a historical high for Test-Rite. The increase in shipments for our agency business is a critical component to improving gross margin for our trading business as we recognize approximately 5% of shipment as commission revenue at 100% gross margin. In 2014, revenue from our trading operations increased 2.8% YoY to NT\$ 13.0 bn, of which commission revenue from agency business totaled NT\$255.4mn, or nearly 2% of our revenue. Given the sales growth, both principal trading and agency businesses benefitted from operating leverage, which saw a 1.0 percentage point increase for operating margin during the year to 4.3%.

In December, we completed the acquisitions of three German trading subsidiaries. This is a key milestone for Test-Rite, as we now own 100% of our oversea sales offices. While we expect to continue to grow our German business via our newly acquired subsidiaries, we also intend to reestablish Test-Rite's presence in Europe, by leveraging our newly acquired warehouse facilities in order to extend Test-Rite's full service sourcing capabilities to our customers in Europe. Looking into

2015 and beyond, our newly established warehouse services in the Shanghai FTZ will also serve as another key growth driver, as we are able to offer even more efficient, full service trading and sourcing capabilities our customers worldwide.

Below please find Test-Rite's parent and consolidated operating result FY2014, along with business plan summary for FY2015 and future business strategy. We also included the highlight of possible impacts and challenges from external competition, changes in government regulations and global macroeconomic environment for your reference.

1. Operating result for 2014

(1) Operating result based on business plan for 2014 (consolidated):

(NT\$ mn)	2014A	2013A	YoY change by value	YoY change (%)
Net sales	35,946	35,204	742	2.11
COGS	25,114	24,594	520	2.11
Gross profit	10,832	10,610	222	2.09
Operating Expense	9,850	9,833	17	0.17
Operating profit	982	777	205	26.38
Non-op.profit/(loss)	(99)	(44)	-55	125.00
Net profit before tax	883	733	150	20.46
Net profit after tax	715	641	74	11.54
Recurring Net profit attribute to TRIC	706	635	71	11.18

(2) Operating result based on business plan for 2014(stand alone):

(NT\$ mn)	2014A	2013A	YoY change by value	YoY change (%)
Net sales	12,937	12,176	761	6.25
COGS	10,376	9,940	436	4.39
Gross profit	2,561	2,236	325	14.53
Operating Expense	2,394	2,162	232	10.73
Operating profit	167	74	93	125.68
Non-op.profit/(loss)	575	595	-20	-3.36
Net profit before tax	742	669	73	10.91

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

Item/Year		2014A	2013A	YoY change (%)
Balance Sheet	Total Liability/Total Asset	70.46	70.93%	-0.66
	Current Ratio	116.07	111.17%	4.41
Profitability	ROE	10.15	9.57%	6.03
	Net Margin	1.99	1.82	9.32
	EPS	1.42	1.30	9.23

2. 2015 business plan and future development strategy

(1) Business plan and managerial principle:

- Open 5-8 stores in Taiwan and China, include the first Crate & Barrel stores in the shopping Mecca of Taipei, Sinyi District.
- Ramp up E-commerce product offerings in Taiwan and China (re-launched e-commerce in China began in June 2014).
- Further integrate merchandising team for Taiwan and retail to benefit from
- Expand warehousing capability in Taiwan to support business needs (Crate & Barrel/E-commerce).
- Post M&A integration of German subsidiaries and establishment of European Hub.
- Leverage newly established Shanghai FTZ to provide more efficient and more integrated sourcing and supply chain management service.
- Continue integration of trading and retail operations to realize potential synergy.

(2) Future development strategy:

- Continue to leverage in-house design capabilities to provide differentiating products for both trading and retail businesses in order to transform Test-Rite to a products company.
- Increase private label penetrate rate to drive earnings growth in all retail formats as private label products have higher GM% vs. non private label products.
- Identify new products/brand for licensing opportunities in Taiwan and China
- Maintain existing relationships with trading customers and (principal and agency) while aggressively pursue potential agency opportunities.
- 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

As we are less than 12 months away from the next Presidential election in 2016 in Taiwan, it is probable that the authorities will continue its effort to reign in the overheated real estate market. This may have a prolonged adverse impact on demand for DIY and home furnishing related products, which is exacerbated by policy shifts that may negatively impact disposal income, including higher electricity price increases and higher dividend tax to support the national healthcare programs. However, higher equity market levels and the expected pay increases in both public and private sectors may lend support overall household income and consumer confidence level in Taiwan.

In China, the authorities have continued to reign in the purported excess spending of wealthy individuals. The result is a substantial slowdown of property market transactions and retail sales, which saw declines of 6.3% and increases of 12.2% on a national basis, lower by 5~10 percentage point than its recent peak. These issues, along with rising labor costs, have significantly increased the challenges of our retail operation in China. However, our aspiration to become the premier retail operator in home related categories remain unchanged and we plan to expand our operation open 5 to 8 new stores in Taiwan and China, including the first Crate and Barrel store as a franchisee in Taipei, Taiwan. The competitive landscape for retailers globally is rapidly changing. However, Test-Rite is uniquely positioned as a supplier to many of the top retail operators globally and as a retail operator locally. We intend to fully leverage our strengths to grow our principle shipments, add new agency customers (Fred's agency agreement was signed in 2H14), and continue to introduce new and unique products to our portfolio for both trading and retail operations.

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 improve our balance sheet and further enhance returns on shareholder equity (ROE). We, the management team of Test-Rite, on behalf of all the employees of the company, 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

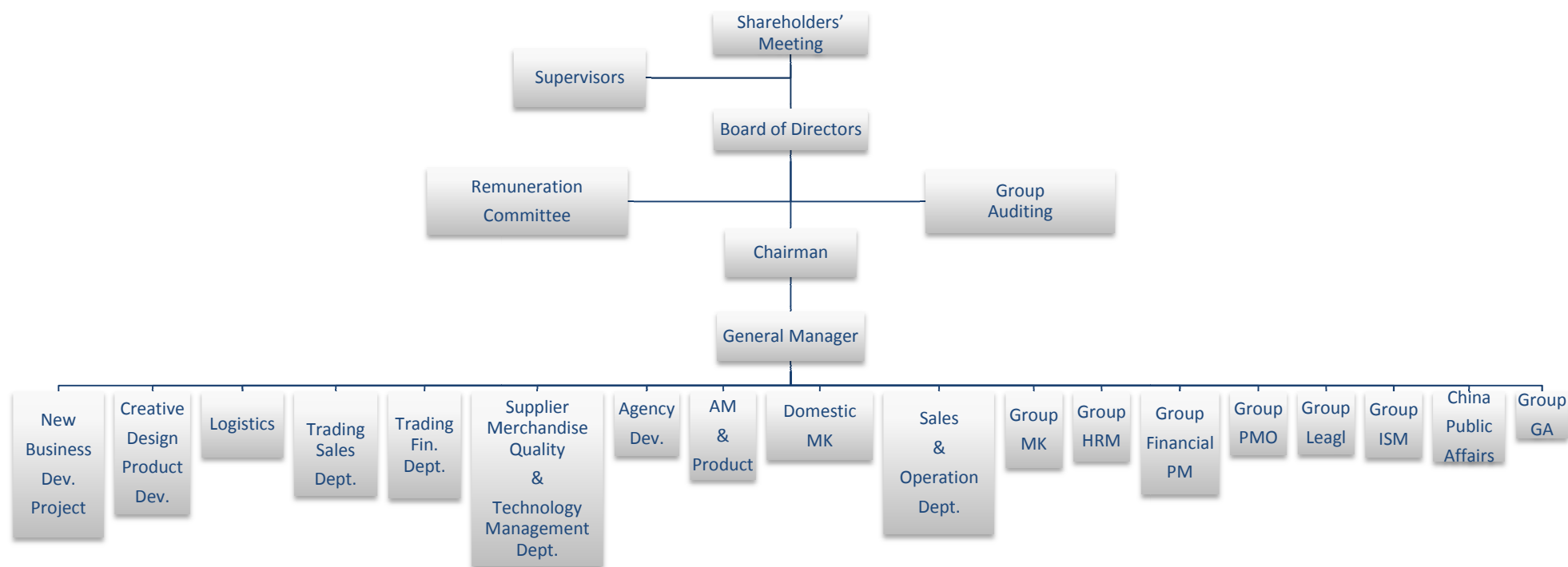
2.2 Company History

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.
2014	Established warehousing and distribution center in the Shanghai Free-Trade Zone.
2015	Completed M&A transaction for shares in German trading subsidiary.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Chairman's 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 designated projects
General Manager's Office	Responsible for evaluation/formulation of business strategies 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.
Group General Administration Department	Group general administration and management, capital equipment, and building general management.
China Public Affairs Department	China-related general affairs and external relations management.
Group Information Systems Management	Implementation and planning of computer hardware equipment and software planning, program design, and implementation for internal corporate applications for the Group.
Group Legal	Management of corporate counsel, litigation; reviewing of contracts, trademark patents, legal affairs, and regulatory compliance.
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, Group budgeting and investment planning.
Group Human Resource Management	Planning and integration of Human resource planning and integration, employee benefits planning and implementation, industrial relations coordination, and staff education, training, and development.
Group Marketing Management	Trading business development and expansion, marketing and planning for retail business in Taiwan, provision of quality and timely customer services.
Sales and Operations Department	Follow-up on sales orders, sales order input and analysis, and coordination management between factory, shipping, and inspection units.
Domestic Marketing	Planning and execution of marketing and promotional activities.
AM & Product	Media and customer relationship maintenance, customer service enhancement, devotion of resources to enhance customer relationships and gain additional competitive advantage.
Agency Development	Agency business promotion; provision of information and services for customers.
Vendor Merchandise Quality and Technology Management Department	Supporting functions related to quality assurance, quality management, and supplier assessment for direct-line units.
Trading Finance Department	Accounting management, compilation of financial reports, and information control for global trading business units.
Trading and Sales Department	Planning, development, design, sourcing, sales promotion, and providing clients with information. Client relations management and customer services for products, such as hand tools, home hardware, family suppliers and electronics, seasonal merchandise, stationery, gifts, interior furniture, and IT products.

Department	Functions
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
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 16, 2015

Title	Nationality	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	Taiwan	Ms. Judy Lee	2012.6.18	3	1983.07.04	36,050,614	7.10	20,559,294	4.09	43,995,550	8.76	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 VP	Tony Ho Robin Ho Kelly Ho	Family Family Family
Director	Taiwan	Mr. Tony Ho	2012.6.18	3	1983.07.04	42,682,905	8.41	43,995,550	8.76	20,559,294	4.09	0	0	Chairman of Test Rite Int'l Co., Ltd.; Chairman of Test Rite Retail Co. Ltd.; Chairman of Tong Long Metal Industry Co., Ltd.; Department of Philosophy/Fujen Catholic University; NTU and Fudan EMBA	Note 2	Director Director VP	Judy Lee Robin Ho Kelly Ho	Family Family Family
Director	Taiwan	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; Department of Law, Soochow University	Note 3	-	-	-
Director	Taiwan	Ms. Robin Ho	2012.6.18	3	2010.06.15	761,431	0.15	1,704,579	0.34	252,000	0.06	0	0	VP of Test Rite Int'l Co., Ltd.; Department of Business/ Management University of Southern California; MBA of Fujen Catholic University Graduate Institute of Management	Note 4	Director Director VP	Tony Ho Judy Lee Kelly Ho	Family Family Family
Director	Taiwan	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 0.15	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	Nationality	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	Taiwan	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; Top manager of Professional and Continuing Studies of National Taiwan University; Supervisor of Delta Electronic Inc.; Independent Director of Share Hope Medicine Inc.; Doctor of University of Texas at Austin	Director of Delta Electronics Inc. Associate Professor of National Taiwan University College of Management	-	-	-
Director	Taiwan	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	Independent director of Grand Pacific Petrochemical Corporation	-	-	-
Supervisor	Taiwan	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	6.44 0	0	0	0	0	Partner and Director of Baker Tilly Clock & Co; 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	Nationality	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	Taiwan	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	6.44 0	0	0	0	0	Lawyer of Zhao Ming law firm; Director of Mu-Kuang Education Foundation; Director of Young-Sun Culture & Education Foundation; Director of Chew Zai Xing Foundation; Consultant of Yilan County Government.; Managing Supervisor of Taipei Bar Association ; Director of Taiwan Bar Association ; Department of Law/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 Testrite Brand Agency Co., Ltd. ∙ Director of Test Rite C&B Co., Ltd. ∙ 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 Pro-quality Service 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 Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Chairman of Shanghai B&S Link Logistics Management Ltd. ∙ Chairman of Pro-Quality Service Limited Corporation ∙ 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 Homezone International Corporation ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test-Rite Int'l (Australia) Pty Ltd. ∙ Director of Test Rite Pte Ltd. ∙ Director of Test Rite Products (Hong Kong) Ltd.. ∙ Director of Test-Rite (UK) Ltd. ∙ 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 Upmaster International Co., Ltd.
2. Chairman of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Chairman of Hola Homefurnishings Co., Ltd. ∙ Chairman of Testrite Brand Agency Co., Ltd. ∙ Chairman of Test Rite C&B Co., Ltd. ∙ 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 Pro-quality Service Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Homezone International Corporation ∙ 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 (Hong Kong) 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 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 Upmaster International Co., Ltd.
3. 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.
4. Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Pro-quality Service Co., Ltd. ∙ Director of International Art 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 Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Director of Shanghai B&S Link Logistics Management Ltd. ∙ Director of Pro-Quality Service Limited Corporation ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Test Rite International (Thailand) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ GM of Test-Rite International (U.S.) Co., Ltd.
5. Chairman of UpMaster 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. ∙ Director of Citysource Inc.

6. Partner and Director of Baker Tilly Clock & Co. 、Supervisor of Test Rite Retail Co., Ltd. 、Supervisor of Test-Rite Home Service Co., Ltd.
7. Lawyer of Zhao Ming law firm 、Director of Mu-Kuang Education Foundation 、Director of Youngsun Culture & Education Foundation 、Director of Chew Zai Xing Foundation 、Consultant of County Yilan Government. 、
Legan Advisory Committee of National Police Agency, Ministry of the Interior, R.O.C

Major shareholders of the institutional shareholders

As of April 16, 2015

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 16, 2015

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 16, 2015

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

Title	Nationality	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	Taiwan	Sophia Tong	2009.3.23	1,329,909	0.26%	0	0.00%	0	0.00%	GM of IBM Taiwan; Department of Foreign Languages/National Taiwan University	Note 1	-	-	-
Vice President	Taiwan	John Peng	1998.9.1	333,223	0.07%	991,601	0.20%	0	0.00%	Product Manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 2	-	-	-
Vice President	Taiwan	Robin Ho	2009.5.1	1,704,579	0.34%	252,000	0.06%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, Fugen Catholic University	Note 3	Vice President	Kelly Ho	Family
Vice President	Taiwan	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 4	-	-	-
Vice President	Taiwan	Gillian Joe	2008.7.21	10,307	0.00%	0	0.00%	0	0.00%	Managing consultant of IBM Taiwan; College of Science/ Oklahoma City State University	-	-	-	-
Vice President	Taiwan	Alfred Chang	2005.10.8	306,870	0.06%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Foreign Languages/ National Cheng Kung University	-	-	-	-
Vice President	Taiwan	Peter Dong	2003.1.1	158,827	0.04%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Business Administration/Fu Jen Catholic University	-	-	-	-
Vice President	Taiwan	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	Taiwan	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	Taiwan	Bob Yueh	2009.3.1	13,454	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Industrial Engineering/ Feng Chia University	-	-	-	-
Vice President	Taiwan	Edward Kao	2009.3.1	464,405	0.09%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, New Jersey Institute of Technology	-	-	-	-
Vice President	Taiwan	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	Note 5	-	-	-
Vice President	Taiwan	Tracy Tsai	2009.3.1	137,232	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of International Trade/ Chinese Culture University	-	-	-	-

Vice President	Taiwan	Kelly Ho	2010.8.2	965,120	0.19%	0	0.00%	0	0.00%	Chairman special assistant of Test Rite Int'l Co., Ltd.; MBA, Massachusetts Institute of Technology	Note 6	Vice President	Robin Ho	Family
Vice President	Taiwan	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	Taiwan	Jack Ueng	2011.11.30	338,865	0.07%	85,990	0.02%	0	0.00%	Vice president of B&S Link Co., Ltd.; Master, University of Missouri	-	-	-	-
Vice President	Taiwan	Maggy Chen	2011.12.5	324,512	0.06%	147	0.00%	0	0.00%	General manager of Freer Inc. , Department of Business Management, Soochow University	-	-	-	-
Vice President	Taiwan	Michael Hou	2012.9.10	48,000	0.01%	0	0.00%	0	0.00%	CHO of ASUS; CHO of Yageo Corporation; Department of Labor and Human Resources/ Chinese Culture University	-	-	-	-
Vice President	Taiwan	Linda Lin	2003.1.1	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/ Ming Chuan College	Note 7	-	-	-
Vice President	Taiwan	Shelley Chen	2007.5.1	681	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of International Trade/ Ming Chuan College	-	-	-	-
Vice President	Taiwan	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	-	-	-	-
Vice President	Taiwan	Ted Ho	2014.7.4	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of Global Information Technology Services Division, IBM Taiwan; Senior Vice President of Test-Rite Home Service Co., Ltd.; Computer science department /Chung Yuan Christian University				
Vice President	Taiwan	Constance Chuang	2010.4.15	11	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of History/ Fujen Catholic University	-	-	-	-
Vice President	Taiwan	Lancy Wu	2007.5.1	51,184	0.01%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Master of Department of Business Administration, National Taipei University	-	-	-	-
Vice President	Taiwan	Monica Chen	2009.6.15	130,408	0.02%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/Shih Chien College	-	-	-	-

Vice President	Taiwan	Chester Lee	2015.4.7	28,565	0.01%	0	0.00%	0	0.00%	President of Test Rite Products Corp.; Executive Vice President of Test Rite Int'l Co., Ltd. ; Department of Mechanical Engineering / National Chiao Tung University				
Assistant Vice President	Taiwan	Alex Yu	2005.2.1	88,551	0.02%	0	0.00%	0	0.00%	Manager of SAMPO Co., Ltd.; Department of Mechanical Engineering/ Chung Yuan Christian University	-	-	-	-
Assistant Vice President	Taiwan	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 8	-	-	-
Assistant Vice President	Taiwan	Gino Chen	2010.11.15	0	0.00%	0	0.00%	0	0.00%	CEO of GINO International Marketing Co., Ltd.; MBA, HEC Paris	-	-	-	-
Assistant Vice President	Taiwan	Austin Lin	2011.8.11	0	0.00%	0	0.00%	0	0.00%	FUJITSU TAIWAN Ltd./Senior manager; Department of Computer Science and Information Engineering, Chung Hua University	-	-	-	-
Assistant Vice President	Taiwan	Sky Yuan	2011.12.2	0	0.00%	0	0.00%	0	0.00%	Senior Manager of B&S Link Co., Ltd. ; Master, Department of Computer Science & Information Engineering, National Taiwan University	-	-	-	-
Assistant Vice President	Taiwan	Johnson Lee	2011.12.6	81,766	0.02%	0	0.00%	0	0.00%	AVP B&S Link Co., Ltd.; Department of Electronic Engineering / Technology and Science Institute of Northern Taiwan	-	-	-	-
Assistant Vice President	Taiwan	Hamprey Wang	2012.7.2	0	0.00%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd. ; Department of History/ National Taiwan University	-	-	-	-
Assistant Vice President	Taiwan	Tracy Leu	2012.10.15	20,000	0.003%	0	0.00%	0	0.00%	Senior merchandiser of Jetshoes Co., Ltd.; Merchandise manager of Wal-Mart; Department of Bank and Insurance /Tamkang University	-	-	-	-
Assistant Vice President	Taiwan	Dick Ko	2012.12.25	0	0.00%	0	0.00%	0	0.00%	Fu Jia Enterprise; Department of Business English /Fu Hsing Kang College	-	-	-	-
Assistant Vice President	Taiwan	Eddie Wei	2013.2.18	0	0.00%	0	0.00%	0	0.00%	Creative Design Director of Wisefame International Ltd.; Design Director of GoerTek Inc.; Department of Industrial Design/ Shih Chien University	-	-	-	-
Assistant Vice President	Taiwan	Jenny Chen	2014.8.19	512	0.00%	0	0.00%	0	0.00%	Senior Manager of Test Rite Int'l Co., Ltd.; Department of Business Management/ Ming Chuan University				

Assistant Vice President	Taiwan	Kevin Lin	2015.1.19	0	0.00%	0	0.00%	0	0.00%	VP of FTI Group Director of Wal-Mart Institute of Management/Colorado State University				
Assistant Vice President	Taiwan	Celine Hsien	2015.3.1	0	0.00%	0	0.00%	0	0.00%	Sales Manager of International AIM; Senior Manager of Test Rite Int'l Co., Ltd.; Department of Business Management/ National Central University				

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.; Supervisor of Test Rite Business Development Corporation(China) Co., Ltd. ∖ Supervisor of B&S Link (Shanghai) 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. ∖ Supervisor of Shanghai TEST RITE Global Supply Chain Management Ltd. ∖ Supervisor of Shanghai B&S Link Logistics Management Ltd. ∖ Supervisor of Pro-Quality Service Limited Corporation
2. Director of Test Rite Retail Co., Ltd. ∖ Director of Test-Rite Home Service Co., Ltd. ∖ Director of Pro-quality Service Co., Ltd. ∖ Director of International Art 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 Shanghai TEST RITE Global Supply Chain Management Ltd. ∖ Director of Shanghai B&S Link Logistics Management Ltd. ∖ Director of Pro-Quality Service Limited Corporation ∖ Director of Test Rite Int'l (Australia) Pty. ∖ Director of Test-Rite (UK) Ltd. ∖ Director of Test Rite International (Thailand) Ltd. ∖ Director of Rui Feng International Co., Ltd. ∖ GM of Test-Rite International (U.S.)Co., Ltd.
3. Supervisor of Test Rite Retail Co., Ltd. ∖ Supervisor of Test-Rite Home Service Co., Ltd. ∖ Supervisor of HOLA Homefurnishings Co., Ltd. ∖ Supervisor of Testrite Brand Agency Co., Ltd. ∖ Supervisor of Test Rite C&B Co., Ltd. ∖ Supervisor of Chung Cin Enterprise Co., Ltd. ∖ Supervisor of Pro-quality Service 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. Supervisor of Energy Retailing Co., Ltd.
5. Director of Test Rite Retail Co., Ltd. ∖ Director of HOLA Homefurnishings Co., Ltd. ∖ Director of Testrite Brand Agency Co., Ltd. ∖ Director of Test Rite C&B 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 Shanghai TEST RITE Global Supply Chain Management Ltd. ∖ Director of Shanghai B&S Link Logistics Management Ltd. ∖ Director of Pro-Quality Service Limited Corporation.
6. Director of Lih Chiou Co., Ltd. ∖ Director of Fusion International Distribution Inc.
7. Director of Lih Teh International Co., Ltd.

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

3.3.1 Remuneration of Directors

As of Dec. 31, 2014 : Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E +F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary	
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors(C)		Allowances (D)				Salary, Bonuses, and Allowances(E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)		Granted Employee Restricted Stock(I)					
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities		The company	From All Consolidated entities	The company	From All Consolidated entities		
																Cash	Stock	Cash	Stock						
Chairman	Ms. Judy Lee	4,400	4,400	0	0	7,750	7,750	330	402	1.77%	1.76%	18,947	37,301	276	276	2,819	0	2,819	0	0	0	0	4.89%	7.04%	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. Jaelyn Tsa																								

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	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	Mr. Hsin Hsien Huang 、 Property Int'l Co., Ltd. Representative ： Ms. Ai-Chen Lee 、 Mr. Chung Hsing Huang 、 Mr. Wen-Tzong Chen	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	Mr. Tony Ho 、 Ms. Judy Lee	Mr. Tony Ho 、 Ms. Judy Lee	Ms. Robin Ho	-
NT\$5,000,000 ~ NT\$10,000,000		-	Mr. Tony Ho	Ms. Robin Ho
NT\$10,000,000 ~ NT\$15,000,000	-	-	Ms. Judy Lee	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	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	7	7	7	7

3.3.2 Remuneration of Supervisors

As of Dec. 31, 2014; 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	3,547	3,547	114	270	0.52	0.74	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	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai 、 Mr. Hsueh Hsing Liao	-
NT\$2,000,000 ~ NT\$5,000,000	-	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

3.3.3 Compensation of President and Vice President

As of Dec. 31, 2014; 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			
								Cash	Stock	Cash	Stock							
CEO of strategy & new business development	Tony Ho	110,647	129,001	2,706	2,706	10,846	10,846	3,677	0	3,677	0	18.12	20.45	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	Linda Lin																	
Vice President	Shelly Chen*																	
Vice President	Terrance Yang*																	
Vice President	Constance Chuang*																	
Vice President	Ted Ho*																	
Vice President	Marshall Cheng**																	
Vice President	Thomas Weng**																	
Vice President	Rebecca Chi**																	

* VP Shelly Chen promoted in January 2014; VP Terrance joined in February 2014; VP Constance Chuang promoted in June 2014; VP Ted Ho joined in July 2014.

**VP Marshall Cheng resigned in May 2014; VP Thomas Weng resigned in June 2014; VP Rebecca Chi resigned in March 2015. 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	Thomas Weng 、Marshall Cheng 、Rebecca Chi	Thomas Weng 、Marshall Cheng 、Rebecca Chi
NT\$2,000,000 ~ NT\$5,000,000	John Peng 、Ted Ho 、Constance Chuang 、Shelly Chen 、 Linda Lin 、Maggy Chen 、Kelly Ho 、CC Fan Robin Ho 、Paul Wang 、Edward Kao 、Tracy Tsai Bob Yueh 、Gillian Joe 、Peter Dong 、Alfred Chang	John Peng 、Ted Ho 、Constance Chuang 、Shelly Chen 、 Linda Lin 、Maggy Chen 、Kelly Ho 、CC Fan Paul Wang 、Edward Kao 、Tracy Tsai 、Bob Yueh 、 Gillian Joe 、Peter Dong 、Alfred Chang
NT\$5,000,000 ~ NT\$10,000,000	Michael Hou 、Lawrence Wu 、Jane Peng 、Jack Ueng Hannis Chang 、Terrance Yang	Michael Hou 、Lawrence Wu 、Jane Peng 、Jack Ueng Hannis Chang 、Terrance Yang 、Robin Ho
NT\$10,000,000 ~ NT\$15,000,000	Tony Ho 、Judy Lee	
NT\$15,000,000 ~ NT\$30,000,000	Sophia Tong	Tony Ho 、Judy Lee 、Sophia Tong
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	28	28

3.3.4 Employee bonuses of Managers

As of Dec. 31, 2014; 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	4,348,682	4,348,682	0.62%
	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	Linda Lin				
	Vice President	Shelly Chen*				
	Vice President	Terrence Yang*				
	Vice President	Ted Ho*				
	Vice President	Constance Chuang				
	Vice President	Thomas Weng***				
	Vice President	Rebecca Chi***				
	Assistant Vice President	Lancy Wu**				
	Assistant Vice President	Monica Chen**				
	Assistant Vice President	Alex Yu				
	Assistant Vice President	Jack Chang				
	Assistant Vice President	Gino Chen				
	Assistant Vice President	Austin Lin				
	Assistant Vice President	Sky Yuan				
	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	Jenny Chen*				
	Assistant Vice President	CY Lin***				
	Assistant Vice President	Mercy Chen***				

* VP Shelly Chen promoted in January 2014; VP Terrance joined in February 2014; VP Constance Chuang promoted in June 2014; VP Ted Ho joined in July 2014; AVP Jenny Chen joined in August 2014.

**AVP Lancy Wu and AVP Moinca promoted to VP in January 2015.

***VP Marshall Cheng resigned in May 2014; VP Thomas Weng resigned in June 2014; VP Rebecca Chi resigned in March 2015; AVP Mercy Chen resigned in November 2014; AVP CY Lin resigned in March 2015.

3.3.5 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

1. 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	
	2013	2014
Directors	8.06%	7.40%
Supervisors	0.71%	0.74%
Presidents and Vice Presidents	21.76%	20.45%

2. 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.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 10 meetings of the board of directors were held in the previous period (Year 2013). 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	5	5	50%	
Director	Ms. Robin Ho	5	5	50%	
Director	Mr. Hsin Hsien Huang	10	0	100%	
Director	Property International Company Limited Representative: Ms. Ai Chen Lee	10	0	100%	
Director	Property International Company Limited Representative: Mr. Chung Hsing Huang	6	2	60%	
Director	Property International Company Limited Representative: Mr. Wen-Tzong Chen	9	1	90%	

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 Ms. Robin Ho	Motion for the distribution of performance-based bonuses to the Company's individual managers for 2013.	Chairwoman Judy Lee, Director Tony Ho, and Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	Director Tony Ho, and Director Robin Ho abstained by proxy; remaining directors in attendance passed the motion without objection.
All directors	Motion for the distribution of compensation to the Company's supervisors for 2013.	Assessment of supervisory compensation for each of the directors, with each director having separately undertaken measures to avoid conflicts of interest	All other directors in attendance passed the motion without objection.
Mr. Hsin Hsien Huang	Motion for the compensation of the Company's Remuneration Committee members.	Director Hsin Hsien Huang also serves as a member of the Remuneration Committee.	All other directors in attendance passed the motion without objection.

Ms. Judy Lee Mr. Tony Ho Ms. Robin Ho	Motion for TRD obtaining shares of TRGI, TRI and TG through the Company's 100%-owned German subsidiary.	Chairwoman Judy Lee, Director Tony Ho, and Director Robin Ho hold a portion of shares in TRGI, TRI and TG.	All other directors in attendance passed the motion without objection.
Ms. Judy Lee Mr. Tony Ho Ms. Robin Ho	Motion for the Company's 2013 managerial profit-sharing for employees and 2014 year-end bonus allocation.	Chairwoman Judy Lee, Director Tony Ho, and Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	All other directors in attendance passed the motion without objection.

3. Measures taken to strengthen the functionality of the Board :

- (1) The board approved the “Rules and Procedures Governing Board of Directors’ Meetings,” which was modeled after the “Regulations Governing Procedures for Meetings of Listed Companies’ Board of Directors.” The Company announces on the Market Observation Post System (MOPS) the attendance records of the monthly board meetings, as well as any significant information resolved in the board meetings.
- (2) The 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.
- (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.
- (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.
- (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.

3.4.2 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	9	90%	

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.

3.4.3 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
	Yes	No	Explanatory memorandum	
1. Has the Company implemented a Corporate Governance Code of Practice?	✓		On December 18, 2014, the Company's Board of Directors passed and implemented a Corporate Governance Code of Practice.	In compliance with the Corporate Governance Code of Practice of Listed Companies
2. Shareholding Structure & Shareholders’ Rights (1) What are the Company’s methods of handling shareholder suggestions or complaints? (2) Does the Company possess a list of major shareholders and a list of their ultimate owners? (3) What are the risk management mechanisms and “firewall” between the Company and its affiliates? (4) Has the company established internal regulations to ban its personnel from selling and buying securities with information undisclosed to the market?	✓		(1) The Company has a spokesperson and deputy spokesperson, and has set up a mailbox dedicated to investors to handle investor-related issues. (2) The Company has a dedicated team responsible for carrying out shareholder-related services, and has appointed a shareholder services agent from 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. (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. (4) All personnel of the Company have signed an internal personnel statement, stating that they will never engage in any illegal insider-trading activities, and that they will take sole responsibility for all related laws and regulations.	In compliance with the Corporate Governance Code of Practice of Listed Companies
3. Composition and Responsibilities of the Board of Directors (1) Has the board of directors established and implemented diversification measures in its member setup? (2) In addition to setting up a remuneration committee and audit committee in accordance with the law, has the Company voluntarily established any other functional committee?	✓		(1) Related regulations can be found in Chapter 3 of the Company's Corporate Governance Code of Practice; the Company has implemented these measures accordingly. (2) The Company will evaluate whether or not to establish these committees on an annual basis. (3) The Company has not yet established a method to assess the performance of its Board of Directors. (4) The Board of Directors assesses the independence of its Certified	In compliance with the Corporate Governance Code of Practice of Listed Companies

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
(3) Has the Company established a performance rating method for its Board of Directors, and conducted performance ratings accordingly on an annual basis? (4) Does the Company evaluate its CPAs’ independence on a regular basis?			Public Accountant (CPA) annually, at the end of each year.	
4. Has the Company established effective communication channels and public relations departments with stakeholders, responded the important issues of corporate social responsibility ?	✓		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 communications with its stakeholders.	In compliance with the Corporate Governance Code of Practice of Listed Companies
5. Has the Company assigned a professional stock transfer agent to handle affairs related to the shareholders' meetings?	✓		The Company has assigned the Stock Agency Department of Yuanta Financial Holdings to handle tasks related to shareholders' meetings.	In compliance with the Corporate Governance Code of Practice of Listed Companies
6. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding the company’s financials, business and corporate governance status? (2) What are the other information disclosure channels (e.g., maintaining an English-language website, appointing responsible personnel to handle information collection and disclosure, appointing spokespersons, and webcasting investors’ conference) that the Company has devised?	✓		(1) Based on the Company principles of integrity and good faith, we take proper care of all employees and 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.testritgroup.com) has been established in order to disclose relevant information about the Company. Investors may also consult the official Market Observation Post System (MOPS) for relevant information at http://mops.twse.com.tw . (2) In addition to a corporate website written in Chinese, the Company has also established an English version of the website; the Company has also disclosed information on the MOPS website in accordance with regulatory requirements, appointed a spokesperson, and completed various reporting requirements. Excerpts of briefings of institutional investor conferences can be	In compliance with the Corporate Governance Code of Practice of Listed Companies

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			found at our corporate website.	
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 insurance purchased for directors and supervisors):	✓		<p>(1) Employee rights : Based on the Company's principles of integrity and good faith, the Company takes proper care of employees and abides by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of employees, and to provide equal employment opportunities. Our Employee Welfare Committee has implemented an employee pension system that 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 reserved for employees in order to resolve parking issues. With respect to emergency assistance, in addition to providing employees with protection through group insurance, in the event of major emergencies, the Company also dedicates personnel to take the initiative to call for voluntary contributions from employees to render assistance to fellow staff.</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 to fulfill our corporate responsibility to shareholders.</p> <p>(4) Supplier relations and rights of stakeholders : The Company's business philosophy lies in achieving mutual success with our suppliers. We have always maintained a positive and healthy relationship with each supplier, and all requests made to vendors</p>	In compliance with the Corporate Governance Code of Practice of Listed Companies

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>and stakeholders have been reasonable. We always offer communication opportunities and respect the legitimate rights and interests of all parties involved.</p> <p>(5) Directors and supervisors of the Company have continuously attended courses related to Corporate Governance.</p> <p>A. Chairwoman Judy Lee attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>B. President Tony Ho attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>C. Director Robin Ho attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>D. Director Hsin-Hsian Huang attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>E. Director Ai-Chen Lee attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>F. Director Chong-Hsing Huang attended the "Company, Directors, and Supervisors' Duties and Responsibilities under</p>	

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>G. Director Wen-Chung Chen attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>H. Supervisor Yong-Chi Lai attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <p>I. Supervisor Hsueh-Hsing Liao attended the "Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act" course hosted by the Taiwan Corporate Governance Association for three hours on December 12, 2014.</p> <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 that we enter into with customers, and is committed to protecting consumer 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>	

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
8. If the Company has implemented a self-regulating corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements should be stated.	✓		In the Company’s annual internal control self-evaluation operation, no material deficiencies requiring rectification or improvement have been found.	In compliance with the Corporate Governance Code of Practice of Listed Companies

3.4.4 Composition, Responsibilities and Operations of Remuneration Committee :

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

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

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

2. Operations of Remuneration Committee :

- (1) The Company's remuneration committee includes 3 members.
- (2) The Remuneration Committee members' respective tenures are from June 18, 2012 to June 17, 2015. The Remuneration Committee convened four regular meetings in the previous period. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remark
Chairman	Mr. Hong Xun Ding	4	0	100%	
Member	Mr. Ting Yang Liu	4	0	100%	
Member	Mr. Huang, Kuo-Shih	2	0	50%	Directors' meetings objected to Mr. Huang, Kuo-Shih Member of remuneration committee in March 25, 2014
Member	Mr. Hsin Hsien Huang	1	0	25%	Expiration of the term in March 19, 2014

Other notable items:

1. If the directors' meetings objected to or modified the proposal of remuneration committee, the dates of meetings, sessions, contents of motions, the resolution of directors meeting and the Company's response to remuneration committee's opinion should be specified : None.
2. If the remuneration committee member objected to or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all members' opinion and the Company's response to members' opinion should be specified : None.

3.4.5 Corporate Social Responsibility Fulfillment:

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>1. Implementing corporate governance practices</p> <p>(1) Has the Company established corporate social responsibility policies or systems to review the effectiveness of the implementation?</p> <p>(2) Does the Company schedule routine educational training for corporate social responsibility?</p> <p>(3) Has the Company designated a dedicated (or participating) unit to promote corporate social responsibility?</p> <p>(4) What is the current status of the Company's practice of organizing regular training sessions and awareness programs on business ethics for directors, supervisors, and employees, and on establishing a clear and effective incentive and disciplinary system by integrating the results of the business ethics 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 has not yet routinely hosted these training sessions, but has already invited external departments to host introductory lessons, and will continue to promote such training in the future.</p> <p>(3) The Company's dedicated (or participating) unit to promote corporate social responsibility practices: The Company has established an internal Corporate Social Responsibility Committee. 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>(4) The Company organizes education and training programs as well as awareness initiatives on a regular basis. Presently, we have already established a clear and effective incentive and disciplinary system that integrates the results of the training programs with employee performance appraisal.</p>	Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.
<p>2. Developing a sustainable environment</p> <p>(1) Is the Company committed to improving the efficiency of the utilization of various resources and to the use of renewable materials that pose lower impacts on the environment?</p> <p>(2) Has the Company established and implemented an</p>	✓		<p>(1) 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 Europe and North America. The Company</p>	Our guidelines are consistent with those specified in Social Responsibility Best-Practice

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>appropriate environment management system in accordance with the nature and characteristics of the industry to which it belongs?</p> <p>(3) What is the level of the Company's awareness of the effects of climate change on its business activities, and has it developed corporate strategies aimed at the reduction of carbon and greenhouse gas emissions?</p>			<p>has also installed recycle 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, reusable shopping bags. These measures will help comprehensively in reducing plastic bag consumption.</p> <p>(2) The Company's general administration unit is the dedicated department responsible for environmental management.</p> <p>(3) Climate change has become an important issue to enterprises. The Company has implemented policies on conservation of energy and the reduction of carbon and greenhouse gas emissions. For instance, the Company is dedicated to recycling, temperature control for air-conditioning, use of energy-saving lighting fixtures as well as adoption of water-conserving faucets. In terms of logistics operations, we are continuously reducing carbon emissions in the transportation process through various approaches, including the reuse of boxes and pallets during transportation, and better planning of transportation routes, etc.</p>	Principles for TWSE/GTSM Listed Companies.
<p>3. Promoting social welfare</p> <p>(1) Does the Company observe 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? To this means, has the</p>	✓		<p>(1) Based on the Company's principles of integrity and good faith, we take proper care of our employees and 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</p>	Our guidelines are consistent with those specified in Social Responsibility Best-Practice

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>Company established adequate management methodologies, procedures, and monitoring mechanisms?</p> <p>(2) Has the Company set up employee grievance mechanisms and channels, and handled these grievances in an appropriate manner?</p> <p>(3) Does the Company practice in providing employees with a safe and healthy working environment, and in implementing training focused on safety and health for employees on a regular basis?</p> <p>(4) Has the Company also implemented a periodic employee communication mechanism, and in the event of any operational change that may impact employees, are employees are reasonably notified and advised of these changes?</p> <p>(5) Has the Company established an effective career development plan for its employees?</p> <p>(6) Has the Company set up appropriate consumer protection policy and complaint-filing procedures for its operations in R&D, procurement, production, operation and processing divisions?</p> <p>(7) Does the Company comply with related laws, regulations, and international standards for the marketing and labels on its products and services?</p> <p>(8) Prior to signing contracts with suppliers, has the Company assessed whether these suppliers hold any past record of posing significant impacts on the</p>			<p>Company's internal regulations and management guidelines.</p> <p>(2) The Company belongs to an industry in which the Labor Standards Law (LSL) is applied, and all of our operations use the LSL as a foundation. The Company has set up an employee suggestions box which handles employee complaints and welcomes various opinions that employees may have. We use these suggestions as references to improve various measures. Meanwhile, the Company routinely hosts employee forums which are attended in-person by senior management, who listen to the various opinions and feedback from employees, then demand that related internal departments respond and make necessary revisions. Since the Company normally places a strong emphasis on various employee benefits and two-way communications with employees, our industrial relations are in a harmonious state.</p> <p>(3) The Company endeavors to provide employees with a safe and healthy working environment and arranges for employees to participate in annual medical checkups. In addition, the Company has engaged the Employee Assistance and Services Center as well as professional consultants to provide our staff with specialized psychological counseling, adjustment to work, sleep disorder counseling, and related services. The Company also organizes health workshops and provides health educational information from time to time to enable our</p>	<p>Principles for TWSE/GTSM Listed Companies.</p>

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>environment and society?</p> <p>(9) Does the company's contract with its primary supplier contain any immediate termination or cancellation clauses for when the supplier violates its corporate social responsibility policy, and poses a significant impact on the environment and society?</p>			<p>staff to take better control of their health.</p> <p>A. The Company has passed all the annual fire-safety inspections.</p> <p>B. We have also entered into cooperative agreements with many professional physical examination centers to provide free annual physical examinations for our employees.</p> <p>C. Our 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 and Services Center of Hsinchu City Lifeline Association.</p> <p>D. The Company also organizes health workshops and offers health education information periodically to enable our staff to take better control of their health.</p> <p>(4) The Company regularly issues employee communication documents and letters from the CEO, and arranges employee seminars to improve internal communications. 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 our employees.</p> <p>(5) The Company's educational training program is a long-term personnel training system in which all levels of leadership functions, key tasks, professional tasks and general training for staff are established. In addition, a</p>	

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>Corporate University, including the Management College, Trading College, and General Training College, has been set up for personnel training and to foster talents. The training plan is to assist the Company's operational strategy and its developmental needs. At the beginning of each year, a unit in charge of training will put forward the year's educational training plan for review and periodically assess the actual performance of the training which, in turn, serves as the basis for rectification of the subsequent training plan.</p> <p>A. Management training: a course curriculum that corresponds with the functionality of entry-level, mid-level and senior management has been implemented. Entry-level management courses are focused on personnel management, and the internal lecturer will pass on the Company's management vision and culture in line with the concept of a leader cultivating another leader. For instance, there are courses addressing topics such as the role and responsibility of a supervisor, performance management, providing inspiration, and interpersonal communications for a supervisor. Mid-level management courses emphasize teamwork and creating synergy. The emphasis is on undertaking independent learning through teamwork, and action-based learning will also be incorporated into the courses, so that managers learn</p>	

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>to simultaneously solve the organization's issues and apply their learning in practice. These include, for instance, team-building and personnel development. Senior-level management courses emphasize forward-thinking and self-cultivation, in which the Board of Directors will give advice on the operations of senior-level management, aided by practical case studies, discussions and strategic feedback and responses with external consultants; this ensures that the senior-level management does not overlook strategic developments and neglect forward-thinking during operations. Concurrently, the Company is focused on the enhancement of senior-level managers, and will select managers to attend external humanistic and leadership programs according to their individual developmental requirements.</p> <p>B. Professional training: The Company has designed a series of professional courses according to the specialized capabilities required for key functions within the professional Training Roadmap. This includes sourcing professional marketing and sales materials, and is given in accordance with the skills needed at each level. The scope of the courses covers introductory, fundamental, and advanced levels. In recent years, to encourage our personnel</p>	

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>to diversify, the Career Roadmap has been planned to inspire our staff to nurture a second talent, accumulate various professional experiences, and at the same time, to train well-rounded talent capable of efficiently adapting to external changes. In addition to internal courses, the Company also periodically selects staff to attend external courses or seminars to enhance their market sensitivity and maintain their professional expertise. Additionally, the Company also offers employees the opportunity to study overseas and provides partial assistance for learning foreign languages in order to enhance their ability to connect with the international market.</p> <p>C. General training and new-hire training: General courses that cater for essential functional capabilities are provided in order to enhance our staff's efficiency at work. These include courses in communications skills, presentation skills, task management, problem analysis and solving, and customer service. The Company encourages all staff members to embrace our corporate culture. Senior-level managers will personally introduce the Company's vision and strategic development in training sessions with new recruits. Moreover, a course on corporate values is arranged for staff members to understand the Company's behavioral code of integrity, accountability, and modesty.</p>	

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>Mentors also supplement this effort to continuously care for new recruits and to integrate them into our environment.</p> <p>In addition, the Company has introduced digital learning platforms and developed a variety of e-learning digital courses that provide our staff with diverse learning channels and resources, designed to enrich their educational development and personal growth. This reflects the Company's emphasis and devotion to nurturing talent.</p> <p>(6) The Company regularly issues employee communication documents and letters from the CEO, and arranges employee seminars to improve internal communications. 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>(7) The Company's primary business is focused on the trading and retail of products and services related to daily housing supplies, interior decoration, fixtures and maintenance, as well as the licensing of brands. For multinational sales, the Company complies with client demands as well as regulations and requirements of their local government authorities. For local sales, the Company complies with related laws and regulations, or the regulations of the origin of import, and carries out the</p>	

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>marketing and labeling of each product and service according to standards.</p> <p>(8) 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 ordering system and electronic invoice system. In the future, we will ask our suppliers to gradually improve their operating systems as well and to collectively contribute to the fulfillment of our corporate social responsibilities.</p> <p>(9) The Company has exercised due care and diligence in the verification process of selecting suppliers to join our list of partners. Factors taken into account for verification include, among others, maintaining human rights, labor hours, not hiring child labor, ensuring workplace safety, and protecting the environment. When a contract is signed, clauses therein clearly state that if social responsibility and moral standards are violated, the Company's goodwill will be damaged and/or the public interest will be affected. Then the Company will be capable of terminating the contract at will.</p>	
<p>4. Enhancing information disclosure</p> <p>(1) The manner in which the company discloses information related to corporate social responsibility that concerns relevance and reliability. Has the</p>	✓		<p>The Company has reconstructed its official website to provide clearer, more efficient, and more comprehensive disclosure of information including corporate governance and financial performance, etc. The Company has not yet drafted the</p>	<p>The Company has not yet drafted the Corporate Social Responsibility</p>

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
Company compiled a Corporate Social Responsibility Report and disclosing its work towards the promotion of corporate social responsibility?			Corporate Social Responsibility Report, but will do so in the future, should a practical need arise such as to enhance disclosure of the Company's practices of corporate social responsibility.	Report, but will do so depending on practical needs in the future.
<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 26 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 & Test Rite Home Service Co., Ltd. obtained the dp.mark Data Privacy Protection Mark certification from the Ministry of Economic Affairs in 2013. In 2014, Test Rite took part in the promotion of energy-saving products in Taipei for the seventh consecutive time, and was honored with the Excellence Award for the Promotion of Energy-Saving Products. It is also the only retailer in Taiwan to be given this award for seven consecutive times. The Test Rite Shilin store has championed the concept of a "Green Shopping Environment," and has saved over three million kWh of electricity annually. It has gained recognition from the Taipei City government for four years running, as well as winning first place in the Seventh Taipei City Energy Leadership Award. The Test Rite Bade Store answered the call of the Taoyuan County government in its first-ever "2014 Green Store Creativity Marketing Competition," in which it promoted environmental protection and various green merchandise, enhanced the service quality of green products, and won the Silver Medal for outstanding</p>				

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>green marketing. At the same time, for actively educating the public on environmental protection matters, such as saving water and electricity and promoting green building materials, the store was voted by the public as the Most Popular in the "2014 Green Store Creativity Marketing Competition." Test Rite and the Water Resources Agency of the Ministry of Economic Affairs collaborated to set up a booth devoted to selling products with a water-saving insignia; this received recognition for its positive influence on promoting water-saving materials. Test Rite integrates green strategy and green marketing in its operations, incorporates environmental knowledge into private products, and frequently hosts green marketing events on its Facebook fan page. These have resulted in winning the Outstanding Award in the Fifth Poll on Green Brands hosted by <i>Business Next</i>. In 2015, Test Rite has again won the honor of the ‘Industry Energy-Saving Benchmark’ from the Executive Yuan for its participation in the government's Energy-Saving Month campaign over the years.</p> <p>(2) Community involvement, social contributions, social services, social welfare, human rights, security, health and other social responsibility activities: Test Rite Group expresses concern for the community, participates in activities benefiting the society and devotes efforts in practicing corporate social responsibility, such as the Test Rite Happy Community project; Sponsorship of Formosa Charity Group; Sponsorship and support of the sport of archery in Taiwan; Support Chung-Yu Foundation of public car washing activities; Support Men-Nuo Foundation of simple repair volunteer services; Donation to Fu Jen Catholic University of campus outdoor learning platform; Joined the Friends of the Flower Expo to build Taiwan's international image; Donating NT\$10 million material to assist the reconstruction in disaster of Typhoon Morakot (August 2009); Participated in the Japan 311 flood donations to express the care for tsunami victims; Continuously held The Group's Volunteer Day of 2011, "Let Love Guide Us in Moving Forward," and 2012“The Unlimited Love of Test Rite”, company organized charity bazaars and donations to the Chinese Christian Relief Association's project, "After School Reading Program for Children of Disadvantaged Families," which helps children in desperate need of education and family support; Members of the Company's staff are involved with activities such as traveling to schools in remote towns and villages as volunteers and donating books. Participated in World Vision Taiwan, the 23rd "Hunger 12" experience, company hope to raise community donations to help emergency needs of families in Taiwan, and to bring hope of survival to poor children, AIDS orphans and war children in the world. 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. To contribute toward the relief efforts in Kaohsiung following the gas explosion incident on August 1, 2014, the Test Rite Dashun Store set up an emergency water</p>				

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
and electricity maintenance center providing victims with free access to checkup and maintenance services for water pipes and electricity routes. Prior to the Mid-Autumn Festival, a volunteer event was held throughout Taiwan in which 700 staff members utilized their specialty skills for home maintenance and interior decoration to perform at 40 volunteer projects for the benefit of seniors living alone and disadvantaged families, as well as charity organizations such as preschools, nursing homes, and centers for the disabled. This helped disadvantaged families and friends everywhere to rejoice and celebrate the Festival together! In 2014, Test Rite was given the "Labor Safety Award" by the Taipei City government, and Test Rite Group was accorded the "Sales Merit Award" by the Ministry of Finance. The Test Rite Fengshan Store won the outstanding "Golden Safety Award" presented by the Kaohsiung City government for its building planning with excellent public safety features. In addition, the Test Rite Group was bestowed with the "Happiness Enterprise Award" by the Taipei City government.				
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.				

3.4.6 Corporate implementation and adoption of measures concerning business integrity: The Company has established a code for business integrity and honesty, and promotes this policy from time to time in order to prevent staff negligence, which could cause them to mistakenly go against company regulations and affect the Company's goodwill and face the personal risk of criminal charges.

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanatory memorandum	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Are the Company's guidelines on corporate conduct and ethics provided in its internal policies and disclosed publicly? Have the Board of Directors and the management team sufficiently demonstrated their commitments to implement these policies?</p> <p>(2) Has the Company established relevant policies for preventing any unethical conduct? Are the implementations of the relevant procedures, guidelines, and training mechanism provided in the policies?</p> <p>(3) Has the Company established appropriate measures in the relevant policies for preventing bribery and illegal political contribution for higher levels of potential unethical conduct?</p>	✓		<p>(1) The Board gave the approval to the Corporate Governance guidelines and Regulations on November 11, 2013, and announced immediate effect on the implementation of the human resources unit and assigned a dedicated unit. The unit regularly reports on the implementations to the Board. Our corporate culture is based on the integrity of business management. The Company has included in its internal rules a set of Employee Integrity Policy and the "Group Guidelines Governing Employee Award and Disciplinary Actions". The Company has also explicitly expressed its business principles of integrity and abides by the law in all commercial agreements entered into 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 announces related laws and compliance from time to time.</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 any other improper benefits. Violators are punished pursuant to regulations. The Company has invested in crime insurance.</p>	Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".

<p>2. Corporate Conduct and Ethics Compliance Practice</p> <p>(1) Has the Company implemented measures to prevent doing business with those who hold unethical records, and also included business conduct and ethics-related clauses in its business contracts?</p> <p>(2) Has the the Company set up a dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and is the Board of Directors supervisory to the execution and compliance of the policies?</p> <p>(3) Has the Company established policies to prevent conflict of interest and provided appropriate channels for communication and complaint?</p> <p>(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and have the Company's internal auditors audited such execution and compliance?</p> <p>(5) Does the Company host routine internal and external training geared towards business integrity practices?</p>	✓		<p>(1) The Company has incorporated the relevant provisions on the integrity of behavior into all commercial agreements.</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 of its implementations and to 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 to abide 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 has approved of the "Code of Ethics for Business Management" on November 11, 2013. This will go into the annual internal audit plan of the next year after it has been approved by the Board of Directors.</p> <p>(5) The Company hosts several internal educational training sessions geared toward business integrity practices annually. As for external training, the Company promotes its integrity practices concept to suppliers during the annual supplier meetings, and also delivers these messages to suppliers from time to time.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>
<p>3. Has the Company established channels for reporting any ethical irregularities and set up appropriate punitive measures for violations of the policies?</p> <p>(1) Has the Company set in place specific reporting and rewarding systems, as well as constructed a pipeline to facilitate in reporting, and assigned appropriate specialist staff for handle the personnel being reported on?</p> <p>(2) Has the Company set up standard operating procedures and related confidentiality system for handling and</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 who have violated the Company's integrity principles shall be dismissed.</p> <p>(2) Violations may be reported through the designated email address or telephone number provided by the Human Resources Department. Where necessary, employees are welcome to contact HR</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed</p>

investigating reports that have been received? (3) Has the Company taken measures to ensure that whistleblowers are not subjected to inappropriate treatment from the reporting actions?			directly. (3) The Company shall facilitate a Group Reporting Mechanism this year, thereby activating the Group's reporting and investigation procedures.	Companies".
4. Information Disclosure Has the Company disclosed information regarding its corporate social responsibility, which pertains to the Company's relevance and reliability, on its corporate website and the MOPS?	✓		The Board has approved the Corporate Governance guidelines and Regulations on November 11, 2013, and publicly announced this information on our company website. The Company has clearly disclosed its corporate values of integrity, accountability, modesty, customer-driven and high performance on our company website.	Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancies 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., promoting and demonstrating the company's commitment to keeping in line with ethical standards, providing training to its business partners, and reviewing the company's corporate conduct and ethics policy). The Board has approved the Corporate Governance guidelines and Regulations on November 11, 2013, and announced this information on our 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 work-related honesty, as well as the obligations they should fulfill. We have been, from time to time, communicating with our suppliers our corporate values of integrity, accountability, modesty, customer-driven and high performance. We have also incorporated the relevant provisions on the integrity of behavior into our commercial agreements.				

3.4.7 If the company has set a corporate governance policy and other related regulations, give methods of inquiry for disclosure of this information. The Company has established procedures to process significant internal significant information and business integrity practices policy. This information is disclosed on the Company's internal data management system as well as on its official website (<http://www.testritegroup.com>). Special explanations dedicated to integrity practices can be found in the Conflict of Interest section, in which the Company's vision and management for integrity practices are expressed. Additionally, the Company also offers related corporate governance legal information for new directors, supervisors, and managers either when they are first recruited or from time to time.

3.4.8 Other Important Information Regarding Corporate Governance :

1. Managers' training records :

Position	Name	Date of Study	Hosting Institution	Name of Course/Program	Hours of Study
Accounting Supervisor	Linda Lin	2014/8/4~5	Accounting Research and Development Foundation, R.O.C.	Continuing Studies for Accounting Supervisors in Issuers of Securities Dealers Exchange	12
Auditing Supervisor	Lancy Wu	2014/05/22	The Institute of Internal Auditors, R.O.C.	Visions for Corporate Governance in Taiwan	3
		2014/06/11	The Institute of Internal Auditors, R.O.C.	Relations between Internal Auditors and Corporate Governance	3
		2014/08/22	Accounting Research and Development Foundation	Laws and Protection for Whistle blowing from the Perspective of an Employee who Uncovers a Scandal	3
		2014/08/26	Accounting Research and Development Foundation	Case Study of Internal Auditors' Evidence-Gathering for the Legal Prosecution Unit	6
		2014/09/18	Securities and Futures Institute	Integrity Practices and Corporate Social Responsibility for Listed Companies	3
		2014/09/22	Accounting Research and Development Foundation	Prevention and Case Study Analysis of Audit Measures Against Corporate Employee Fraud	6
		2014/11/20	Financial Supervisory Commission, R.O.C.	10 th Taipei Corporate Governance Forum	6
		2014/12/12	Taiwan Corporate Governance Association	Company, Directors, and Supervisors' Duties and Responsibilities under the Securities and Exchange Act	3

2. Employees' certification related to financial transparency :

Name	Certification
Lancy Wu	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Paul Chen	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Certification in Control Self-Assessment (CCSA) 、 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 (CRMA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Weilin Chen	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
Avery Chang	Internal Control of Corporation Test of Securities and Futures Institute 、 Internal Bank Controls the Basic Test for Compliance Certification 、 The Securities Specialist 、 The Securities Investment Trust and Consulting Professionals
Vivian Ko	Internal Control of Corporation Test of Securities and Futures Institute
Marilyn Ho	Internal Control of Corporation Test of Securities and Futures Institute
Wukun Yang	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 、 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
Tiffany Chang	Internal Control of Corporation Test of Securities and Futures Institute
David Lin	Internal Control of Corporation Test of Securities and Futures Institute 、 Proficiency Test for Trust Operations Personnel
Susanna Yen	Shares Officer Test of Securities and Futures Institute 、 Internal Control of Corporation Test of Securities and Futures Institute

3.4.9 Internal Control System :

Test Rite International Co., Ltd.

Statement of Declaration on Internal Control System

Date: March 25, 2015

The Company conducted an internal audit for 2014 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, 2014 (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, 2015 in the presence of 6 directors.

Test Rite International Co., Ltd.

Chairman : Judy Lee

President : Sophia Tong

3.4.10 As of the most recent year and date of printing of the annual report and its internal personnel shall be punished, punished the company in violation of the internal control system of regulation set its internal staff, mainly the lack of improvement in the situation: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

For the most recent year and up to the date of the printing of the Annual Report, the important resolutions of the Shareholders' Meeting and the Board of Directors, and their execution are as follows:

1. Important resolutions of the Shareholders' Meeting and their execution:

The 2014 Stockholder's General Meeting for Test Rite Corporation was held on June 11, 2014 at the Meeting Room, sixth floor, No. 23, Sec. 3, Hsinhu Rd., Neihu District, Taipei City. The matters passed by the shareholders in attendance and their execution are as follows:

- (1) Acknowledged the sales report and financial reports of the 2013 fiscal year. Execution: resolved to pass.
- (2) Acknowledged the motion for earnings distribution for the 2013 fiscal year.
 - Execution: resolved to pass, and carried out according to the resolution of the shareholders meeting.
- (3) Passed the motion to issue common stock to raise cash capital using the book building method.
- (4) Passed the motion to revise articles in the Company's internal regulations, as follows:
 - A. Procedures to handle the acquisition or disposal of an asset;
 - B. Methods for electing directors and supervisors;
 - C. Articles of Association.
 - Execution: resolved to pass, and carried out according to the resolution of the shareholders meeting.

2. Important resolutions of the Board of Directors:

The Company has held 10 Board of Director Meetings, from May 21, 2014 to May 20, 2015. Abstracts of important resolutions are as follows:

Date of the Board of Directors Meeting	Abstract of Important Resolutions
June 20, 2014	Passed the motions relating to the Company's profit-sharing and cash dividend distribution for 2013. Passed the motion for allocation of compensation for the Company's directors for 2013. Passed the motion for compensation for the Company's Remuneration Committee. Passed the motion to indirectly raise capital for Test Rite China Investment Company through the Company's subsidiaries, Test Rite Retailing Co, Ltd. and Test Rite Co., Ltd
Aug. 11, 2014	Reported on Test Rite Co, Ltd's consolidated financial results for Q2 2014. Passed the motion to amend the procedures for the Company's supervision of its subsidiaries. Passed the motion to amend the Company's procedures to handle transactions related to derivatives.
Oct. 3, 2014	Passed the motion to decrease capital through cancellation of treasury stock. Passed the motion to amend the Company's "Internal Control System" and "Details on Implementation of Internal Audits."
Oct. 21, 2014	Passed the motion to obtain shares in Test-Rite Germany Import GmbH, Test-Rite International (Germany) GmbH, and Tepro Garten GmbH through the Company's 100%-owned German subsidiary, Test-Rite Development GmbH, and plans to proceed with the capital increase in Test-Rite Development GmbH.
Nov. 7, 2014	Reported on Test Rite Co, Ltd's consolidated financial results for Q3 2014. Reported on Test Rite Co, Ltd's consolidated financial results for Q3 2014. Passed the motion to amend the Company's procedures for handling endorsements and guarantees.

Dec. 18, 2014	<p>Passed the motion for the Company's operational plan and budget for 2015.</p> <p>Passed the motion to implement the Company's internal audit plan for 2015.</p> <p>Passed the motion to amend the Company's "Internal Control System" and "Details on Implementation of Internal Audit."</p> <p>Passed the motion for managers' profit sharing of employee's benefits for 2013, and year-end bonus allocation for 2014.</p> <p>Passed the motion to assess the independence of the Company's CPA.</p> <p>Passed the establishment of the Company's corporate governance policy.</p>
Feb. 9, 2015	Passed the motion for company managers' performance-based bonus allocation for 2014.
Mar. 25, 2015	<p>Passed the motion for profit-sharing for 2014.</p> <p>Passed the motion for the statement of the Company's internal control system for 2014.</p> <p>Passed the motion to issue common stock to raise capital through the book building method.</p> <p>Passed the amendments to sections of the "procedures to handle asset acquisition or disposal."</p> <p>Passed the amendments to sections of the "methods to elect directors and supervisors."</p> <p>Passed the amendments to sections of the "Articles of Association."</p> <p>Passed the motion of the list of nominees for directors (including independent directors) and supervisors.</p> <p>Passed the motion to re-elect all directors and supervisors in this year's Stockholder's General Meeting.</p> <p>Passed the motion to call for the Company's Stockholder's General Meeting for 2015.</p>
Apr. 24, 2015	<p>Passed the Company's profit sharing proposal for 2014, and amended the motion for the amount of compensation to directors.</p> <p>Passed the motion for plans to transfer treasury stock to employees for the 13th time.</p> <p>Established the rules of the scope of responsibility for the Company's independent directors.</p> <p>Passed the audit of the list of nominees for directors and supervisors for the 2015 Shareholders General Meeting.</p> <p>Passed the motion to lift the ban on non-competition for newly-recruited directors.</p>
May 11, 2015	<p>Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2015.</p> <p>Passed the plan to revoke the previous motion passed at the Stockholder's General Meeting of issuing common stock to raise capital through the book building method as the common stock was not issued. Passed the compensation plan for the Company's Remuneration Committee.</p>

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

3.4.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports : None

3.5 Information of Accountant's Fees

Auditors	Name	Period	Remark
Deloitte & Touche	HONG, KUO-TYAN, WU, KER-CHANG	2014/1/1-2014/12/31	None

Range \ Item		Audited fee	Non-audited fee		Total
			Business registration	Other	
1	Less than 2,000,000	0	0	90*	90
2	2,000,000~4,000,000	4,000	0	0	4,000
3	4,000,000~6,000,000	0	0	0	0
4	6,000,000~8,000,000	0	0	0	0
5	8,000,000~10,000,00	0	0	0	0
6	More than 10,000,000	0	0	0	0

*Other non-audited fee items for 2014 include NT\$40,000 relating to the cancellation of treasury shares and NT\$50,000 with respect to issuance of the annual report to shareholders.

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

(Unit : Share)

Title	Name	2014		As of Apr. 30, 2015	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairwoman	Judy Lee	(16,600,000)	1,400,000	5,152,000	0
Director	Tony Ho	0	21,000,000	0	0
Director	Hsin-Hsien Huang	0	0	0	0
Director	Robin Ho	520,000	0	220,000	0
Director	Property Co., Ltd.	0	0	0	0
Supervisor	Tsai-Chi Co., Ltd.	0	0	0	0
President	Sophia Tong	428,000	0	308,000	0
VP	John Peng	9,000	0	111,000	0
VP	Hannis Chang	100,000	0	100,000	0
VP	Gillian Joe	0	0	0	0
VP	Alfred Chang	38,000	0	(10,000)	0
VP	Peter Dong	(40,000)	0	0	0
VP	Lawrence Wu	0	0	0	0
VP	Jane Peng	0	0	0	0
VP	Bob Yueh	0	0	0	0
VP	Edward Kao	44,580	0	(20,000)	0
VP	Paul Wang	0	0	0	0
VP	Tracy Tsai	0	0	0	0
VP	Robin Ho	520,000	0	220,000	0
VP	Kelly Ho	400,000	0	220,000	0
VP	CC Fan	60,000	0	0	0
VP	Jack Ueng	100,000	0	100,000	0
VP	Maggy Chen	29,000	0	30,000	0
VP	Michael Hou	48,000	0	0	0
VP	Linda Lin	0	0	60,000	0
VP	Shelly Chen*	0	0	50,000	0
VP	Terrance Yang*	0	0	0	0
VP	Ted Ho*	0	0	40,000	0
VP	Constance Chuang*	0	0	0	0
VP	Lancy Wu*	50,000	0	0	0
VP	Monica Chen*	20,000	0	0	0

Title	Name	2014		As of Apr. 30, 2015	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Chester Lee*	N.A.	N.A.	N.A.	N.A.
AVP	Alex Yu	50,000	0	0	0
AVP	Jack Chang	168,000	0	168,000	0
AVP	Gino Chen	0	0	0	0
AVP	Austin Lin	0	0	0	0
AVP	Sky Yuan	0	0	20,000	0
AVP	Johnson Lee	50,000	0	0	0
AVP	Humphrey Wang	0	0	0	0
AVP	Tracy Leu	20,000	0	0	0
AVP	Dick Ko	0	0	0	0
AVP	Eddie Wei	0	0	0	0
AVP	Jenny Chen*	0	0	(30,000)	0
AVP	Kevin Lin*	N.A.	N.A.	0	0
AVP	Celine Hsien*	N.A.	N.A.	0	0

*VP Sherry Chen promoted in January 2014; VP Terrence Yang joined in February 2014; VP Constance Chuang promoted in June 2014; VP Ted Ho joined in July 2014; VP Lancy Wu promoted in January 2015; VP Monica promoted in January 2015; VP Chester Lee joined in April 2015.

*AVP Jenny Chen joined in August 2014; AVP Kevin Lin joined in January 2015; AVP Celine Hsien joined in March 2015.

Shares Trading with Related Parties : None

Shares Pledge with Related Parties : None

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

Date: April 16, 2015

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	
Tsai Wang Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	47,000,000	9.36	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Tsai Ye Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	46,850,635	9.33	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Tony Ho	43,995,550	8.76	20,559,294	4.09	0	0	Judy Lee	Spouse	
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	39,583,395	7.88	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
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	27,373,714	5.45	0	0	0	0	-	-	-
Li Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	26,323,263	5.24	0	0	0	0	Tony Ho Judy Lee	Substantive sponsor	-
Fubon Life Assurance Co.,Ltd. Representative: Jheng Ben Yuan	26,000,037	5.18	0	0	0	0	-	-	-
P&F Brother IND., Corp. Representative: Chang Qiu Dun	24,544,000	4.89	0	0	0	0	-	-	-
Judy Lee	20,559,294	4.09	43,995,550	8.76	0	0	Tony Ho	Spouse	-

3.8 Long-term Investment Ownership

Date: December 31, 2014 ; 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%	8,600,000	100.00%	8,600,000	100.00%
Hola Home furnishings Co., Ltd.	0	0.00%	30,000	100.00%	30,000	100.00%
Testrite Brand Agency Co., Ltd.	0	0.00%	30,000	100.00%	30,000	100.00%
Test Rite C&B Co., Ltd.	0	0.00%	30,000	100.00%	30,000	100.00%
Chung Cin Enterprise Co., Ltd.	79,700,000	100.00%	0	0.00%	79,700,000	100.00%
Tony Construction Co., Ltd.	0	0.00%	23,000,000	100.00%	23,000,000	100.00%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	8,000,000	100.00%	8,000,000	100.00%
Chung Cin Interior Design Construction Co., Ltd.	0	0.00%	1,200,000	100.00%	1,200,000	100.00%
Viet Han Co., Ltd.	0	0.00%	1,000,000	100.00%	1,000,000	100.00%
Pro-quality Service 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	48.99%	229,500	51.01%	449,997	100.00%
Test-Rite Vietnam Co., Ltd.	950,000	95.00%	50,000	5.00%	1,000,000	100.00%
Test-Rite Product (Hong Kong) Ltd.	9,999	99.999%	1	0.001%	10,000	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.	1,605,930	100.00%	0	0.00%	1,605,930	100.00%
Test-Rite Development Co., Ltd.	18,670,000	100.00%	0	0.00%	18,670,000	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.	83,331,000	100.00%	0	0.00%	83,331,000	100.00%
Test-Rite Trading Co., Ltd.	53,126,494.6	100.00%	0	0.00%	53,126,494.6	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

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
1978.07	10	200,000	2,000,000	200,000	2,000,000	Initial issue NT\$2,000,000	-	
1981.12	10	700,000	7,000,000	700,000	7,000,000	Capital injection NT\$5,000,000	-	
1983.09	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	-	
1984.12	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	-	
1987.10	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	-	
1988.11	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	-	
1990.12	10	36,100,000	361,000,000	36,100,000	361,000,000	Capital surplus NT\$171,000,000	-	
1991.07	10	45,125,000	451,250,000	45,125,000	451,250,000	Capital surplus NT\$90,250,000	-	
1992.07	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	-	

1993.08	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	-	
1994.08	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	-	
1995.07	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	-	
1996.09	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	-	
1997.08	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
1998.07	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
1999.07	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
2000.10	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
2001.03	10	370,000,000	3,700,000,000	239,890,794	2,398,907,940	CB conversion: NT\$63,907,940	-	No : (90) 09001094870

2001.09	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
2001.11	10	470,000,000	4,700,000,000	287,242,245	2,872,422,450	CB conversion: NT\$34,489,780	-	No : (90) 09001414970
2002.01	10	470,000,000	4,700,000,000	287,970,127	2,879,701,270	CB conversion: NT\$7,278,820	-	No : 09101028620
2002.03	10	470,000,000	4,700,000,000	292,106,179	2,921,061,790	CB conversion: NT\$41,360,520	-	No : 09101091570
2002.05	10	470,000,000	4,700,000,000	292,126,587	2,921,265,870	CB conversion: NT\$204,080	-	No : 09101138780
2002.08	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
2002.10	10	550,000,000	5,500,000,000	347,892,171	3,478,921,710	CB conversion: NT\$29,024,220	-	No : 09101433810
2003.01	10	550,000,000	5,500,000,000	347,940,951	3,479,409,510	CB conversion: NT\$ 487,800	-	No : 09201019620
2004.10	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
2004.04	10	550,000,000	5,500,000,000	387,516,315	3,875,163,150	CB conversion: 167,777,170	-	No : 09301077730
2004.10	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
2005.01	10	550,000,000	5,500,000,000	397,311,347	3,973,113,470	CB conversion: NT\$ 46,349,780	-	No : 09401009700
2005.05	10	550,000,000	5,500,000,000	397,946,375	3,979,463,750	CB conversion: NT\$6,350,280	-	No : 09401087750
2005.09	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
2005.10	10	550,000,000	5,500,000,000	413,743,746	4,137,437,460	CB conversion: NT\$24,744,440	-	No : 09401212030
2005.12	10	550,000,000	5,500,000,000	416,717,612	4,167,176,120	CB conversion: NT\$29,738,660	-	No : 09401246200

2006.08	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
2006.11	10	660,000,000	6,600,000,000	448,792,415	4,487,924,150	CB conversion: NT\$ 74,845,310	-	No : 09501265640
2007.03	10	660,000,000	6,600,000,000	448,864,578	4,488,645,780	CB conversion: NT\$ 721,630	-	No : 09601053530
2007.09	10	660,000,000	6,600,000,000	448,916,123	4,489,161,230	CB conversion: NT\$ 515,450	-	No : 09601233820
2007.12	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
2008.09	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
2009.09	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
2009.10	10	660,000,000	6,600,000,000	531,222,872	5,312,228,720	Capital injection NT\$500,000,000	-	No : 09801236000
2010.09	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
2011.11	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
2012.08	10	660,000,000	6,600,000,000	521,955,558	5,219,555,580	Capitalization of earnings NT\$145,326,860	-	No : 10101179940
2014.10	10	660,000,000	6,600,000,000	513,955,558	5,139,555,580	Cancellation of Treasury Stock NT\$80,000,000	-	No : 10301223850

As of 4/16/2015

Share Type	Authorized Capital				Remarks
	Issued Shares	Treasury Stock	Un-issued Shares	Total Shares	
Common Stock	502,087,558	11,868,000	146,044,442	660,000,000	-

4.1.2 Status of Shareholders

As of 4/16/2015

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	3	56	20,988	101	21,150
Shareholding (shares)	62,016	29,073,935	233,881,596	202,005,666	37,064,345	502,087,558
Percentage %	0	6	47	40	7	100

4.1.3 Shareholding Distribution Status

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

As of 4/16/2015

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage %
1 - 999	10,804	2,169,954	0.43
1000 - 5000	6,958	14,535,552	2.9
5001 - 10000	1,598	10,942,642	2.18
10001 - 15000	649	7,404,021	1.47
15001 - 20000	239	4,202,219	0.84
20001 - 30000	324	7,555,339	1.5
30001 - 40000	131	4,402,917	0.88
40001 - 50000	79	3,540,155	0.71
50001 - 100000	166	11,581,375	2.31
100001 - 200000	98	13,071,767	2.6
200001 - 400000	40	11,083,704	2.21
400001 - 600000	16	7,856,910	1.56
600001 - 800000	9	6,050,859	1.21
800001 - 1000000	8	7,113,716	1.42
1000001 or over	32	390,576,428	77.78
Total :	21,151	502,087,558	100

B. Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/16/2015

Shareholder's Name	Shareholding	
	Shares	Percentage %
Tsai Wang Enterprise Company Limited	47,000,000	9.36
Tsai Ye Enterprise Company Limited	46,850,635	9.33
Tony Ho	43,995,550	8.76
Up Master Investment Co., Ltd.	39,583,395	7.88
Tsai-Chi Co., Ltd.	32,327,389	6.44
Chang Qiu Dun	27,373,714	5.45
Li Hsiung Co., Ltd.	26,323,263	5.24
Fubon Life Assurance Co.,Ltd.	26,000,037	5.18
P&F Brother IND., Corp.	24,544,000	4.89
Judy Lee	20,559,294	4.09

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

Unit: NT\$

Item		2013	2014	2015/1/1-2015/3/31
Market Price per Share	Highest Market Price	24.00	23.00	21.30
	Lowest Market Price	21.35	19.35	20.35
	Average Market Price	22.60	21.19	20.77
Net Worth per Share	Before Distribution	13.88	14.72	15.03
	After Distribution	12.85	13.56	-
Earnings per Share	Weighted Average Shares	487,087,558	498,337,558	502,087,558
	Diluted Earnings Per Share	1.30	1.42	0.62
Dividends per Share	Cash Dividends	1.00	1.15	-
	Stock Dividends	0	0	-
	Accumulated Undistributed Dividends	0	0	-
Return on Investment	Price / Earnings Ratio (Note)	17.38	14.92	-
	Price / Dividend Ratio (Note)	22.60	18.43	-
	Cash Dividend Yield Rate (Note)	4.42%	5.43%	-

Note:

1. 2013-2014 Earnings Per Share adopted IFRS.
2. 2013-2014 financial data have been duly audited by independent auditors.
3. The earnings allocation plan is passed by the board of directors on March 25, 2015 and is up for voting at the shareholders' meeting. March 31, 2015 financial data have been reviewed by independent auditors.
4. 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

1. 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.

2. Proposed Distribution of Dividend

The Company's audited 2014 financial statements indicate that the net profit totaled to NT\$705,730,471, and together with the retained earnings of NT\$(50,353,385) in the previous years, less the allocated statutory surplus reserve of NT\$(65,537,709) the surplus available for distribution was NT\$589,839,377.

The Company intends to allocate shareholder's dividends in the amount of NT\$577,400,692 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 17, 2015 (ex-dividend date) being 513,955,558 shares, net of 11,868,000 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\$1.15.

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 2014.

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. The Board of Directors approved employee cash bonus information:

Items for Distribution	As proposed by the Board (A)	Estimated expense (B)	Difference (A)-(B)	Remark
Employee cash bonus	5,898,394	5,500,000	398,394	Difference is between estimate and actual expense. Since, the difference is minor; the amount will be applied to 2015 earnings.
Total salary for the Board of Directors and Supervisors	11,296,788	11,100,000	196,788	

- (1) The Company's proposed distribution of the 2014 profit was approved by the Board of Directors on March 25, 2015. This entailed remuneration allotments of NT\$11,796,788 for directors and supervisors and NT\$5,898,394 for employee bonuses in accordance with the provisions of the Articles of Association. However, in consideration of the Board resolution, which was approved on October 21, 2014, regarding the average remuneration standard for directors and supervisors (excluding remuneration for part-time employees), remuneration for directors and supervisors has been revised to NT\$11,296,788.
 - (2) The ratio of the proposed allotment of employee stock bonus amount and account for the ratio of current net income: It's not applicable because the company does not have the proposed allotment of employee stock bonus in 2014.
 - (3) 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 2013 was approved at the annual shareholders' meeting on June 11, 2014. Remuneration to directors and supervisors accounted for NT\$10,041,977 and employee bonuses amounted to NT\$5,020,989 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	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)	

4.1.9 Buyback of Treasury Stock

As of 5/15/2015

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	2011/8/12~2011/10/7	2011/12/2~2012/1/18	2012/5/31~2012/7/30
Price range	NTD 22~28	NTD 20~28	NTD 19.0~28.0
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	7,800,000
Accumulated number of company shares held	0	0	4,068,000
Percentage of total company shares held (%)	0	0	0.80

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	2013		2014	
	Amount	%	Amount	%
Principal Trading	12,392,595	35.2%	12,735,073	35.4%
Agency Commission	238,503	0.7%	255,425	0.7%
Taiwan Retail	16,667,898	47.3%	17,211,855	47.9%
China Retail	3,895,996	11.1%	4,096,803	11.4%
Others	2,008,872	5.7%	1,647,085	4.6%
Total	35,203,864	100.0%	35,946,241	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 and licensing businesses, including DIY hand tools, hardware, ceiling fans, lighting fixtures and other electrical appliances, bathroom facilities, indoor/outdoor furniture, and other household items. Our retail businesses in Taiwan and China are engaged in similar products, sales and marketing of mattresses and bedding, brand licensing directly with consumers. Affiliated businesses include: the design team, which conducts product design, packaging design, and industrial design; the construction team, which conducts marketplace construction, office building construction and investment promotions, as well as logistics and warehousing services for China, Taiwan, the US, and Europe.

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 accounting for approximately half of the exported amount in 2014. 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 August 1978. During its earlier years, the Company had focused on the export of hand tools and hardware. As the Company's client base expanded, now we have more than 4,000 suppliers, and our product offerings have also increased to include from 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 that customer segment who frequents major discount store customers. By leveraging the company's sourcing capabilities, the domestic sales/import team introduced 1,000+ products that were originally sourced for the export market exclusively, to the consumers in Taiwan. There are six primary categories by distinct product lines, including seasonal merchandise, outdoors, hardware and automotive, housing supplies, stationery, furniture and interior products, in addition to electronics and lighting products. Additionally, in recent years we have also gradually strengthened our licensing sales.

In 1995, Test Rite entered into a joint venture agreement with the UK-based Kingfisher Group to introduce DIY retailer B&Q to Taiwan. Subsequently, the company developed its own retail channel – HOLA – in Taiwan. In December 2004, the Company entered the China retailer market with the first HOLA China store opening in Shanghai. In 2008, we bought back 50% of the joint ownership from Kingfisher Group, and completed our four-way retail channel strategy by 2010 (Test Rite, HOLA, HOLA CASA, and FREER).

In 2013 we build up HOLA Petite, the brand derives its name from the French word 'petite', meaning 'dainty' and 'delicate'. It focuses on three lifestyle essentials: comfortable bedding, rejuvenating baths and enriching dining experiences. These are manifested in a real life interior design space, creating a sensual shopping experience. Visitors' senses of touch, sight, smell, sound and taste are enhanced, whilst being engrossed in a tasteful French home lifestyle environment.

Below we describe the industry dynamics for trading, purchasing agency 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. Over the past 20 years extending from 1994 to 2014, Taiwan's total trade volume has increased significantly (refer to table below). Meanwhile, trade with other countries has become the key driving force behind Taiwan's economic development. With China dominating as a global manufacturing center, trade with the mainland has picked up rapidly in recent years. In 2013-2014,

Taiwan's exports to China accounted for around 40% of its total exports, while corresponding imports reached 16% of total imports.

The Test Rite Group is actively expanding in China. In 2005, we set up a trading subsidiary in Shanghai to penetrate the Chinese market and solidify relations with suppliers in order to offer products with a competitive advantage to our global retail clientele. In 2006, an office was set up in Shenzhen to explore the Chu Chiang Delta and connect with the broad supply chain network in southern China. More recently, Test Rite has attained 100% ownership of International Art Enterprise Co, Ltd., a company that designs Christmas and seasonal merchandise and conducts purchasing and trading, further strengthening its market share in Shenzhen.

The Test Rite Group has three primary sales models, namely: trading, agency, and imports. Trading accounts for the majority of sales, with the bulk of the buyers located in the US and Europe. Test Rite has a strong relationship with its customer base and offers customized services. For example, we can forecast sales quantities through the analysis of historical data, or we can take charge of the product planning, décor and design during major sales seasons throughout the year. At the same time, we have in place a data platform to connect to the inventory management systems of the buyers to instantly store and access the required information. Furthermore, Test Rite can also handle after-sales services, such as returns and answering phone calls for its clients. Through providing the most value-added services, Test Rite becomes the trading partner of choice. In the agency sales model, Test Rite provides an indispensable outsourcing service. Whereas previously many large-scale clients intended to set up their own sourcing offices to source supplies in Asia, Test Rite's proven sourcing capability has won over many buyers who now simply outsource this function.

Emerging markets in Asia are growing rapidly; notably, domestic demand in China is expanding fast. While in the past Asia has been the factory producing goods sold to the US and European markets, the trend is reversing to an increasing extent. Having cultivated Western markets over the years, Test Rite is well placed to take advantage of this trend by collaborating with well-known global brands as they seek to enter and expand in Asian markets. Through the licensing of these brands, Test Rite has an additional opportunity for growth in providing consumers in Taiwan and China with the convenience and enjoyment of quality world-class products. Test Rite's licensed furniture, home décor and other lifestyle products include brands such as OXO, Joseph Joseph, Charterhouse, Flonal, Terre Étoilée, Joyoung, Bissell, Life Gear, breo, Ecovacs, QuickStick, Urbio, KIS, Umbra, Forlife, S&P, Frette, and WEDGWOOD, among others. Plans are underway to further enhance the lineup of licensed brands. Test Rite is committed to developing and licensing diversified products, and has opened the first Crate & Barrel home and living retail center at a shopping mall in the Xinyi District in Taipei. Holding true to our corporate vision of "All Matters at Home Matter to Test Rite for Life," we take all opportunities to expand our retail channels in order to win over even more consumer satisfaction in Taiwan and the rapidly-expanding consumer market in 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
2014	313,695.9	2.7	274,026.2	1.39	587,722.1	2.15

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

According to statistical data of imports and exports from the Bureau of Foreign Trade, Taiwan's trade with its primary Asian trading partners (including China, Hong Kong, ASEAN, and Japan) increased in 2013. Data from the Ministry of Economic Affairs show that total exports to China (including Hong Kong) amounted to USD124.65 billion in 2013, marking a 2.83% year-on-year increase. Total imports were USD49.73 billion (up 12.38% from a year ago). Total exports to ASEAN countries meanwhile were USD58.59 billion (+1.21% year-on-year), while total imports of USD33.49 billion (+3.38%) were recorded.

Imports from Japan were USD41.69 billion (-3.4%). Since 2001, exports to China from Taiwan increased by 3.7 times, while imports were up by 6.3 times. Additionally, Taiwan signed the Economic Cooperation Framework Agreement (ECFA) with China in June 29, 2010. This agreement and the Cross-Strait Service Trade Agreement that has not yet been signed will foster even more cross-Strait trading activities.

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
2014	587,722.1	313,695.9	274,026.2	124,653	49,725	69.58	45.58

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

In 2014, 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 brands such as OXO, Joseph Joseph, Charterhouse, Flonal, Terre Étoilée, Joyoung, Bissell, Life Gear, breo, Ecovacs, QuickStick, Urbio, KIS, Umbra, Forlife, S&P, Frette, and WEDGWOOD, for Taiwan and China markets. We plan to expand our operation open the first Crate and Barrel store as a franchisee in 2014Q4.

(2) Principal trading

Output from traditional trading reached NTD12.73 billion in 2014, which represented growth of 2.8% over the previous year, and accounted for 69% of the consolidated output for all trade. 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.

In January 2015, the Company bought back ownership of various branch offices in Germany. Sales activities in these branches include: trading, warehousing, professional delivery of barbecue grills, containers, and outdoor furniture. Looking ahead, we will integrate our resources further to achieve synergies, establish operational headquarters in Europe, and offer superior services to clients in the European region. These products are all relatively mature, and the market remains significant. Export destinations are primarily in North America, Europe, and Asia; we will continue to maintain market shares, search for more growth drivers, and leverage opportunities to expand with improving overall market conditions.

(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.

The purchasing agency produced output worth NTD5.72 billion in 2014, which was up 9.1% from the same period in the previous year, and accounted for approximately 31% of the consolidated trading output. Commission income from the purchasing agency business reached NTD255 million (+7.1% from a year ago), accounting for 2% of total trading revenues. The purchasing agency is one of the fastest-growing areas for sales activities, and its growth rate has exceeded that of the retail business. The Company will continue to devote to the development of sales activity in this segment, proactively expanding the number of purchasing agency clients, and maximizing growth and profit potential.

(4) Storefront Retail Merchandise

Test Rite was the pioneer in DIY solutions in Taiwan. In our storefronts, we place great emphasis in offering home maintenance and fixture solutions and providing outstanding customer service. This reflects our service ethos of helping customers to "find answers, products, and fulfil their needs." There are specialized personnel in each product section of the storefront, offering professional advice for customers. As for the products themselves, Test Rite offers over 30,000 selections, allowing each customer to find all the tools and materials necessary for home fixture, decoration, and furnishing. In addition,

there is a "fixture service center" in every store dedicated to providing customization requirements and to process individualized at-home renovation projects for the customer. As for future developments, we look to integrate product selections, systems, and enhance service quality. The aim is to allow for every customer who walks into our store to find what they need with ease (simple to choose), finish the purchasing and cashier process in the shortest time possible (easy to buy), and attain a new inspiration every time they visit a Test Rite store (exciting experience). At the same time, we will continue to offer optimal home fixtures and maintenance solutions to our customers, create an optimized living environment as our primary goal, and become the first choice for customers when they are contemplating creating a happy family.

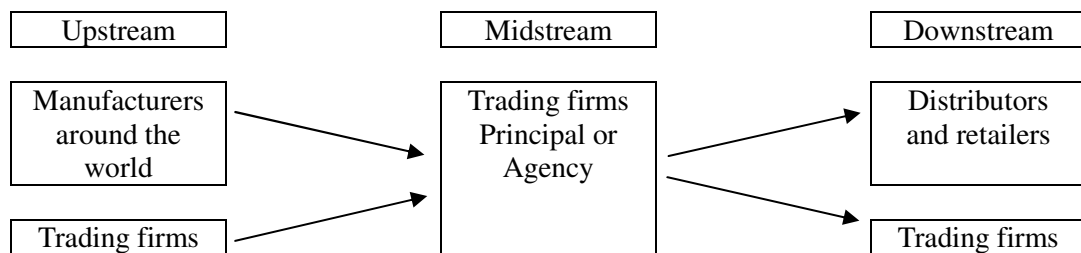
HOLA – Taiwan and China offer a wide variety of home décor which are at the forefront of living and home styles that are in sync with global trends. We offer a comprehensive lineup of household products with the most exquisite and refined living style aesthetics. These include soft and comfortable bedding, fashionable home décor fabrics, aromatic bathroom and beauty products, and polished, tasteful dining and tea utensils. Equipped with these, customers are able to fill every living space with rich and lively expressions of style, creating happy, beautiful and moving moments at home.

HOLA Taiwan and China all have in-store home décor consultants who offer free advice on space and color utilization and décor arrangements to our customers. Furthermore, depending on individual needs, customers can ask for custom-made services using our home décor fabrics (special orders for window curtains and various other home décor fabrics), and can arrange for various specialized services, such as home-visit measurements, flexible construction periods, professional workers and installations.

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 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.

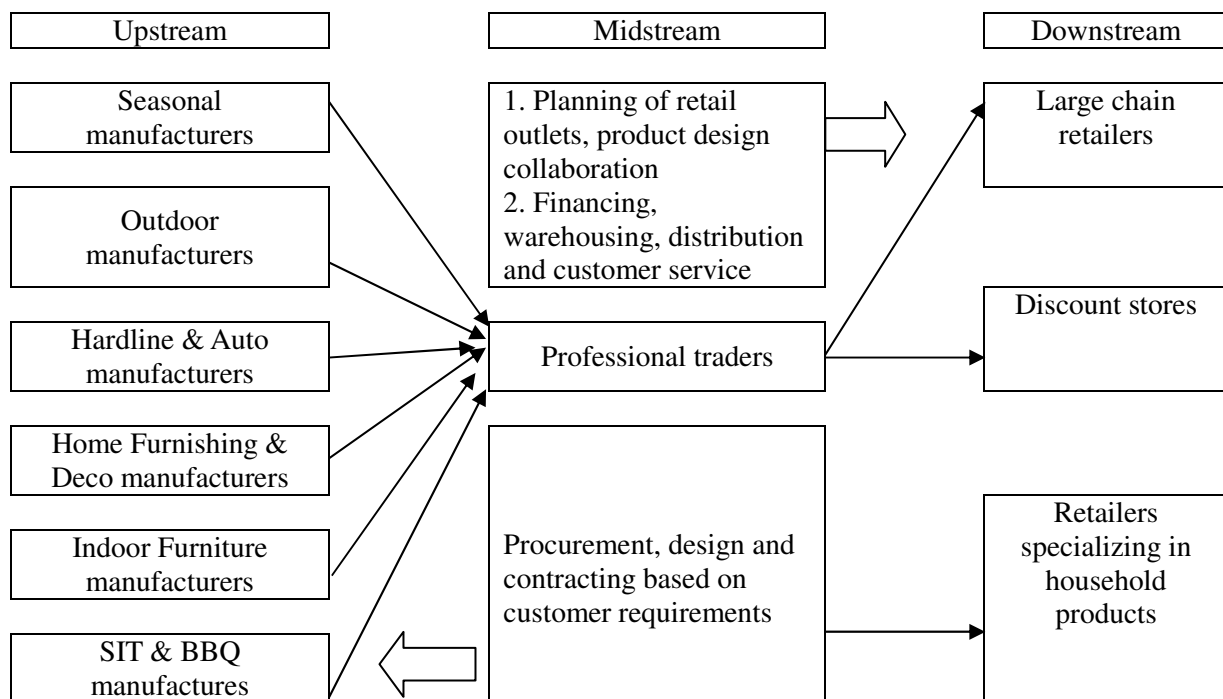
Upstream, i.e. manufacturers or suppliers are no longer confined to only one country or one region. As a result, sourcing products from upstream manufacturers or suppliers are increasingly complex, especially when factors such as rising labor cost in China is adding pressure to the supply chain to look 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 order fulfillment services to both our customers and suppliers.

Test Rite has established an e-trading platform, which offers trading functions such as sales orders and other related services for customers and suppliers. The sales results for electronic sales in the retail business in 2014 were:

- Test Rite <http://www.i-house.com.tw/> – annual sales revenue of NTD350 million, accounting for 3.2% of total revenue, and an 11% increase over the previous year;
- HOLA Taiwan <http://www.hola.com.tw> – annual sales revenue of NTD190 million, accounting for 3.1% of total revenue, and a 35.3% increase over the previous year;
- HOLA China <http://holahome.taiwan.tmall.com/> – sales revenue from June to December 2014 of RMB1.29 million, accounting for 0.26% of total revenue. Promotional activities and point collection offerings with customers via Weixin are done on a weekly basis

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.

(4) Competition Status

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

5.1.3 Research and Development :

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

5.1.4 Long-term and Short-term Development

1. Operational Guidelines

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

- A. The Company utilizes the experience and resources accumulated over the years in services such as product design, packaging design, logistics and warehousing. Traditional trading will continue to be cultivated with important clients, such as Walmart, O'Reilly, Menards, Soriana, Comercial Mexicana, and Adeo, to name a few, 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. Currently we are representing Michaels, Autozone, AAFES, Spotlight, Arteriors, Express Gifts Ltd., Pep Boys, Meijer, Chewy, and Fred's, 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. In addition, the Company has established a distribution center at the Yangshan Port Free Trade Zone through a lease; operations started at the end of January 2015. The center provides one-stop trading services from sourcing to shipping, and offers inventory warehousing services to European and American e-commerce customers. The center has already signed a long-term contract with an auto parts operator in the United States, and is anticipated to create more business opportunities. In addition to the basic warehouse management functions, the center can also provide sub-packaging, assembly, cargo combining, and other services that are usually beyond the normal trading and sourcing management requirements, thereby expanding the service capacity for the trading business.

(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. Test Rite's Q4 2014 sales revenue reached NTD2.74 billion, an increase of 2.4% compared to the previous year. Sales revenue for the entire year in 2014 came in at NTD11.00 billion (+0.6% year-on-year). HOLA Taiwan's Q4 2014 sales revenue was NTD1.66 billion (+8.1%), while the entire year's sales revenue was NTD6.15 billion (+8.4%).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. Of the 33 stores, 24 achieved profitable results. Sales revenue for Q4 2014 reached RMB230 million, reflecting a 4.4% increase over the previous year. Total sales revenue in 2014 increased to RMB830 million, which was 2.5% higher than a year ago and 27 stores

out of 35 had reached store profitability. For stores that have been operating for more than a year in HOLA China, sales revenue grew by 4.8% in Q4 and 3.2% for the entire year, serving as the driving force for growth in the retail business. We are confident that our short-term goal of turning from a loss to profit will be attained.

- 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 maxizing 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	2013		2014	
	Amount	%	Amount	%
Asia	30,501,624	86.64%	30,673,964	85.33%
America	4,195,312	11.92%	4,376,559	12.18%
Europe	468,401	1.33%	877,578	2.44%
Australia and Others	38,527	0.11%	38,527	0.11%
Total	35,203,864	100.00%	35,946,241	100.00%

(1) Export Markets

In 2014, 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. The Americas region accounted for approximately 12% of consolidated sales revenue. Meanwhile, the European region increased 1% of the sales volume in 2014 despite a forecast of stagnant demand. The Asian domestic consumption markets continue to grow amidst brisk economic development. Test Rite's 19 sales locations span over 15 countries globally, and distribution centers have been established in four locations, namely Taiwan, China, Germany, and the United States. Moreover, the US distribution center offers warehousing, delivery and management services for clients in the traditional trading sector. 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.

At present, hardware and tools, interior design and fixtures, and seasonal merchandise account for most of the Company's exports. Each of these categories accounts for 15-20% of our total exports. 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

As of December 2014, Test Rite and HOLA Taiwan have 26 and 23 stores, respectively. With Test Rite's strategy of operating in the "light renovation" market and cultivating market share in communities with our "Easy to Buy for Home Renovation" and small- and medium-sized DIY retail services, we now offer more comprehensive products and services for customers' home renovation and furnishing needs.

2. Market Share

- (1) Hand tools: Test Rite's subsidiary is showing steady growth in sales income, which is expected to grow in line with the expansion of the overall brand.
- (2) Home appliances: At present, no statistical data is available for this segment given the highly-varied and diverse nature of these products.

3. Future Supply and Demand and Market Growth

Going into 2015, with the slowdown in worldwide economic activity alleviating, demand in North America has shown stable growth. Even though conditions in the European market remain challenging, there are signs of a recovery, and the basic demand for home and living products remains intact. As for the local Taiwanese market, demand has been stable since the economic crisis of several years ago, while local real estate prices have returned to pre-crisis levels. With the recovery of the US real estate market, domestic and international demand for DIY and home renovations and fixtures is anticipated to increase significantly.

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. With the expansion of our business scope that now includes the purchasing agency business; we serve as agents for multiple companies, such as Michaels, Autozone, AAFES, Spotlight, Arteriors, Express Gifts Ltd, Pep Boys, Meijer, Chewy, and Fred's.

(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 importance 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. Presently, we have a product design team consisting of 37 members, a product R&D laboratory in Shanghai, and a newly-established distribution center in the Shanghai Free-Trade Zone at Yangshan Port. In addition to providing advanced warehousing management, the center will also support sourcing services, production management, and cross-border e-commerce. We aspire to create customized logistical solutions for well-established European and American retail clients through our comprehensive supply-chain management system. Currently, an American auto parts retail chain has signed contracts with Test Rite; this client is anticipated to generate almost USD10 million worth of output per annum. With other clients coming onboard in the future, we believe that this will create a great inflow of funds and boost sales revenue.

(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.
- 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. Within the next three years, we anticipate to raise the proportion of the

HOLA Taiwan Private Brand to 50% (30% for Test Rite), and to lower costs through joint sourcing from both sides of the Taiwan Strait.

Unfavorable Factors:

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

The Company's response strategies are as follows:

- A. Continuing to expand our agency business to provide retail customers and suppliers with more cost-effective communication channels, as well as reducing the Company's own working capital requirements
- B. Cooperating with suppliers in the supply chain to improve 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 :

(1) Test Rite Trading Business Group : market deployment the Americas, Pan Europe, New Zealand & Australia, Southeast Asia India.

Business Sectors	Major Products	Main Uses
Seasonal	Gardening X'mas deco accessories	<ul style="list-style-type: none"> ● Maintenance of gardens (shovels, sprinklers, etc.) and beautifying home environment. ● Christmas gifts and products.
Outdoor	Outdoor furniture BBQ	<ul style="list-style-type: none"> ● Outdoor Furniture (Outdoor tables and chairs, ice bucket, tents, etc.) and BBQ barbecue stoves and other equipment.
Hardline & Auto	Hand tool Tools Hardware Auto accessories Auto parts New business development	<ul style="list-style-type: none"> ● General Hand Tools (including axes, saws, wrenches, and pliers) for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories. ● Hardware Components (e.g. screws) for the necessary spare parts for maintenance. ● Automobile accessories and supplies (e.g. automobile mats and windshield wipers) and automotive repair and maintenance products.
Home Furnishing & Deco	Bathing and Storage Kitchenware Home decoration Luggage & Travel accessories	<ul style="list-style-type: none"> ● Home storage box and cabinets or do it yourself (DIY)'s furniture supplies. ● Travel Storage Products (trunk)

SIT	<p>Christmas decoration Sport equipments stationary Indoor furniture Office supplies PC peripherals Computer accessories Consumer electronics Lighting</p>	<ul style="list-style-type: none"> ● OA Furniture (e.g. desks and office chairs) ● Stationery (e.g. office supplies, file folders and document holders) ● Computer Accessories 3C merchandise. ● Lamps and light fixtures (including wall lamps, table lamps and floor lamps) ● 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) ● Recreational Products (mainly bicycles and ice chests) and Leisure products that make life more fun.
Electronics and lighting merchandise	<p>Computer peripherals and accessories Consumer electronics Household lighting Sports and leisure equipment Grills and barbecue equipment</p>	<ul style="list-style-type: none"> ● Accessories and other peripherals for PCs and other consumer telecommunication devices ● Ceiling fans, electric fans, lamps (including wall-mounted lamps, table lamps, and floor lamps), products designed to enhance airflow indoors and to provide lighting and accessories for both indoors and outdoors ● Small consumer electronics for individual or family use that adapt well to a user's daily life, and other electrical appliances, such as blow-dryers, shavers, and infrared detectors. ● Sports and leisure related products (bicycles, beauty and health merchandise) – recreational products designed to enhance the entertainment aspects of daily life. ● BBQ, grills etc.

(2) Test Rite Retail Business Group: market deployment Taiwan and China.

Product Sector	Channel Brand	Sales Merchandise and Services
Home Furnishings	HOLA	<ul style="list-style-type: none"> ● A leader in lifestyle trends, HOLA provides fashionable and diverse furniture supplies. It has 23 stores in Taiwan and 35 stores in China.
Home Improvement	TEST RITE Retail TEST RITE PLUS Home Repair Convenient Shopping TEST RITE good helper decoration union	<ul style="list-style-type: none"> ● Comprehensive, professional, and leading DIY brands for home improvement supplies and services with 26 stores in Taiwan. ● Provides various communal home and business office decorations, kitchen modifications, plumbing and electrical maintenance, waterproofing and leak repair, as well as air conditioning repair advice. ● Home improvement and decoration services.
Mattresses and Bedding	HOLA CASA HOLA Petite WEDGWOOD PRETTE	<ul style="list-style-type: none"> ● Sells high-quality furniture, such as mattresses, sofas, sofa beds, and leisure chairs. Exclusive agent for world-renowned brands, such as La-Z-Boy lounge chair, Kingsdown mattress, and Kuka Home sofa. Conducts sales through open stores and transparent pricing, and provides comfortable shopping spaces. There are a total of 21 store counters. ● New concept store focused on bedding/dining/bath-related lifestyle applications with 11 store counters. ● The Company is the agent for the Wedgwood home and bedroom decorated fabrics brand. There are presently 12 store counters. ● The Company is the agent for the Prette premium Italian bedding brand. There are presently six store counters.
Healthy Living	Live for Nature S*mart	<ul style="list-style-type: none"> ● Healthy grains and tea, organic cotton, environmentally-friendly cleaning products, natural personal cleaning products, fair-trade merchandising, and other related products. ● Late-stage, mature merchandising and comprehensive care merchandise.

Comprehensive Household Integrated Services	DÉCOR House	<ul style="list-style-type: none"> ● Professional services integrated with home improvement, home furnishing, furniture, bedding, interior design, and full-house decorations. Collaborates with various representative catering, home appliance, and service brands. Positioned as the “Comprehensive Home Integrated Services Solution” provider, the unit’s base in Taoyuan Nankan has a floor area of approximately 4,300 pings and a business area of 17,300 pings. It is Taiwan’s first large-scale shopping mall for household-themed merchandise.
Brand Agent	Crate & Barrel	<ul style="list-style-type: none"> ● Taiwan’s first American household channel brand; located in a shopping center in Taipei’s Xinyi District.

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 clients: the Company's consolidated reports for 2013 and 2014 show that no single client accounted for over 10% of the total consolidated sales, hence this information is not disclosed.
2. Major vendors/suppliers: the Company's consolidated reports for years 2013 and 2014 show that no single vendor/supplier accounted for over 10% of the total consolidated sales, hence this information is not disclosed.

5.2.5 Production over the Last Two Years : N/A

The Company is engaged in the traditional trading industry and is not involved in manufacturing.

5.2.6 Shipments and Sales over the Last Two Years

Unit : NTD\$ million

Year Business Units	2013		2014	
	Local Amount	Export Amount	Local Amount	Export Amount
Principal Trading(Agency)		12,631,098		12,990,498
Taiwan Retail	16,667,898		17,211,855	
China Retail		3,895,996		4,096,803
Others	1,552,421	456,451	1,216,856	430,229
Total	18,220,319	16,983,545	18,428,711	17,517,530

5.3 Human Resources

Year		2013	2014	Until April 30, 2015
No. of Group Employees		6,226	6,115	6,190
Average Age		33	34	34
Average Years of Service		4.5	4.7	4.8
Education	Ph.D.	0.15%	0.18%	0.13%
	Masters	4.40%	4.58%	4.34%
	Bachelor's Degree	64.46%	63.93%	62.80%
	Senior High School	28.51%	28.03%	29.14%
	Below Senior High School	2.48%	3.28%	3.59%

5.4 Environmental expenditure Information: NA

The company is an international trade, retail and wholesale business, and zero emission scenarios, so no environmental protection apply for relevant licenses, fees to pay, investment in equipment or personnel to establish the circumstances.

5.5 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 forms one of the key elements for a business to avoid becoming obsolete in the face of market competition. The Company's educational training program is a long-term personnel training system in which all levels of leadership functions, key tasks, professional tasks and general training for staff members are established. In addition, a Corporate University – including the Management College, Trading College, and General Training College – has been set up in order to develop the human resources that foster a learning institution. The training plan is to assist the Company's operational strategy and its developmental needs. At the beginning of each year, a unit in charge of training will put forward the year's educational training plan for review, periodically assess the actual

performance of the training which, in turn, serves as the basis for rectification of the subsequent plan. In addition, the Company has introduced digital learning platforms and developed a variety of e-learning digital courses that offer our staff members diverse learning channels and resources to enrich their learning and personal growth. This further illustrates the Company's emphasis and devotion to nurturing talent.

- 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 (2014) Education and Training as follows:

Training programs	Training sessions	Attendees	Training Hours	Training expense
General knowledge training	21	374	3,037	3,415,772
Specialized training	35	785	4,368	
Management training	14	118	1,987	
Total	70	1,277	9,392	

(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, loyalty 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.
- G. Measures related to the above provisions and the Company will from time to time are advocacy, and its content can be found in the Company's internal text managed system and the Company's official website.

(4) Retirement programs and status of implementation:

- A. 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. 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.
- C. As at year-end 2014, the fair value of the assets in the Company's retirement fund was NTD49.550 million; the figure for the consolidated company was NTD293.572 million.

(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.

5.6 Important Contracts

December 31, 2014

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease Agreement	Tsai Wang Enterprise Company Limited	2011.12.26~ 2017.12.25	Lease Test Rite International Co., Ltd. building	The lease annual rent of NT \$ 281,377,200. During leasing year, the yearly rental has to be increased by 3% of previous year agreement.
Long-term debt	Syndicate Loan primarily coordinated and run by First Commercial Bank	2011.6.24~ 2016.6.24	Borrower: Test Rite International Co., Ltd. Project: Credit financing/credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 250% Net tangible assets cannot be lower than NTD5.20 billion The aforementioned financial ratio is calculated based on Test Rite Co., Ltd's CPA-audited non-consolidated financial report, and will be verified on an annual basis.
Long-term loan	Syndicate Loan primarily coordinated and run by First Commercial Bank and Taiwan Business Bank	2012.07.16~ 2019.07.16	Borrower: Test Rite Retailing Co., Ltd. Project: Credit financing/credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 250% Net tangible assets cannot be lower than NTD5.20 billion The aforementioned financial ratio is calculated based on Test Rite Co., Ltd's CPA-audited non-consolidated financial report, and will be verified on an annual basis.
Long-term debt	The Export-Import Bank of the Republic of China	2013.11.18~ 2018.11.19	Borrower: Test Rite International Co., Ltd. Project: loans for overseas investment	None
Long-term loan	First Commercial Bank	2012.06.22~ 2017.07.30	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None
Long-term loan	Chang Hwa Bank	2013.10.01~ 2016.10.01	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan	Industrial Bank of Taiwan	2013.08.29~ 2017.08.15	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing/credit cycles financing	None
Long-term loan	Taiwan Business Bank	2014.01.27~ 2016.11.12	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Agreement on Accounts Receivable Factoring	E.Sun Commercial Bank	2015.02.12~ 2016.02.12	This is a non-recourse acquisition and selling of debt receivables.	According to the contract, the owner of the debt receivables will pay 90% of the price when Test Rite International Co., Ltd. sells the debt. Test Rite Co., Ltd. only has to account for losses arising from business disputes.
Agreement on Accounts Receivable Factoring	Taishin International Bank	2014.10.31~ 2015.10.31	This is a non-recourse acquisition and selling of debt receivables.	According to the contract, International Art Enterprise Co, Ltd. only has to account for losses arising from business disputes.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet - IFRSs

Unit : NTD\$ thousand

Item	Year	Year 2012-2014 Financial Summary (Note1)			2015/3/31 (Note2)
		2012	2013	2014	
Current Assets		10,439,476	12,011,301	13,194,183	13,259,537
Property, Plant and Equipment		6,195,672	6,208,064	6,048,084	6,116,208
Intangible Assets		219,730	214,036	241,740	348,288
Other Assets		5,042,697	4,938,837	5,436,939	5,452,291
Total Assets		21,897,575	23,372,238	24,920,946	25,176,324
Current Liabilities	Before allocation	9,642,492	10,804,486	11,367,673	11,774,400
	After allocation	10,168,547	11,306,574	11,945,074	-
Non-Current Liabilities		593,017	546,977	529,794	507,523
Total Liabilities	Before allocation	15,248,706	16,579,078	17,559,971	17,623,714
	After allocation	15,774,761	17,081,166	18,137,372	-
Equity attributable to owners of the parent		6,629,794	6,762,666	7,333,453	7,547,458
Capital Stock		5,219,555	5,219,555	5,139,555	5,139,555
Capital Surplus		694,476	694,476	678,829	678,829
Retained Earnings	Before allocation	1,468,371	1,580,149	1,733,427	2,009,610
	After allocation	942,316	1,078,061	1,156,026	-
Other Equity		(23,484)	(2,390)	29,813	(32,365)
Treasury Stock		(729,124)	(729,124)	(248,171)	(248,171)
Non-Controlling Interest		19,075	30,494	27,522	5,152
Total Equity	Before allocation	6,648,869	6,793,160	7,360,975	7,552,610
	After allocation	6,122,814	6,291,072	6,783,574	-

Note:

1. 2012-2014 financial data have been duly audited by independent auditors.
2. The earnings allocation plan is passed by the board of directors on March 25, 2015 and is up for voting at the shareholders' meeting. March 31, 2015 financial data have been reviewed by independent auditors.

6.1.2 Condensed Standalone Balance Sheet - IFRSs

Unit : NTD\$ thousand

Item \ Year		Year 2012-2014 Financial Summary (Note)		
		2012	2013	2014
Current Assets		4,286,495	4,646,500	4,989,496
Property, Plant and Equipment		571,917	553,406	585,681
Intangible Assets		53,994	59,471	60,352
Other Assets		671,817	638,729	611,580
Total Assets		12,906,508	13,702,521	14,824,081
Current Liabilities	Before allocation	2,550,827	3,266,928	3,679,829
	After allocation	3,076,882	3,769,016	4,257,230
Non-Current Liabilities			406,127	354,627
Total Liabilities	Before allocation	6,276,714	6,939,855	7,490,628
	After allocation	6,802,769	7,441,943	8,068,029
Equity attributable to owners of the parent		-	-	-
Capital Stock		5,219,555	5,219,555	5,139,555
Capital Surplus		694,476	694,476	678,829
Retained Earnings	Before allocation	1,468,371	1,580,149	1,733,427
	After allocation	942,316	1,078,061	1,156,026
Other Equity		(23,484)	(2,390)	29,813
Treasury Stock		(729,124)	(729,124)	(248,171)
Non-Controlling Interest		-	-	-
Total Equity	Before allocation	6,629,794	6,762,666	7,333,453
	After allocation	6,103,739	6,260,578	6,756,052

Note:

1. 2012-2014 financial data have been duly audited by independent auditors.
2. The earnings allocation plan is passed by the board of directors on March 25, 2015 and is up for voting at the shareholders' meeting.

6.1.3 Condensed Balance Sheet-ROC GAAP

Unit : NTD\$ thousand

Item \ Year		Year 2010-2012 Financial Summary (Note)		
		2010	2011	2012
Current assets		3,585,822	5,423,893	4,305,395
Funds & Long-term investments		9,640,944	9,555,569	8,323,373
Fixed assets		609,447	592,999	571,917
Intangible assets		63,453	53,836	53,994
Other assets		682,149	686,926	652,917
Total assets		14,581,815	16,313,223	13,907,596
Current liabilities	Before allocation	1,574,074	2,009,690	2,723,659
	After allocation	1,911,510	2,397,228	3,249,714
Long-term liabilities		4,819,980	5,950,590	3,319,760
Other liabilities		1,847,846	1,610,156	1,118,216
Total liabilities	Before allocation	8,241,900	9,570,436	7,161,635
	After allocation	8,579,336	9,957,974	7,687,690
Capital stock	Before allocation	5,164,228	5,074,228	5,219,555
	After allocation	5,164,228	5,219,555	5,219,555
Capital surplus		701,623	694,476	694,476
Retained earnings	Before allocation	1,082,099	1,354,667	1,511,339
	After allocation	744,663	821,802	985,284
Unrealized gain or loss on financial instruments		(4,134)	1,682	25
Cumulative translation adjustments		84,896	133,069	109,560
Net loss unrecognized as pension cost		(72,380)	(104,021)	(59,870)
Unrealized revaluation increments		0	25,825	0
Treasury stock		(616,417)	(437,139)	(729,124)
Total shareholders' equity	Before allocation	6,339,915	6,742,787	6,745,961
	After allocation	6,002,479	6,355,249	6,219,906

Note : 2010-2012 financial data have been duly audited by independent auditors.

6.1.4 Condensed Consolidated statement of Income - IFRSs

Unit : NTD\$ thousand

Item \ Year	Year 2012-2014 Financial Summary (Note1)			2014/3/31 (Note2)
	2012	2013	2014	
Revenue	35,252,142	35,203,864	35,946,241	9,655,827
Operating revenue	10,403,161	10,610,334	10,832,026	3,029,862
Gross profit	720,317	776,738	981,902	378,540
Non-operating income and expense	(33,590)	(44,016)	(98,758)	10,758
Income before tax	686,727	732,722	883,144	389,298
Income from operations of continued segments - after tax	564,694	640,614	715,167	309,826
Income from discontinued operations	0	0	0	0
Profit or loss for the period	564,694	640,614	715,167	309,826
Other comprehensive income	(50,177)	29,732	37,323	(62,223)
Total comprehensive income	514,517	670,346	752,490	247,603
Allocations of profit or loss for the period attributable to owners of the parent.	509,214	635,139	705,731	309,818
Allocations of profit or loss for the period attributable to non-controlling interest.	55,480	5,475	9,436	8
Allocations of total comprehensive income for the period attributable to owners of the parent.	477,225	658,927	744,221	247,640
Allocations of total comprehensive income for the period attributable to non-controlling interest.	37,292	11,419	8,269	247,603
Earnings per share	1.03	1.30	1.42	0.62

Note1 : 2012-2014 financial data have been duly audited by independent auditors.

Note2 : March 31, 2015 financial data have been reviewed by independent auditors.

6.1.5 Condensed Standalone statement of Income - IFRSs

Unit : NTD\$ thousand

Item \ Year	Year 2012-2014 Financial Summary(Note)		
	2012	2013	2014
Revenue	11,902,223	12,175,665	12,936,975
Operating revenue	2,211,418	2,235,640	2,560,578
Gross profit	102,694	73,554	166,730
Non-operating income and expense	469,620	594,907	575,602
Income before tax	572,314	668,461	742,332
Income from operations of continued segments - after tax	509,214	635,139	705,731
Income from discontinued operations	0	0	0
Profit or loss for the period	509,214	635,139	705,731
Other comprehensive income	(31,989)	23,788	38,490
Total comprehensive income	477,225	658,927	744,221
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	1.42

Note : 2012-2014 financial data have been duly audited by independent auditors.

6.1.6 Condensed Statement of Income-ROC GAAP

Unit : NTD\$ thousand

Item \ Year	Year 2010-2012 Financial Summary (Note)		
	2010	2011	2012
Operating revenue	11,513,995	13,272,554	11,902,223
Gross profit	2,233,536	2,490,684	2,396,207
Income from operations	222,257	315,212	300,358
Non-operating income	534,982	538,244	742,770
Non-operating expenses	140,521	182,923	290,491
Income from operations of continued segments - before tax	616,718	670,533	752,637
Income from operations of continued segments - after tax	486,818	636,133	689,537
Income from discontinued operations	0	0	0
Extraordinary gain or loss	0	0	0
Cumulative effect of accounting principle changes	0	0	0
Net income	486,818	636,133	689,537
Earnings per share	0.98	1.23	1.40

Note : 2010-2012 financial data have been duly audited by independent auditors.

6.1.7 Auditors' Opinions from 2010 to 2014

Year	CPA's Name	CPA's 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
2014	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis - IFRSs

Item \ Year		Financial analysis in the past 3 years (Note)			2015/3/31
		2012	2013	2014	
Financial structure (%)	Ratio of liabilities to assets	69.64	70.93	70.46	70.00
	Ratio of long-term capital to Property, Plant and Equipment	187.92	193.14	214.88	219.04
Solvency (%)	Current ratio	108.27	111.17	116.07	112.61
	Quick ratio	52.38	58.25	62.57	58.62
	Times interest earned ratio	4.52	5.80	5.7	10.37
AR/AP (turnover)	Accounts receivable turnover (turns)	13.04	13.61	12.25	12.78
	Average collection period	28	27	29.79	28.56
	Inventory turnover (turns)	4.61	4.92	4.63	4.56
	Accounts payable turnover (turns)	5.52	4.92	4.81	4.49
	Average days in sales	79	74	78.83	80.04
	Property, Plant and Equipment turnover (turns)	5.06	5.68	5.87	6.35
	Total assets turnover (turns)	1.42	1.56	1.49	1.54
Profitability	Return on total assets (%)	2.94	3.39	3.61	1.37
	Return on stockholders' equity (%)	7.99	9.57	10.15	4.16
	Pretax income Ratio to issued capital (%)	13.16	14.04	17.18	7.57
	Operating profit				
	Profit ratio (%)	1.60	1.82	1.99	3.21
	Earnings per share (\$)	1.03	1.30	1.42	0.62
Cash flow	Cash flow ratio (%)	36.20	11.50	1.54	4.36
	Cash flow adequacy ratio (%)	91.97	98.80	75.83	89.52
	Cash reinvestment ratio (%)	20.37	4.43	-1.89	2.96
Leverage	Operating leverage	15.82	14.97	12.00	8.10
	Financial leverage	1.37	1.24	1.24	1.12

Note:

1. 2012-2014 financial data have been duly audited by independent auditors.
2. 1Q/2015 financial data have been reviewed by independent auditors.

Reasons for changes in the various consolidated financial ratios for the two-year period of 2013-2014. (No analysis needed for increases or decreases that are less than 20%.)

1. Factors behind the increase in the ratio of net profit before tax on the paid-up capital include: the 2.1% growth in sales income, the gross margin for the two periods are equivalent, and the operating expense ratio has declined by 1%. This has led to an increase in net profit before tax. Additionally, since treasury stocks were cancelled in 2014, paid-up capital has declined.
2. The drop in the cash flow ratio, cash flow adequacy ratio, and ratio of reinvestment of cash were due to the decline in net cash flow from operations over this period.

6.2.2 Standalone Financial Analysis - IFRSs

Item		Year	Financial analysis in the past 3 years (Note)		
			2012	2013	2014
Financial structure (%)	Ratio of liabilities to assets		48.63	50.65	50.53
	Ratio of long-term capital to Property, Plant and Equipment		1,739.68	1,821.62	1843.4
Solvency (%)	Current ratio		168.04	142.23	135.59
	Quick ratio		154.58	135.38	126.02
	Times interest earned ratio		7.45	12.67	12.58
AR/AP (turnover)	Accounts receivable turnover (turns)		3.45	3.89	3.67
	Average collection period		106	94	99
	Inventory turnover (turns)		65.09	71.44	52.92
	Accounts payable turnover (turns)		6.99	5.33	5.04
	Average days in sales		6	5	7
	Property, Plant and Equipment turnover (turns)		20.43	21.64	22.71
	Total assets turnover (turns)		0.82	0.92	0.91
Profitability	Return on total assets (%)		4.03	5.13	5.32
	Return on stockholders' equity (%)		7.21	9.49	10.01
	Pretax income Ratio to issued capital (%)		10.96	12.81	14.44
	Operating profit		4.28	5.22	5.46
	Profit ratio (%)		1.03	1.30	1.42
Cash flow	Cash flow ratio (%)		101.85	32.96	-9.46
	Cash flow adequacy ratio (%)		10.30	38.90	51.92
	Cash reinvestment ratio (%)		28.40	15.13	-7.52
Leverage	Operating leverage		12.79	16.26	8.58
	Financial leverage		7.37	4.53	1.62

Note: 2012-2014 financial data have been duly audited by independent auditors.

Reasons for changes in the various financial ratios for the two-year period of 2013-2014. (No analysis needed for increases or decreases that are less than 20%.)

1. The decrease in inventory turnover is primarily due to the increase in excess inventory in the last period, leading to a rise in average inventory in the latest period.
2. The increase in inventory turnover days is primarily due to the rise in the number of inventory turnover in the latest period.
3. The lower cash flow ratio and the drop in the ratio of reinvestment of cash is mostly due to a decline in net cash flow from operations in the latest period.
4. The increase in the cash flow adequacy ratio is attributable to the increase in net cash flow from the Company's business operations in the last five years.
5. Lower operational and financial leverage is due to the significant increase in operating profit in the latest period.

6.2.3 Five-Year Financial Analysis - ROC GAAP

Item	Year	Financial analysis in the past 3 years (Note)		
		2010	2011	2012
Financial structure (%)	Ratio of liabilities to assets	56.52	58.67	51.49
	Ratio of long-term capital to fixed assets	1,831.15	2,140.54	1,760.00
Solvency (%)	Current ratio	227.81	269.89	158.07
	Quick ratio	210.93	245.39	145.47
	Times interest earned ratio	9.27	8.21	9.48
AR/AP (turnover)	Accounts receivable turnover (turns)	4.57	4.17	3.45
	Average collection period	80	88	105.79
	Inventory turnover (turns)	134.38	92.88	63.85
	Accounts payable turnover (turns)	11.54	11.79	6.79
	Average days in sales	3	4	6
	Fixed assets turnover (turns)	18.68	22.08	20.43
	Total assets turnover (turns)	0.81	0.86	0.79
Profitability	Return on total assets (%)	3.84	4.62	5.05
	Return on stockholders' equity (%)	7.87	9.72	10.22
	Ratio to issued capital (%)	Operating profit	4.30	6.21
		Pretax income	11.94	13.21
	Profit ratio (%)	4.23	4.79	5.79
	Earnings per share (\$)	1.01	1.27	1.40
Cash flow	Cash flow ratio (%)	19.83	18.47	96.76
	Cash flow adequacy ratio (%)	21.16	17.49	42.55
	Cash reinvestment ratio (%)	1.41	0.23	19.82
Leverage	Operating leverage	5.26	4.43	4.37
	Financial leverage	1.51	1.42	1.42

Note 1 : 2010-2012 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. 2015 Shareholders Meeting

From: Supervisors of Test Rite International Co., Ltd

Re: Supervisor's review report on the 2014 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 2014 Business report and 2014 Profits Distribution proposal and assure to its compliance with Company Act No. 219 as well.

Supervisors:

Tsai-Chi Co., Ltd.

Representative: Mr. Lai, Yung-Chi

Representative: Mr. Liao, Hsueh-Hsing

Date: March 25, 2015

6.4 Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013, and 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, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013 (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, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, 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, 2014 and 2013 on which we have issued an unqualified report.

March 25, 2015

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,316,128	9	\$ 2,418,439	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,053,554	4	351,967	1
Debt investments with no active market - current (Notes 4 and 9)	158,668	1	166,123	1
Notes receivable (Notes 4 and 10)	78,835	-	5,176	-
Trade receivables (Notes 4 and 10)	3,031,812	12	2,754,264	12
Other receivables	411,106	2	455,619	2
Inventories (Notes 4 and 11)	5,696,015	23	5,154,266	22
Prepayments	385,433	2	563,633	2
Other current financial assets	1,707	-	262	-
Other current assets	<u>60,925</u>	<u>-</u>	<u>141,552</u>	<u>1</u>
Total current assets	<u>13,194,183</u>	<u>53</u>	<u>12,011,301</u>	<u>51</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	71,085	-	71,823	-
Debt investments with no active market - non-current (Notes 4 and 9)	50,000	-	50,000	-
Property, plant and equipment (Notes 4 and 12)	6,048,084	24	6,208,064	27
Goodwill (Notes 4 and 13)	2,231,278	9	2,205,300	9
Other intangible assets (Notes 4 and 14)	241,740	1	214,036	1
Deferred tax assets (Notes 4 and 23)	1,182,045	5	1,089,192	5
Refundable deposits paid	974,859	4	933,648	4
Prepayments for investment (Note 28)	44,404	-	-	-
Other non-current assets	<u>883,268</u>	<u>4</u>	<u>588,874</u>	<u>3</u>
Total non-current assets	<u>11,726,763</u>	<u>47</u>	<u>11,360,937</u>	<u>49</u>
TOTAL	<u>\$ 24,920,946</u>	<u>100</u>	<u>\$ 23,372,238</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 2,749,782	11	\$ 2,256,663	10
Short-term bills payable (Note 15)	79,957	-	9,997	-
Notes payable	35,216	-	101,403	-
Trade payables	5,860,687	23	5,365,575	23
Other payables (Notes 4 and 17)	1,382,290	6	1,831,223	8
Current tax liabilities (Note 4)	87,247	-	105,401	-
Advance receipts	464,746	2	603,381	3
Current portion of long-term borrowings (Note 15)	500,000	2	300,000	1
Other current liabilities	<u>207,748</u>	<u>1</u>	<u>230,843</u>	<u>1</u>
Total current liabilities	<u>11,367,673</u>	<u>45</u>	<u>10,804,486</u>	<u>46</u>
LONG-TERM LIABILITIES				
Long-term borrowings (Note 15)	<u>5,662,504</u>	<u>23</u>	<u>5,227,615</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Accrued pension liabilities (Notes 4 and 20)	125,072	1	123,385	-
Refundable deposits received	225,464	1	197,999	1
Deferred credit (Note 12)	100,000	-	150,000	1
Other non-current liabilities	<u>79,258</u>	<u>-</u>	<u>75,593</u>	<u>-</u>
Total non-current liabilities	<u>529,794</u>	<u>2</u>	<u>546,977</u>	<u>2</u>
Total liabilities	<u>17,559,971</u>	<u>70</u>	<u>16,579,078</u>	<u>71</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common stock (Notes 4 and 19)	<u>5,139,555</u>	<u>21</u>	<u>5,219,555</u>	<u>22</u>
Capital surplus (Notes 4 and 19)	<u>678,829</u>	<u>3</u>	<u>694,476</u>	<u>3</u>
Retain earnings (Notes 4 and 19)				
Legal reserve	929,953	4	874,164	4
Special reserve	148,098	-	148,098	1
Unappropriated earnings	<u>655,376</u>	<u>3</u>	<u>557,887</u>	<u>2</u>
Total retain earnings	<u>1,733,427</u>	<u>7</u>	<u>1,580,149</u>	<u>7</u>
Other equity (Notes 4 and 19)	<u>29,813</u>	<u>-</u>	<u>(2,390)</u>	<u>-</u>
Treasury shares (Notes 4 and 20)	<u>(248,171)</u>	<u>(1)</u>	<u>(729,124)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	7,333,453	30	6,762,666	29
NON-CONTROLLING INTERESTS (Note 4)	<u>27,522</u>	<u>-</u>	<u>30,494</u>	<u>-</u>
Total equity	<u>7,360,975</u>	<u>30</u>	<u>6,793,160</u>	<u>29</u>
TOTAL	<u>\$ 24,920,946</u>	<u>100</u>	<u>\$ 23,372,238</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 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 35,946,241	100	\$ 35,203,864	100
OPERATING COSTS (Note 11)	<u>25,114,215</u>	<u>70</u>	<u>24,593,530</u>	<u>70</u>
GROSS PROFIT	10,832,026	30	10,610,334	30
OPERATING EXPENSES	<u>9,850,124</u>	<u>27</u>	<u>9,833,596</u>	<u>28</u>
PROFIT FROM OPERATIONS	<u>981,902</u>	<u>3</u>	<u>776,738</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	17,992	-	19,754	-
Other income	172,754	-	211,972	1
Gain on sale of investments, net	14,472	-	9,950	-
Foreign exchange gains	-	-	1,553	-
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	317,254	1	34,036	-
Interest expense	(188,093)	(1)	(152,665)	-
Other expense	(179,914)	-	(160,778)	(1)
Loss on disposal of property, plant and equipment	(5,038)	-	(7,838)	-
Foreign exchange losses	<u>(248,185)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(98,758)</u>	<u>(1)</u>	<u>(44,016)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	883,144	2	732,722	2
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(167,977)</u>	<u>-</u>	<u>(92,108)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>715,167</u>	<u>2</u>	<u>640,614</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME AND LOSSES				
Exchange differences on translating foreign operations	31,036	-	27,038	-
Actuarial gain and loss arising from defined benefit plans	<u>6,287</u>	<u>-</u>	<u>2,694</u>	<u>-</u>
Other comprehensive income for the year	<u>37,323</u>	<u>-</u>	<u>29,732</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 752,490</u>	<u>2</u>	<u>\$ 670,346</u>	<u>2</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 705,731	2	\$ 635,139	2
Non-controlling interests	<u>9,436</u>	<u>-</u>	<u>5,475</u>	<u>-</u>
	<u>\$ 715,167</u>	<u>2</u>	<u>\$ 640,614</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 744,221	2	\$ 658,927	2
Non-controlling interests	<u>8,269</u>	<u>-</u>	<u>11,419</u>	<u>-</u>
	<u>\$ 752,490</u>	<u>2</u>	<u>\$ 670,346</u>	<u>2</u>
EARNINGS PER SHARE (Notes 4 and 22)				
Basic	<u>\$ 1.42</u>		<u>\$ 1.30</u>	<u>\$ -</u>
Diluted	<u>\$ 1.42</u>		<u>\$ 1.30</u>	<u>\$ -</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 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	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, 2013	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	521,956	5,219,555	694,476	874,164	148,098	557,887	(2,415)	25	(729,124)	6,762,666	30,494	6,793,160
Appropriation of 2013 earnings												
Legal reserve	-	-	-	55,789	-	(55,789)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(502,088)	-	-	-	(502,088)	-	(502,088)
Net profit for the year ended December 31, 2014	-	-	-	-	-	705,731	-	-	-	705,731	9,436	715,167
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	6,287	32,203	-	-	38,490	(1,167)	37,323
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	712,018	32,203	-	-	744,221	8,269	752,490
Treasury shares transferred to employees (Note 20)	-	-	17,344	-	-	-	-	-	313,665	331,009	-	331,009
Retirement of treasury shares (Notes 19 and 20)	(8,000)	(80,000)	(32,991)	-	-	(54,297)	-	-	167,288	-	-	-
Equity transactions with non-controlling interests (Note 24)	-	-	-	-	-	(2,355)	-	-	-	(2,355)	(11,241)	(13,596)
BALANCE AT DECEMBER 31, 2014	<u>513,956</u>	<u>\$ 5,139,555</u>	<u>\$ 678,829</u>	<u>\$ 929,953</u>	<u>\$ 148,098</u>	<u>\$ 655,376</u>	<u>\$ 29,788</u>	<u>\$ 25</u>	<u>\$ (248,171)</u>	<u>\$ 7,333,453</u>	<u>\$ 27,522</u>	<u>\$ 7,360,975</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 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 883,144	\$ 732,722
Adjustments for:		
Depreciation expenses	644,286	668,398
Amortization expenses	165,887	143,140
(Reversal of) impairment loss recognized on trade receivables	(808)	4,501
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(317,254)	(34,036)
Interest expense	188,093	152,665
Interest income	(17,992)	(19,754)
Compensation cost of employee share options	8,250	-
Loss on disposal and impairment of property, plant and equipment	5,038	7,838
Gain on sale of investments	(2,115)	(9,950)
Unrealized net loss (gain) on foreign currency exchange	248,185	(1,553)
Amortization of unrealized gain on sale-leaseback	(50,000)	(50,000)
Changes in operating assets and liabilities		
Financial assets held for trading	81,141	(39,092)
Notes receivable	(73,659)	31
Trade receivables	(524,925)	(303,563)
Other receivables	44,715	(95,212)
Inventories	(541,749)	(313,375)
Prepayments	178,200	(42,611)
Other current assets	23,704	(50,212)
Other financial assets	(1,445)	337
Other operating assets	(231,855)	198,932
Notes payable	(66,187)	82,029
Trade payables	495,112	817,872
Other payables	(462,306)	(360,783)
Advance receipts	(138,635)	(692)
Other current liabilities	(23,095)	7,771
Other operating liabilities	11,639	(10,873)
Cash generated from operations	525,369	1,484,530
Interest received	17,790	23,636
Interest paid	(177,343)	(151,766)
Income tax paid	(190,271)	(114,397)
Net cash generated from operating activities	175,545	1,242,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(465,474)	-
Decrease (increase) in debt investments with no active market	7,455	(166,123)
Proceeds on sale of financial assets measured at cost	2,853	6,969
Proceeds from decreased capital stock of financial assets carried at cost		
- non-current	-	4,867
Increase in prepayments of investment	(44,404)	-

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Net cash outflow on acquisition of subsidiaries (Note 23)	\$ -	\$ (8,053)
Payments for property, plant and equipment	(731,541)	(703,022)
Proceeds from disposal of property, plant and equipment	7,187	14,588
Increase in refundable deposits paid	(41,211)	(91,844)
Payments for intangible assets	(40,477)	(119,806)
Proceeds from disposal of intangible assets	<u>-</u>	<u>21,673</u>
Net cash used in investing activities	<u>(1,305,612)</u>	<u>(1,040,751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	493,119	492,534
Increase in short-term bills payable	69,960	9,997
Increase in long-term borrowings	3,510,564	2,496,413
Repayments of long-term borrowings	(2,875,675)	(2,181,995)
Increase in refundable deposits received	27,465	17,528
Dividends paid to owners of the Company	(502,088)	(526,055)
Proceeds from treasury stock transferred to employees	322,759	-
Payments for equity transactions with non-controlling interests	<u>(13,596)</u>	<u>-</u>
Net cash generated from financing activities	<u>1,032,508</u>	<u>308,422</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(4,752)</u>	<u>27,038</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(102,311)</u>	<u>536,712</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,418,439</u>	<u>1,881,727</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,316,128</u>	<u>\$ 2,418,439</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 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

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

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

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

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

As of December 31, 2014 and 2013, Test-Rite and subsidiaries (collectively, the “Company”) had 6,226 and 6,115 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of Test-Rite on March 25, 2015.

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

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
	(Continued)
New, Amended and Revised	Effective Date

Standards and Interpretations (the “New IFRSs”)	Announced by IASB (Note)
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 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

(Concluded)

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

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies:

2) 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 Group 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.

2)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 unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) 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.

4) 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

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

The Company will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of the actuarial gains and losses of subsidiaries accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of

the defined benefit plans) of subsidiaries accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

6) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

7) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is expected to have material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

9) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

In accordance with the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value 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. 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, all gains or losses on that liability are presented in profit or loss.

Share of the actuarial gains and losses of subsidiaries accounted for using the equity method.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	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 their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 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: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

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. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. 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. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss 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) 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.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Company.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the

following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

9) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were approved, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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 upon 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.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

b. Subsidiary included in consolidated financial statements

Investor	Subsidiaries	Main Businesses	% of Ownership		Remark
			December 31		
			2014	2013	
Test-Rite International Co., Ltd.	Fortune Miles Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Star Co., Ltd.	Investment holding company	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	
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	TRS Investment Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Product (Hong Kong) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l (Australia) Pty Ltd.	Importation and exportation	100.00	100.00	Note 6
Test-Rite International Co., Ltd.	Test-Rite Canada Co., Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite (UK) Co., Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Development Co., Ltd.	Investment holding company	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	
Test-Rite International Co., Ltd.	Test-Rite Vietnam Co., Ltd.	Importation and exportation	95.00	95.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l (Thailand) Ltd.	Importation and exportation	48.99	48.99	
Test-Rite International Co., Ltd.	Lih Chiou Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Lih Teh International Co., Ltd.	Logistics services	100.00	100.00	
Test-Rite International Co., Ltd.	Pro-quality Service Co., Ltd. (original B&S Link Co., Ltd.)	Management system verification and notarization service	100.00	100.00	
Test-Rite International Co., Ltd.	Fusion International Distribution, Inc.	Importation and exportation	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	
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	
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	100.00	
Lih Chiou Co., Ltd.	Hola Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	-	100.00	
Lih Chiou Co., Ltd.	Testrite Brand Agency Co., Ltd. (original Homy Homefurnishings Co., Ltd.)	Sales of furniture, bedclothes, kitchen equipment and fixtures	-	100.00	
Lih Chiou Co., Ltd.	Test Rite C&B Co., Ltd. (original Freer. Inc.)	Sales of furniture, bedclothes, kitchen equipment and fixtures	-	100.00	
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	100.00	51.00	
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	
Test-Rite Retail	Hola Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	-	
Test-Rite Retail	Testrite Brand Agency Co., Ltd. (original Hola Homefurnishings Co., Ltd.)	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	-	
Test-Rite Retail	Test Rite C&B Co., Ltd. (original Freer. Inc.)	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	-	

(Concluded)

Note 1: Acquired International Art Enterprise in January 2013.

Note 2: Freer. Inc. was renamed Test Rite C&B Co., Ltd in September 2014.

Note 3: Lih Chiou Co., Ltd. sold all interests in Hola Homefurnishings Co., Ltd., Homy Homefurnishings Co., Ltd. and Freer. Inc. which hold retailing brand to Test-Rite Retail in March 2014.

Note 4: Acquired 49% of interests in Viet Han in June 2014.

Note 5: Homy Homefurnishings Co., Ltd. was renamed Testrite Brand Agency Co., Ltd. in October 2014.

Note 6: B&S Link Co., Ltd. was renamed Pro-quality Service Co., Ltd. in October 2014 and main business was changed to management system verification and notarization service.

c. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Above subsidiary included in consolidated financial statements is based on the financial statements audited by the auditors.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost (including costs calculated at the date an item of property, plant and equipment is purchased for future dismantling and transportation of the asset as well as the cost of restoring the area to its original condition), less recognized accumulated depreciation and 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.

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 attributed 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.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

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.

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.

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.

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 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

Provisions are measured at the best estimate of the discounted cash flows 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.

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.

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, the amount for which the award credits could be sold separately. 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.

b. The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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 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, 2014 and 2013, the carrying amounts of trade receivables were \$3,031,812 thousand and \$2,754,264 thousand (deducted by allowances for doubtful debts of \$40,770 thousand and \$44,755 thousand, respectively).

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	\$ 50,706	\$ 55,850
Checking accounts and demand deposits	2,234,461	2,241,054
Cash equivalents	<u>30,961</u>	<u>121,535</u>
	<u>\$ 2,316,128</u>	<u>\$ 2,418,439</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 \$158,668 thousand and \$166,123 thousand, respectively, as of December 31, 2014 and 2013 and reclassified to debt investments with no active market (Notes 9 and 30).

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	
	2014	2013
Time deposits	<u>\$ 162,399</u>	<u>\$ 114,169</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
Financial assets held for trading - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 308,883	\$ 2,348
Non-derivative financial assets		
Equity securities listed in open market	110,943	92,464

Mutual funds	9,534	101,496
Corporate bonds	64,923	61,862
Financial products	<u>559,271</u>	<u>93,797</u>
	<u>\$ 1,053,554</u>	<u>\$ 351,967</u>

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

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2014</u>			
Forward exchange contracts - sell	US\$/NT\$	2015.01.05-2015.03.30	US\$180,000/NT\$5,709,240
Forward exchange contracts - buy	US\$/NT\$	2015.01.05-2015.12.28	US\$234,000/NT\$7,422,012
Forward exchange contracts - sell	EUR/US\$	2015.01.30	EUR100/US\$122
<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 - buy	US\$/NT\$	2014.01.07-2014.06.18	US\$23,000/NT\$688,850
Forward exchange contracts - sell	EUR/US\$	2014.01.29	EUR100/US\$137

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. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2014	2013
Domestic investments		
Domestic unlisted common shares	\$ 42,120	\$ 43,902
Foreign investments		
Overseas unlisted common shares	<u>28,965</u>	<u>27,921</u>
	<u>\$ 71,085</u>	<u>\$ 71,823</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 71,085</u>	<u>\$ 71,823</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.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2014	2013
Current		
Time deposits with original maturity more than 3 months (Note 6)	<u>\$ 158,668</u>	<u>\$ 166,123</u>
Non-current		
Subordinated bond of Ta Chong Bank	<u>\$ 50,000</u>	<u>\$ 50,000</u>

As of December 31, 2014 and 2013, debt investments with no active market-current of \$149,654 thousand and \$100,932 thousand were pledged as collaterals for borrowings (see Note 30).

10. NOTES AND TRADE RECEIVABLES

	December 31	
	2014	2013
Non-related parties		
Notes receivable	\$ 78,835	\$ 5,176
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>78,835</u>	<u>5,176</u>
Trade receivables	3,072,582	2,799,019
Less allowance for doubtful accounts	<u>(40,770)</u>	<u>(44,755)</u>
	<u>3,031,812</u>	<u>2,754,264</u>
	<u>\$ 3,110,647</u>	<u>\$ 2,759,440</u>

The average credit period of sales of goods was 90 days. In determining the collectibility 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 uncollectible 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 receivables that were past due but not impaired was as follows:

	December 31	
	2014	2013
Less than 30 days	\$ 279	\$ 4,610
31-60 days	706	1,604
More than 61 days	<u>556</u>	<u>33,714</u>
	<u>\$ 1,541</u>	<u>\$ 39,928</u>

The above aging schedule was based on the past due date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	\$ 4,684	\$ 35,554	\$ 40,238
Add: Impairment losses recognized on receivables	-	4,501	4,501
Foreign exchange translation gains and losses	<u>-</u>	<u>16</u>	<u>16</u>
Balance at December 31, 2013	<u>\$ 4,684</u>	<u>\$ 40,071</u>	<u>\$ 44,755</u>
Balance at January 1, 2014	\$ 4,684	\$ 40,071	\$ 44,755
Add: Impairment loss (reversal) recognized on receivables	(4,059)	3,251	(808)
Less: Amounts turned to overdue receivables	-	(3,111)	(3,111)
Foreign exchange translation gains and losses	<u>-</u>	<u>(66)</u>	<u>(66)</u>
Balance at December 31, 2014	<u>\$ 625</u>	<u>\$ 40,145</u>	<u>\$ 40,770</u>

The trade receivables factoring are 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>2014</u>									
Taishin International Bank	\$ -	\$ 40,435 (Note 1)	\$ -	\$ 40,435 (Note 1)	\$ -	-	\$ -	US\$3,800,000	-
<u>2013</u>									
E.SUN Bank	\$ -	\$ 617 (Note 2)	\$ 617 (Note 2)	\$ -	\$ -	-	\$ -	US\$ 500,000	-

International Art Enterprise concluded an accounts receivable factoring agreement with Taishin International Bank. The agreement declared that the bank has no right of further recourse against International Art Enterprise. According to the agreement, International Art Enterprise only has to be responsible for loss that resulted from business disputes.

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

Note 1: US\$1,274,819.

Note 2: US\$20,602.

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

11. INVENTORIES

	December 31	
	2014	2013
Merchandise - retail	\$ 3,910,286	\$ 3,505,834
Merchandise - trade	1,580,687	1,326,870
Construction in progress	<u>205,042</u>	<u>321,562</u>
	<u>\$ 5,696,015</u>	<u>\$ 5,154,266</u>

The cost of inventories recognized as cost of sales for the years ended December 31, 2014 and 2013 was \$22,907,938 thousand and \$22,369,054 thousand, respectively.

The operating cost includes reversal of inventory devaluation in the amount of \$576 thousand and loss on physical inventory count in the amount of \$54,508 thousand for the year ended December 31, 2014; the operating cost includes inventory devaluation in the amount of \$16,975 thousand and loss on physical inventory count in the amount of \$53,500 thousand for the year ended December 31, 2013. Previous write-downs were reversed as a result of recovery of inventory devaluation.

Merchandise - retail is the inventories of TR Retailing, Test-Rite Retail, Test-Rite Home Service and Chung Cin Enterprise.

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2014	2013
Land	\$ 545,512	\$ 545,512
Buildings and improvements	1,966,467	2,215,134
Machinery and equipment	29,542	6,048
Transportation equipment	19,640	24,879
Furniture, fixtures and office equipment	188,630	214,169
Leasehold improvements	3,021,347	2,915,564
Molds and tools	5,577	4,520
Other equipment	188,814	254,957
Prepayments for property, plant and equipment	<u>82,555</u>	<u>27,281</u>
	<u>\$ 6,048,084</u>	<u>\$ 6,208,064</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
Cost										
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	-	560,286	(12,375)	(580)	23,568	164,425	(3,978)	2,622	(401,642)	(227,960)
Effect of foreign currency exchange differences	-	(3,257)	-	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>
Accumulated depreciation and impairment										
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	-	377,369	(27,677)	(580)	(148)	(14,383)	(3,978)	29	-	330,632
Effect of foreign currency exchange differences	-	1,904	-	5,144	13,473	31,773	20	(318,385)	-	(266,071)
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>
Cost										
Balance at January 1, 2014	\$ 545,512	\$ 2,928,343	\$ 77,072	\$ 69,393	\$ 864,055	\$ 7,070,264	\$ 10,478	\$ 767,237	\$ 27,281	\$ 12,359,635
Additions	-	13,597	17,979	8,403	20,489	321,981	4,238	2,053	342,801	731,541
Disposals	-	-	(25,234)	(8,266)	(41,589)	(79,514)	-	(12,746)	-	(167,349)
Reclassified	-	(567,633)	8,307	(812)	(11,427)	144,658	(3,031)	(9,022)	(287,527)	(726,487)
Effect of foreign currency exchange differences	-	13,321	2,035	638	16,125	96,003	308	28,216	-	156,556
Balance at December 31, 2014	<u>\$ 545,512</u>	<u>\$ 2,387,538</u>	<u>\$ 80,159</u>	<u>\$ 69,356</u>	<u>\$ 847,653</u>	<u>\$ 7,553,392</u>	<u>\$ 11,993</u>	<u>\$ 775,738</u>	<u>\$ 82,555</u>	<u>\$ 12,353,896</u>
Accumulated depreciation and impairment										
Balance at January 1, 2014	\$ -	\$ 713,209	\$ 71,024	\$ 44,514	\$ 649,886	\$ 4,154,700	\$ 5,958	\$ 512,280	\$ -	\$ 6,151,571
Depreciation expense	-	110,398	21,686	11,034	54,000	387,569	3,476	56,123	-	644,286
Disposals	-	-	(20,443)	(5,257)	(39,367)	(77,665)	-	(12,392)	-	(155,124)
Reclassified	-	(411,086)	(23,500)	(812)	(11,140)	(28,119)	(3,031)	(8,441)	-	(486,129)
Effect of foreign currency exchange differences	-	8,550	1,850	237	5,644	95,560	13	39,354	-	151,208
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 421,071</u>	<u>\$ 50,617</u>	<u>\$ 49,716</u>	<u>\$ 659,023</u>	<u>\$ 4,532,045</u>	<u>\$ 6,416</u>	<u>\$ 586,924</u>	<u>\$ -</u>	<u>\$ 6,305,812</u>
Carrying amounts at December 31, 2014	<u>\$ 545,512</u>	<u>\$ 1,966,467</u>	<u>\$ 29,542</u>	<u>\$ 19,640</u>	<u>\$ 188,630</u>	<u>\$ 3,021,347</u>	<u>\$ 5,577</u>	<u>\$ 188,814</u>	<u>\$ 82,555</u>	<u>\$ 6,048,084</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	3-5 years
Furniture, fixtures and office equipment	3-10 years
Leasehold improvements	3-20 years
Molds and tools	2-10 years
Other equipment	3-17 years

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. 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, 2014 and 2013, the amortization of unrealized gain was \$50,000 thousand, which was treated as a reduction of rental cost. As of December 31, 2014 and 2013, the unrealized gain was \$150,000 thousand and \$200,000 thousand, respectively, which were recorded: The current portion of \$50,000 thousand as other current liabilities and the noncurrent portion of \$100,000 thousand and \$150,000 thousand, respectively, as other liabilities - deferred credit.

13. GOODWILL

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 2,205,300	\$ 2,180,889
Additional amounts recognized from business combinations occurring during the year (Note 23)	-	53,799
Effect of foreign currency exchange differences	<u>25,978</u>	<u>(29,388)</u>
Balance at December 31	<u>\$ 2,231,278</u>	<u>\$ 2,205,300</u>

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

	December 31	
	2014	2013
Retail	\$ 2,117,869	\$ 2,092,938
Trading	94,016	92,969
Others	<u>19,393</u>	<u>19,393</u>
	<u>\$ 2,231,278</u>	<u>\$ 2,205,300</u>

For the years ended December 31, 2014 and 2013, 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.

14. OTHER INTANGIBLE ASSETS

		December 31	
		2014	2013
Computer software		\$ 238,736	\$ 214,036
Others		<u>3,004</u>	<u>-</u>
		<u>\$ 241,740</u>	<u>\$ 214,036</u>
	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2013	\$ 652,328	\$ -	\$ 652,328
Additions	119,806	-	119,806
Disposals	(21,673)	-	(21,673)
Classified	<u>27,270</u>	<u>-</u>	<u>27,270</u>
Balance at December 31, 2013	<u>\$ 777,731</u>	<u>\$ -</u>	<u>\$ 777,731</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2013	\$ 432,598	\$ -	\$ 432,598
Amortization expense	143,140	-	143,140
Classified	<u>(12,043)</u>	<u>-</u>	<u>(12,043)</u>
Balance at December 31, 2013	<u>\$ 563,695</u>	<u>\$ -</u>	<u>\$ 563,695</u>
Carrying amounts at December 31, 2013	<u>\$ 214,036</u>	<u>\$ -</u>	<u>\$ 214,036</u>
<u>Cost</u>			
Balance at January 1, 2014	\$ 777,731	\$ -	\$ 777,731
Additions	37,434	3,043	40,477
Classified	<u>142,115</u>	<u>13,507</u>	<u>155,622</u>
Balance at December 31, 2014	<u>\$ 957,280</u>	<u>\$ 16,550</u>	<u>\$ 973,830</u>

Accumulated amortization and impairment

Balance at January 1, 2014	\$ 563,695	\$ -	\$ 563,695
Amortization expense	163,300	2,587	165,887
Classified	<u>-</u>	<u>2,548</u>	<u>2,548</u>
Balance at December 31, 2014	<u>\$ 726,995</u>	<u>\$ 5,135</u>	<u>\$ 732,130</u>
Carrying amounts at December 31, 2014	<u>\$ 230,285</u>	<u>\$ 11,415</u>	<u>\$ 241,700</u> (Concluded)

15. BORROWINGS

	December 31	
	2014	2013
Short-term borrowings	<u>\$ 2,749,782</u>	<u>\$ 2,256,663</u>
Short-term bills payable	<u>\$ 79,957</u>	<u>\$ 9,997</u>
Current portion of long-term borrowings	<u>\$ 500,000</u>	<u>\$ 300,000</u>
Long-term borrowings	<u>\$ 5,662,504</u>	<u>\$ 5,227,615</u>

a. Short-term borrowings as of December 31, 2014 and 2013 were as follows:

	December 31	
	2014	2013
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 2,749,782</u>	<u>\$ 2,256,663</u>

The range of weighted average effective interest rate on bank loans was 0.75%-5.65% and 0.88%-6.60% per annum as of December 31, 2014 and 2013, respectively.

b. Short-term bills payable

	December 31	
	2014	2013
Commercial paper	\$ 80,000	\$ 10,000
Less: Unamortized discount on bills payable	<u>(43)</u>	<u>(3)</u>
	<u>\$ 79,957</u>	<u>\$ 9,997</u>

c. Long-term borrowings

	December 31		
	2014		2013
	Interest Rate	Amount	Amount
First Commercial Bank's Syndicate Loan			
Unsecured loan from July 27, 2012 to June 24, 2016. The authorized credit line of \$4,000 million. Interest is paid monthly, principal due on June 24, 2016.	0.9315%- 0.9568%	\$ 2,236,119	\$ 898,500
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.	1.6158%	1,500,000	1,800,000
Unsecured loan from September 24, 2013 to June 24, 2016. The authorized credit line of \$4,000 million. Interest is paid monthly, principal due on June 24, 2016. In January 2014, the Company paid the principal in full in advance.	-	-	300,000
First Commercial Bank and Taiwan Business Bank's Syndicate Loan			
Unsecured loan from July 16, 2012 to July 16, 2019. The authorized credit line is \$29,000 thousand, principal due on July 16, 2019	2.0500%	919,822	709,815
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.	2.0500%	529,691	299,500
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, 2014.	1.7500%- 2.0000%	350,000	500,000
Chang Hwa Bank			
Unsecured loan from October 1, 2013 to October 1, 2016. The authorized credit line of \$300 million. Interest is paid monthly, principal due October 1, 2016.	1.8000%	200,000	200,000

(Continued)

	December 31		
	2014		2013
	Interest Rate	Amount	Amount
Export-Import Bank of the Republic of China			
Unsecured loan period from November 18, 2013 to November 19, 2018. The authorized credit line of US\$4 million. 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.	1.4799%	\$ 126,872	\$ 119,800
Industrial Bank of Taiwan			
Unsecured loan from August 29, 2013 to August 15, 2017. The authorized credit line of \$100 million. The principal due in 12 monthly installments with first installment due on September 15, 2016.	1.7918%	100,000	100,000
Unsecured loan from September 25, 2013 to August 29, 2017. The authorized credit line of \$100 million. Interest is paid monthly, the principal due on August 29, 2017.	1.7918%	100,000	100,000
Taiwan Business Bank			
Unsecured loan from January 27, 2014 to November 12, 2016. The authorized credit line of \$500 million. Interest is paid monthly, the principal due on November 12, 2016.	1.8500%	100,000	-
Bank SinoPac Co., Ltd.			
Unsecured loan from June 18, 2012 to June 18, 2015. The authorized credit line of \$500 million. Interest is paid monthly. In June 2014, the Company paid the principal in full in advanced.	-	-	500,000
Less current portion		(500,000)	(300,000)
		<u>\$ 5,662,504</u>	<u>\$ 5,227,615</u>

(Concluded)

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

1) First Commercial Bank Syndicated Loan

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

2) First Commercial Bank and Taiwan Business Bank's Syndicated Loan

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

3) Bank SinoPac Co., Ltd.

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

16. PROVISIONS

	December 31	
	2014	2013
Decommissioning cost (included in other non-current liabilities)	\$ 55,242	\$ 54,647
Customer returns and rebates (included in other payables)	<u>16,758</u>	<u>7,189</u>
	<u>\$ 72,000</u>	<u>\$ 61,836</u>
Current	\$ 16,758	\$ 7,189
Non-current	<u>55,242</u>	<u>24,647</u>
	<u>\$ 72,000</u>	<u>\$ 61,836</u>

- 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 of customer returns and rebates was based on historical experience, management's judgments and other known reasons resulting in product returns and rebates. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

17. OTHER PAYABLES

	December 31	
	2014	2013
Accrued expenses	\$ 1,177,229	\$ 1,344,042
Payable for purchase of property, plant and equipment	31,825	29,202
Bonuses payable to employees	17,936	15,920
Bonuses payable to directors and supervisors	32,650	28,467
Allowance of sales returns and discounts	16,758	7,189
Others	<u>105,892</u>	<u>406,403</u>
	<u>\$ 1,382,290</u>	<u>\$ 1,831,223</u>

18. RETIREMENT BENEFIT LANS

- 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:

	December 31	
	2014	2013
Discount rate	1.750%-2.000%	1.250%-1.875%
Expected return on plan assets	1.750%-2.000%	1.200%-2.000%
Expected rate of salary increase	2.500%-3.000%	2.500%-3.000%

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

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 3,335	\$ 3,425
Interest cost	6,230	4,852
Expected return on plan assets	<u>(5,532)</u>	<u>(4,585)</u>
	<u>\$ 4,033</u>	<u>\$ 3,692</u>
An analysis by function		
Marketing expenses	<u>\$ 4,033</u>	<u>\$ 3,692</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was actuarial gains \$6,287 thousand and actuarial losses \$2,694 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was actuarial gains \$2,158 thousand and actuarial losses \$4,129 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:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	\$ 339,015	\$ 345,784
Fair value of plan assets	<u>(293,572)</u>	<u>(281,734)</u>
Net liability arising from defined benefit obligation	45,443	64,050
Prepaid pension cost (listed in other non-current assets)	<u>79,629</u>	<u>59,335</u>
Liability arising from defined benefit obligation (listed in accrued pension liabilities)	<u>\$ 125,072</u>	<u>\$ 123,385</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 345,784	\$ 324,789
Current service cost	3,335	3,425
Interest cost	6,230	4,852
Actuarial (gains) losses	(4,561)	15,624
Benefits paid	<u>(11,773)</u>	<u>(2,906)</u>
Closing defined benefit obligation	<u>\$ 339,015</u>	<u>\$ 345,784</u>

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

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 281,734	\$ 247,899
Expected return on plan assets	5,532	4,585
Actuarial losses	1,726	18,318
Contributions from the employer	16,353	13,838
Benefits paid	<u>(11,773)</u>	<u>(2,906)</u>
Closing fair value of plan assets	<u>\$ 293,572</u>	<u>\$ 281,734</u>

For the years ended December 31, 2014 and 2013, the actual returns on plan assets were \$7,259 thousand and \$22,903 thousand, respectively.

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

	For the Year Ended December 31	
	2014	2013
Cash	19.12%	22.86%
Short-term payables	1.98%	4.10%
Debt instruments	0.00%	9.37%
Fixed income instruments	11.92%	18.11%
Equity instruments	14.46%	44.77%
Government loans	49.69%	0.00%
Others	<u>2.83%</u>	<u>0.79%</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.

19. EQUITY

a. Share capital

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	<u>750,000</u>	<u>750,000</u>
Shares authorized	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>513,956</u>	<u>521,956</u>
Shares issued	<u>\$ 5,139,555</u>	<u>\$ 5,219,555</u>

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

Test-Rite's outstanding capital stock as of December 31, 2013, amounted to \$5,219,555 thousand. On October 3, 2014, the board of directors decided to retire treasury stock of 8,000 thousand shares and decrease the capital of \$80,000 thousand. Consequently, as of December 31, 2014, Test-Rite's capital stock decreased to \$5,139,555 thousand.

b. Capital surplus

	December 31	
	2014	2013
Additional paid-in capital - issuance of shares in excess of par	\$ 678,829	\$ 689,395
Treasury shares	<u>-</u>	<u>5,081</u>
	<u>\$ 678,829</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 2013 and 2012 had been approved in the shareholders' meetings on June 11, 2014 and June 17, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012
Legal reserve	\$ 55,789	\$ 68,954	\$ -	\$ -
Cash dividends	502,088	526,055	1.00	1.08

Bonuses to employees and remuneration to directors and supervisors for 2013 and 2012 approved in the shareholders' meetings on June 11, 2014 and June 17, 2013, respectively, were as follows:

	For the Year Ended December 31	
	2013	2012
	Cash Dividends	Cash Dividends
Bonus to employees	\$ 5,021	\$ 49,647
Remuneration of directors and supervisors	10,042	12,412

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.

The bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 11, 2014 and June 17, 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 2012, respectively, were as follows:

	For the Year Ended December 31			
	2013		2012	
	Bonus to Employees	Remuneration of Directors and Supervisors	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 5,021	\$ 10,042	\$ 49,647	\$ 12,412
Amounts recognized in respective financial statements	5,260	10,521	44,500	11,100

The differences were adjusted to profit and loss for the years ended December 31, 2014 and 2013.

For the years ended December 31, 2014 and 2013, the bonus to employees was \$5,500 thousand and \$5,260 thousand, respectively, and the remuneration to directors and supervisors was \$11,100 thousand and \$10,521 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 1% and 2%, respectively, of net income (net of 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 2014 earnings had been proposed by the board of directors on March 25, 2015. The proposed appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 65,538	\$ -
Cash dividends	577,401	1.15

The appropriations of 2014 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 15, 2015.

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. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. The special reserve appropriated as above may be reversed in proportion to the reversal of the other equity deduction and thereafter distributed.

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:

	December 31	
	2014	2013
Special reserve	<u>\$ 148,098</u>	<u>\$ 148,098</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.

20. TREASURY SHARES

The changes in treasury shares for the years ended December 31, 2014 and 2013 were summarized as follows (in shares):

Purpose	2014.1.1	Increase	Decrease	2014.12.31
To transfer to employees	<u>34,868,000</u>	<u>-</u>	<u>23,000,000</u>	<u>11,868,000</u>
Purpose	2013.1.1	Increase	Decrease	2013.12.31
To transfer to employees	<u>34,868,000</u>	<u>-</u>	<u>-</u>	<u>34,868,000</u>

As of December 31, 2014 and 2013, the treasury shares of Test-Rite was \$248,171 thousand and \$729,124 thousand, respectively, which was purchased back by Test-Rite.

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

Test-Rite transferred to employees 15,000 thousand treasury shares amounting to \$322,759 thousand in March 2014. Based on the Transferring Way of Purchased Back Treasury Stock for Transfer to Employees issued by Test-Rite, employee stock options granted during the year ended December 31, 2014 were priced using the Black-Scholes model, and compensation cost of \$8,250 thousand (recorded as salary expense) was recognized in 2014. In 2014, the difference of \$17,344 thousand was recorded as capital surplus - treasury stock transactions, including compensation cost of \$8,250 thousand and the difference of \$9,094 thousand between the transferred value of \$322,759 thousand and the book value of \$313,665 thousand of the treasury shares granted.

Since some of the shares, purchased back by Test-Rite from time to time for the purpose of transferring to employees, were not transferred within the legal maturity (three years from the buyback date), Test-Rite retired 8,000 thousand treasury shares amounting to \$167,288 thousand, and got the retirement approval from Ministry of Economic Affairs (MOEA) in October 2014. In 2014, the difference of \$54,297 thousand was recorded as retained earnings, which was between the capital surplus - treasury stock transactions of \$22,425 thousand and the book value of \$90,566 thousand of the treasury shares granted.

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, 2014 and 2013 was both 34,868 thousand shares. The total amount was \$729,124 thousand pursuant to the law.

As of December 31, 2014, information regarding Test-Rite's share-based payment was summarized below:

- a. As of December 31, 2014, Test-Rite's share-based payment was as follows:

Type of Arrangement	Grant Date	Number of Options Granted	Contract Period	Grant Condition	Turnover Rates for This Year	Estimated Turnover Rate
Treasury stock transfer to employees	March 10, 2014	15,000,000	-	Immediate	-	-

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

Type of Arrangement	Grant Date	Grant-date Share Price (NT\$)	Exercise Price (NT\$)	Expected Volatility	Option Life (Years)	Expected Dividend Yield	Risk-free Interest Rate	Fair Value Per Unit (NT\$)
Treasury stock transfer to employees	March 10, 2014	\$22.10	\$21.582	11.58%	-	-	0.53%	\$0.55

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.

21. INCOME TAX

- a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2014	2013
In respect of the current year	\$ 175,060	\$ 104,300
Adjustments to deferred tax	(2,602)	(5,498)
Income tax expense of unappropriated earnings	-	9,500
In respect of prior periods	<u>(4,461)</u>	<u>(16,194)</u>
	<u>\$ 167,997</u>	<u>\$ 92,108</u>

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

	For the Year Ended December 31	
	2014	2013
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 351,808	\$ 303,672
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(116,700)	(190,504)
Others	(62,650)	(14,366)

	For the Year Ended December 31	
	2014	2013
Additional income tax on unappropriated earnings	-	9,500
In respect of prior periods	<u>(4,461)</u>	<u>(16,194)</u>
Income tax expense recognized in profit or loss	<u>\$ 167,997</u>	<u>\$ 92,108</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 Integrated Income Tax was summarized as follows:

	December 31	
	2014	2013
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 655,376</u>	<u>\$ 557,887</u>
Imputation credits accounts	<u>\$ 579,079</u>	<u>\$ 506,515</u>

The creditable ratio for distribution of earnings of 2014 and 2013 was 20.48% (expected) and 20.48% (actual), respectively.

- d. Income tax assessments

The income tax returns of Test-Rite for years through 2012 have been examined and approved by the tax authority.

22. EARNINGS PER SHARE

For the years ended December 31, 2014 and 2013, the amounts of earnings per share were calculated as follows:

	2014						
	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	\$ 883,144	\$ 715,167	\$ 705,731	498,337,558	<u>\$ 1.77</u>	<u>\$ 1.44</u>	<u>\$ 1.42</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	405,313			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 883,144</u>	<u>\$ 715,167</u>	<u>\$ 705,731</u>	<u>498,742,871</u>	<u>\$ 1.77</u>	<u>\$ 1.43</u>	<u>\$ 1.42</u>
	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>

Test-Rite 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.

23. 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

	International Art Enterprise
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

	Amount
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

	For the Year Ended December 31, 2014
Consideration paid in cash	\$ 78,069
Less: Cash and cash equivalent balances acquired	<u>(70,016)</u>
	<u>\$ 8,053</u>

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 16, 2014, the Company paid total US\$453 thousand to related parties, You-Chuan Hsieh and Yu-Yi Shih, and non-related parties, Wei-Kang Sung, Nam Long Investment Corporation and Doan Thi Tuan Huong to acquire 49% of interests in Viet Han. After the acquisition, the Company increased its interests of ownership in Viet Han to 100%.

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

	Viet Han
Cash consideration paid	\$ 13,596
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(11,241)</u>
Differences arising from equity transaction	<u>\$ 2,355</u>

25. OPERATING LEASE

The agreement on lease of land, buildings and improvements which Test-Rite entered into with related party, Tsai Wang was from December 26, 2011 to December 25, 2017. A list of rent expense for the next 3 years as of December 31, 2014 was as follows:

Period	Amount
2015	\$ 307,468
2016	316,693
2017	<u>326,193</u>
	<u>\$ 950,354</u>

The lease agreements which Test-Rite entered into with non-related parties covered the period from 2 to 15 years. A list of rent revenue for the next 3 years as of December 31, 2014 was as follows:

Period	Amount
2015	\$ 245
2016	186
2017	<u>62</u>
	<u>\$ 493</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 2020 to 2029 as of December 31, 2014 was as follows:

Period	Amount
2015	\$ 604,421
2016	581,434
2017	556,732
2018	552,285
2019	418,894
2020-2024 (present value \$841,498 thousand)	991,062
2025-2029 (present value \$178,369 thousand)	<u>347,433</u>
	<u>\$ 4,052,261</u>

Test-Rite Retail's lease agreements for office premises are with non-related parties. A list of rent expense for the next 5 years including the present value from 2020 to 2039 as of December 31, 2014 was as follows:

Period	Amount
2015	\$ 958,343
2016	736,443
2017	622,873
2018	555,593
2019	551,999
2020-2024 (present value \$1,922,454 thousand)	2,101,457
2025-2019 (present value \$231,890 thousand)	271,569
2030-2034 (present value \$119,791 thousand)	149,745
2035-2039 (present value \$62,527 thousand)	<u>83,382</u>
	<u>\$ 6,031,404</u>

26. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2014 and 2013 were summarized as follows:

Function Expense Item	2014			2013		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 79,436	\$ 3,220,144	\$ 3,299,580	\$ 89,864	\$ 2,897,902	\$ 2,987,766
Labor insurance and health insurance	5,760	234,140	239,900	5,396	235,274	240,670
Pension cost	3,165	187,758	190,923	3,266	118,438	121,704
Others	2,703	297,400	300,103	2,395	273,643	276,038
Depreciation expenses	69,917	574,369	644,286	61,671	606,727	668,398
Amortization expenses	25	165,862	165,887	25	143,115	143,140

27. 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.

28. 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

	Rent Expense	
	Year Ended December 31	
	2014	2013
Others (Tsai Wang)	<u>\$ 300,226</u>	<u>\$ 291,531</u>

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

	Refundable Deposits Paid	
	December 31	
	2014	2013
Others (Tsai Wang)	<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 24.

For integrating group resources, upgrading efficiency of investment and operation in coordination with the set strategy of the Company, on January 1, 2015, the Company purchased three trading companies through TR Development by paying total EUR7,697 thousand to related parties, Tony Ho, Judy Lee and Robin Ho and non-related parties, Dirk Zimmermann and Michael Schmidt to acquire 100% of interest in subsidiaries of TR Development. The down payment for the above equity transaction in the amount of EUR1,155 thousand, which amounted to \$44,404 thousand, was paid in advance in December 17, 2014, and included in prepayments for investment.

c. Property lease

See Note 25.

d. Endorsements or guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 31.

As of December 31, 2014, short-term borrowings of \$891,276 thousand were guaranteed by others (Tony Ho and Judy Lee), short-term borrowings of \$412,334 thousand were guaranteed by others (Judy Lee) and short-term borrowings of \$310,000 thousand were guaranteed by others (Tony Ho). As of December 31, 2014, short-term borrowings of \$30,000 thousand were guaranteed by others (Yu-chuan Hsieh).

As of December 31, 2014, long-term borrowings of \$1,449,512 thousand were guaranteed by others (Tony Ho and Judy Lee), long-term borrowings of \$3,736 thousand were guaranteed by others (Judy

Lee) and short-term borrowings of \$925,000 thousand were guaranteed by others (Tony Ho).

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, short-term borrowings of \$40,000 thousand were guaranteed by others (Yu-chuan Hsieh).

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

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 183,719	\$ 354,267
Post-employment benefits	<u>2,982</u>	<u>618</u>
	<u>\$ 186,701</u>	<u>\$ 354,885</u>

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

29. 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, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives financial assets	<u>\$ -</u>	<u>\$ 308,883</u>	<u>\$ -</u>	<u>\$ 308,883</u>
Non-derivative financial assets	<u>\$ 744,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,671</u>

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 2,348</u>	<u>\$ -</u>	<u>\$ 2,348</u>
Non-derivative financial assets	<u>\$ 349,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,619</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, 2014 and 2013 was summarized as follows:

	December 31	
	2014	2013
Assets		
Cash and cash equivalents	\$ 2,316,128	\$ 2,418,439
Financial assets at fair value through profit or loss - current	1,053,554	351,967
Notes receivable, trade receivables and other receivables	3,521,753	3,215,059
Other current assets	1,707	262
Financial assets measured at cost	71,085	71,823
Debt investments with no active market	208,668	216,123
Liabilities		
Short-term borrowings	2,749,782	2,256,663
Short-term bills payable	79,957	9,997
Notes payable, trade payables and other payables	7,278,193	7,298,201
Long-term borrowings (Note)	6,162,504	5,527,615

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 32).

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. A positive number below indicates an increase in post-tax profit and other equity associated with New Taiwan dollars strengthen 10% against the relevant currency. For a 10% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	<u>Currency USD Impact</u>		<u>Currency EUR Impact</u>		<u>Currency GBP Impact</u>		<u>Currency RMB Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	2014	2013	2014	2013	2014	2013	2014	2013
Equity	\$ (327,387)	\$ (305,304)	\$ 28,910	\$ (6,853)	\$ 1,637	\$ 1,965	\$ (81,269)	\$ (110,345)

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. 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:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Fair value interest rate risk		
Financial assets	\$ 189,629	\$ 287,658
Financial liabilities	8,992,243	7,794,275

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, 2014 and 2013 would have been higher by \$88,026 thousand and \$75,066 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:

	December 31, 2014			
	1 Year	1-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,278,193	\$ -	\$ 225,464	\$ 7,503,657
Fixed interest rate liabilities	79,957	-	-	79,957
Variable interest rate liabilities	<u>3,249,782</u>	<u>-</u>	<u>5,662,504</u>	<u>8,912,286</u>
	<u>\$ 10,607,932</u>	<u>\$ -</u>	<u>\$ 5,887,968</u>	<u>\$ 16,495,900</u>

	December 31, 2013			
	1 Year	1-3 Years	3+ Years	Total
Non-derivative financial liabilities				
Non-interest bearing	\$ 7,298,201	\$ -	\$ 197,999	\$ 7,496,200
Fixed interest rate liabilities	9,997	-	-	9,997
Variable interest rate liabilities	<u>2,556,663</u>	<u>-</u>	<u>5,227,615</u>	<u>7,784,278</u>
	<u>\$ 9,864,861</u>	<u>\$ -</u>	<u>\$ 5,425,614</u>	<u>\$ 15,290,475</u>

30. PLEDGED ASSETS

	December 31	
	2014	2013
Time deposits (see Notes 6 and 9)	<u>\$ 312,053</u>	<u>\$ 215,101</u>

31. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2014 were US\$56 thousand and EUR33 thousand.

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\$1,011 thousand and EUR173 thousand.

Endorsements/guarantees provided: As of December 31, 2014 and 2013, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	December 31			
	2014		2013	
Standby letters of credit				
Test-Rite Business Development	US\$	-	US\$	3,000
Endorsements				
TR Products	US\$	27,559	US\$	29,074
TR Trading & TR Retailing	US\$	21,000	US\$	17,500
Hola Shanghai Retail & Trading	US\$	11,500	US\$	8,500
Test-Rite Business Development	US\$	15,000	US\$	5,000
TR Pte.	US\$	1,500	US\$	2,000
TR GI	EUR	1,000	EUR	1,000
TR Canada	CAD	60	CAD	60

As of December 31, 2014 and 2013 Test-Rite Retail has import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$132,391 thousand and \$109,679 thousand.

32. 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, 2014 and 2013 was summarized as follows:

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

December 31									
2014				2013					
Foreign Currencies		Exchange Rate	New Taiwan Dollars	Foreign Currencies		Exchange Rate	New Taiwan Dollars		
<u>Financial assets</u>									
Monetary items									
USD	\$	136,186	31.718	\$	4,319,548	\$	86,373 29.95	\$	2,586,871
EUR		13,239	38.4582		509,152		2,072 41.1562		85,276
GBP		332	49.2997		16,368		398 49.3743		19,651
RMB		269,368	5.0978		1,373,184		196,335 4.9355		969,011
<u>Financial liabilities</u>									
Monetary items									
USD		239,404	31.718		7,593,416		188,311 29.95		5,639,914
EUR		5,722	38.4582		220,058		3,737 41.1562		153,801
RMB		428,787	5.0978		2,185,870		419,909 4.9355		2,072,461

33. 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 - 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, 2014 and 2013 was as follows:

	2014				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$ 21,843,553	\$ 20,298,314	\$ 1,724,214	\$ (7,919,840)	\$ 35,946,214
Operating costs	<u>(13,958,892)</u>	<u>(15,895,587)</u>	<u>(1,434,423)</u>	<u>6,174,687</u>	<u>(25,114,215)</u>
Gross profit	7,884,601	4,402,727	289,791	(1,745,153)	10,832,026
Operating expenses	<u>(7,280,703)</u>	<u>(4,213,395)</u>	<u>(184,254)</u>	<u>1,828,228</u>	<u>(9,850,124)</u>
Profit from operations	<u>\$ 603,958</u>	<u>\$ 189,332</u>	<u>\$ 105,537</u>	<u>\$ 83,075</u>	981,902
Nonoperating income and expenses					<u>(98,758)</u>
Profit before income tax					<u>\$ 883,144</u>

	2013				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
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>(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>(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>\$ 105,407</u>	<u>\$ 52,883</u>	776,738
Nonoperating income and expenses					<u>(44,016)</u>
Profit before income tax					<u>\$ 732,722</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2014 and 2013.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2014 and 2013 was as follows:

2014					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 5,719,985</u>	<u>\$ 20,807,881</u>	<u>\$ 1,996,700</u>	<u>\$ (3,603,620)</u>	<u>\$ 24,920,946</u>
Liabilities	<u>\$ 5,674,330</u>	<u>\$ 13,442,006</u>	<u>\$ 775,762</u>	<u>\$ (2,332,127)</u>	<u>\$ 17,559,971</u>
2013					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 8,407,033</u>	<u>\$ 16,406,444</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>\$ 690,489</u>	<u>\$ (2,092,109)</u>	<u>\$ 16,579,078</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2014 and 2013.

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	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Asia	\$ 30,673,964	\$ 30,501,624	\$ 10,299,600	\$ 10,090,587
America	4,376,559	4,195,312	-	-
(Continued)				

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Europe	\$ 877,578	\$ 468,401	\$ -	\$ -
Australia and others	<u>18,140</u>	<u>38,527</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,946,241</u>	<u>\$ 35,203,864</u>	<u>\$ 10,229,600</u>	<u>\$ 10,090,587</u>
				(Concluded)

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 2014 and 2013.

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

7.1 Analysis of Financial Status

Unit : NTD\$ thousand

Item \ Year	2013	2014	Difference	
			Amount	%
Current Assets	12,011,301	13,194,183	1,182,882	9.85%
Long-term Investment	6,208,064	6,048,084	(159,980)	-2.58%
Fixed Assets	214,036	241,740	27,704	12.94%
Other Assets	4,938,837	5,436,939	498,102	10.09%
Total Assets	23,372,238	24,920,946	1,548,708	6.63%
Current Liabilities	10,804,486	11,367,673	563,187	5.21%
Long-term Liabilities	546,977	529,794	(17,183)	-3.14%
Other Liabilities	16,579,078	17,559,971	980,893	5.92%
Total Liabilities	5,219,555	5,139,555	(80,000)	-1.53%
Capital stock	694,476	678,829	(15,647)	-2.25%
Capital surplus	1,580,149	1,733,427	153,278	9.70%
Retained Earnings	(2,390)	29,813	32,203	*-1347.41%
Other Adjustments	(729,124)	(248,171)	480,953	*-65.96%
Total Stockholders' Equity	6,762,666	7,333,453	570,787	8.44%

Causes of significant changes in Assets, Liabilities, and Stockholders' Equity for the most recent two-year period, and explanations of their effects are detailed below (includes changes of up to 20% and the amount of the change up to NTD10 million). If such changes pose a significant impact, future countermeasures shall be elaborated:

1. The increase in other items pertaining to stockholders' rights were mostly due to the cumulative translation adjustments for IFRS – that is, the foreign exchange effects of financial statement adjustments for overseas operations.
2. The reduction in treasury stock was mainly attributable to the Company having transferred 15 million shares in March 2014 for employees to purchase, and eight million shares in October 2014 that had reached the three-year transfer period, as enforced by the law, and were not yet transferred; hence, they were legally dissolved.

7.2 Analysis of Operating Results

Unit : NTD\$ thousand

Item \ Year	2013	2014	Difference	
			Amount	%
Net Sales	35,203,864	35,946,214	742,350	2.11%
Cost of Sales	24,593,530	25,114,215	520,685	2.12%
Gross Profit	10,610,334	10,832,026	221,692	2.09%
Operating Expenses	9,833,596	9,850,124	16,528	0.17%
Operating Income	776,738	981,902	205,164	*26.41%
Non-operating Income and Expenses	(44,016)	(98,758)	(54,742)	*124.37%
Income Before Tax	732,722	883,144	150,422	20.53%
Tax Benefit (Expense)	(92,108)	(167,977)	(75,869)	*82.37%
Income After Tax	640,614	715,167	74,553	11.64%

Causes of significant changes in sales revenue, operating net income, and net income before tax for the most recent two-year period, and explanations of their effects are detailed below (includes changes of up to 20% and the amount of the change up to NTD10 million). If such changes pose a significant impact, future countermeasures shall be elaborated:

1. Increase in operating net income: due to an increase in sales revenue.
2. Increase in non-operating revenue and decrease in expense: due to losses in currency exchange over the period.
3. Increases in income tax: due to the rise in business revenues in the latest year, taxes payable have increased accordingly.

● Future response plans :

Faced with a rapidly changing and competitive landscape, Test-Rite has leveraged its over the past 37 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. We plan to open five to eight new stores in Taiwan and China in 2015 (0-1 Test Rite store, 2 HOLA Taiwan stores, 3-5 new HOLA China concept stores), and introducing the first Crate & Barrel household living branded store to the Taiwanese market in Q4 2015.

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
2,418,439	175,545	(102,311)	2,316,128	N.A.	N.A.

1. Operating Activities: The net cash inflow from operating activities NTD 175,545,000, 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 1,305,612,000, 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 1,032,508,000, 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
2,316,128	1,723,000	(374,000)	1,942,128	N.A.	N.A.

Analysis of cash flow changes for the coming year:

1. Operating activities: due to sustained growth in operating activities, and as preliminary working capital requirements are projected to be realized in this period, cash inflow from operating activities has attained NTD1,723,000,000.
2. Investing and financing activities: with the expansion and investment in stores in Taiwan and China, the merging of the German subsidiary, and the planned cash dividend payout, cash outflow for investment and financing activities of (NTD374,000,000) resulted for the entire year. There was no shortage of 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
Date: December 31, 2014

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.		2,652,090	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.	Establish tighter control on costs and expenses.
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.	Improve operational performance.
Upmaster		311,736	Investment holding company	Profit recognized by equity method	NA
Test-Rite Pte. Ltd.		66,625	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Product (Hong Kong) Ltd.		4,222	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
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.		29,175	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Canada Co., Ltd.		51,483	Importation and exportation	Profit recognized by equity method	NA
Test-Rite (UK) Co., Ltd.		78,433	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite		753,940	Investment	This was due mainly to the	NA

Item \ Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Development Co., Ltd.		holding company	investment in the holding company of our European trading sub-subsidiary, the profit of which was recognized under the equity method.	
Test-Rite Int'l (U.S.) Co., Ltd.	1,151,884	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
Pro-quality Service Co., Ltd.	49,994	Management system verification and notarization service	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
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.	86,000	Interior design	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Hola Home furnishings Co., Ltd.	102	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
Testrite Brand Agency Co., Ltd.	102	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
Test Rite C&B Co., Ltd.	94	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.	80,000	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.	29,203	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.

7.5.2 Investment plan in one year

(Unit : USD\$ million)

Item \ Remarks	Investment amount	Policies	Investment reason
Test-Rite Retailing Co., Ltd.	5.5	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.

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	2013	2014
Ratio of liabilities to assets (%)	70.93	70.46
Interest Expense	152,665	188,093
Income before Tax	732,722	883,144
Ratio of Interest Expense to income before tax (%)	20.84	21.30

- (1) Losses that have impacted the company: the Company's interest expenses from loans for 2013 and 2014 were NTD152.665 million and NTD188,093, respectively. Interest expenses from loans were higher than in the previous year primarily due to an increase in long-term loans.
- (2) Future countermeasures: as the Company's primary business and reinvestment of profits are both in a healthy state, debts and loans will be paid off gradually, with loans needed for future operations on a decline and interest expenses abating accordingly. The Company will keep a close watch on market interest rate trends and adjust our financial structure appropriately to achieve an optimal allocation of capital and secure a lower cost of capital.

2. Foreign exchange rates

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

Unit : NT\$ thousand

Item/Year	2013	2014
Foreign exchange gain	1,553	0
Operating revenues	35,203,864	35,946,241
Income before income tax	732,722	883,144
Foreign exchange gain / Operating revenues (%)	0.004	0
Foreign exchange gain / Income before income tax (%)	0.21	0

- (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.

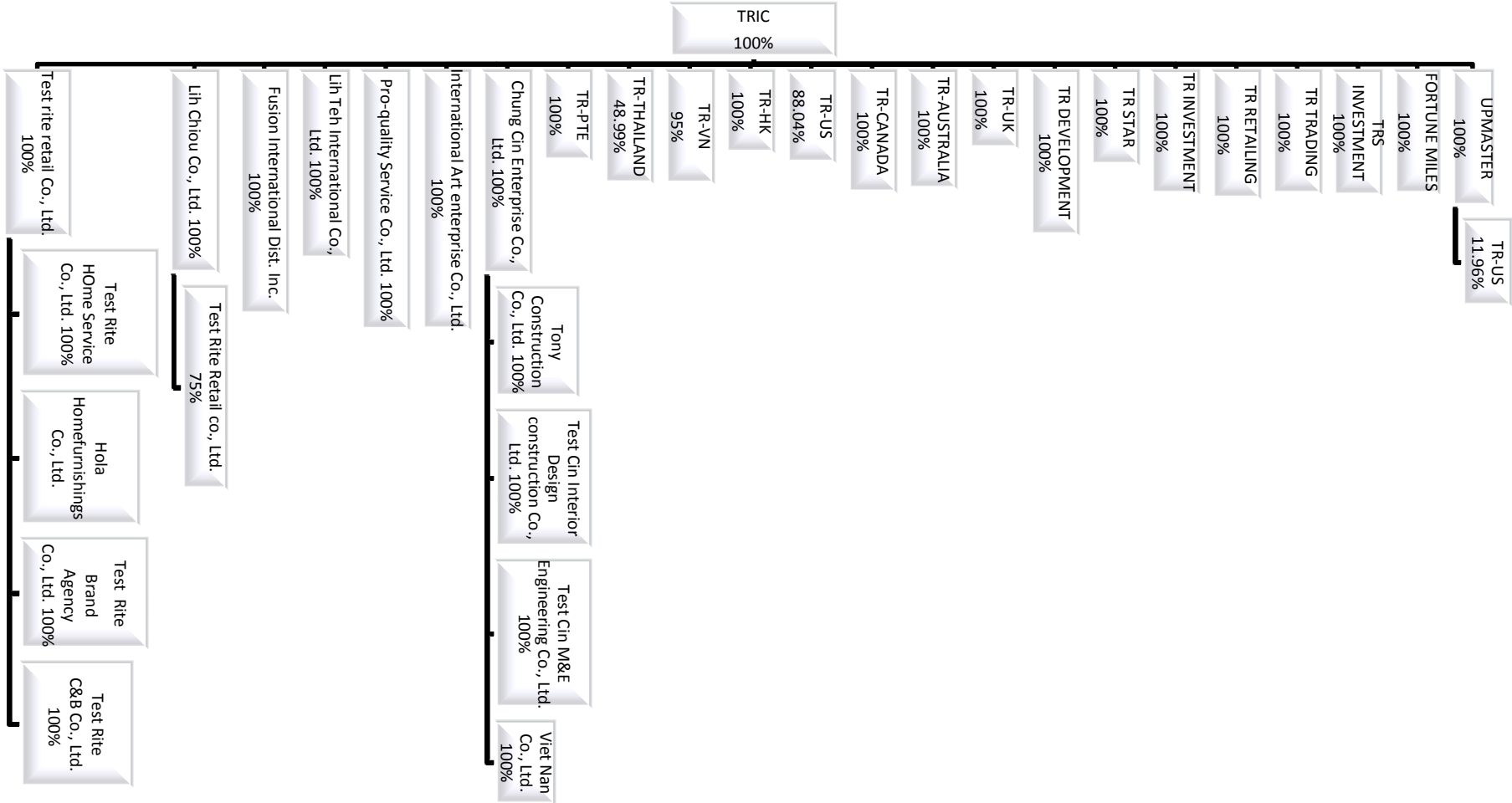
7.6.12 Litigation or Non-litigation Matters : None.

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 :

Date: December 31, 2014

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.	NTD 1,000,000,000	Sale of house decoration hardware and construction materials
Test Rite Home Service Co., Ltd.	6/23/2004	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 86,000,000	Interior design
Hola Home furnishings Co., Ltd.	9/30/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 300,000	Sales of furniture
Testrite Brand Agency Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 300,000	Sales of furniture
Test Rite C&B Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 300,000	Sales of furniture
Chung Cin Enterprise Co., Ltd.	5/23/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 797,000,000	Authorized builder to build dwelling, rental and sale of building
Test Cin M&E Engineering Co., Ltd.	9/8/1997	1F, No. 89, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 80,000,000	Mechanical and electronic engineering
Tony Construction Co., Ltd.	4/22/1992	1F, No. 89, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 230,000,000	Build and civil engineering
Chung Cin Interior Design Construction Co., Ltd.	7/31/2003	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 12,000,000	Interior design
Viet Han Co., Ltd.	2/14/2009	SJ 07 KP, Garden Plaza, Ton Dat Tien Street, Tan Phong Ward, District 7, HCMC	USD 1,000,000	Architectural design, construction supervision, business development, construction management, project management and real estate management.
Pro-quality Service Co., Ltd.	2/5/2001	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 50,000,000	Management system verification and notarization service
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.	NTD 162,694,790	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.	NTD 4,194,140,000	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.	NTD 54,998,380	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.	NTD 10,000,000	Trading of leisure goods
Test-Rite Pte. Ltd.	8/11/1989	260 Orchard Road, #12-08 The Heeren Singapore 238855	S\$ 3,520,000	Importation and exportation
Test-Rite Int'l (Thailand) Ltd.	1/7/1989	1000/60-61 P.B. Tower 15 th fl., Sunhumvit 71 Road, North Klongtan, Wattana, Bangkok 10110, Thailand	B\$ 2,409,555	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\$ 1,000,000	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\$ 1,076,836	Importation and exportation
Test-Rite Int'l (U.S.) Co., Ltd.	6/25/1991	2711 Centerville Rd Ste 400, Wilmington, New Castle, State of Delaware	US\$ 39,325,714.79	Investment holding company
Test-Rite Canada Co., Ltd.	12/29/1999	431 Alden Road, Unit 3, Markham Ontario, L3R 3L4, Canada	CAD\$ 1,725,000	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	US\$ 2,000,000 GBP\$ 1,083,941	Importation and exportation
TR DEVELOPMENT	1/25/2002	Merkurring 82, 22143 Hamburg, Germany	EURO\$ 18,670,000	Investment holding company
Test-Rite Star Co., Ltd.	4/17/2001	Omar Hodge Bldg, 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 Bldg, 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\$ 83,331,000	Investment holding company
TR TRADING	10/23/2002	One Capital Place P. O. Box 897, GT Grand Cayman, Cayman, British West Indies	US\$ 53,126,495	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 Bldg, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 6,400,000	Investment holding company

8.1.3 Information of Affiliated Companies Director, Supervisor and President

Company Name	Title	Name or Representative	Share	%
Test-Rite Retail Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Tony Ho	0	0.00
	Director	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Robin Ho	0	0.00
		Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Sophia Tong	0	0.00
		Lih Chiou Co., Ltd.	75,000,001	75.00
		Representative : Hannis Chang	0	0.00
		Lih Chiou Co., Ltd.	75,000,001	75.00
		Representative : Yung Chi Lai	0	0.00
Test-Rite Home Service Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : YC Hsieh	0	0.00
	Director	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Tony Ho	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Robin Ho	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Sophia Tong	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Hannis Chang	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Yung Chi Lai	0	0.00
Hola Homefurnishings Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	30,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	30,000	100.00
		Representative : Judy Lee	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	30,000	100.00
		Representative : Kelly Ho	0	0.00
		Test-Rite Retail Co., Ltd.	30,000	100.00
		Representative : Hannis Chang	0	0.00

Testrite Brand Agency Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd. Representative : Tony Ho	30,000 0	100.00 0.00
	Director	Test-Rite Retail Co., Ltd. Representative : Judy Lee	30,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Kelly Ho	30,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Hannis Chang	30,000 0	100.00 0.00
	Supervisor	Test-Rite Retail Co., Ltd. Representative : Hannis Chang	30,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Hannis Chang	30,000 0	100.00 0.00
Test Rite C&B Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd. Representative : Tony Ho	30,000 0	100.00 0.00
	Director	Test-Rite Retail Co., Ltd. Representative : Judy Lee	30,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Kelly Ho	30,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Hannis Chang	30,000 0	100.00 0.00
	Supervisor	Test-Rite Retail Co., Ltd. Representative : Hannis Chang	30,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Hannis Chang	30,000 0	100.00 0.00
Chung Cin Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	79,700,000 0	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	79,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Sophia Tong	79,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Agnes Shih	79,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : YC Hsieh	79,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	79,700,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	79,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	79,700,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	79,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	79,700,000 0	100.00 0.00
Test Cin M&E Engineering Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	8,000,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	8,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	8,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	8,000,000 0	100.00 0.00
	Supervisor	Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	8,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	8,000,000 0	100.00 0.00
Tony Construction Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	23,000,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	23,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	23,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	23,000,000 0	100.00 0.00
	Supervisor	Chung Cin Enterprise Co., Ltd. Representative : Wen Ping Chen	23,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Wen Ping Chen	23,000,000 0	100.00 0.00

Chung Cin Interior Design Construction Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	1,200,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	1,200,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	1,200,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	1,200,000 0	100.00 0.00
	Supervisor	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	1,200,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	1,200,000 0	100.00 0.00
Viet Han Co., Ltd	Director	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	1,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	1,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	1,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Agnes Shih	1,000,000 0	100.00 0.00
Pro-quality Service Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	5,000,000 0	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	5,000,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Robin Ho	5,000,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	5,000,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	5,000,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	5,000,000 0	100.00 0.00
Lih Teh International Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	16,269,479 0	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	16,269,479 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Jack Chang	16,269,479 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	16,269,479 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	16,269,479 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	16,269,479 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	16,269,479 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	16,269,479 0	100.00 0.00
Lih Chiou Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	419,414,000 0	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	419,414,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Linda Lin	419,414,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	419,414,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	419,414,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	419,414,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	419,414,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	419,414,000 0	100.00 0.00

Fusion International Distribution, Inc	Chairman	Test Rite Int'l Co., Ltd.	5,499,838	100.00
		Representative : Tony Ho		0.00
	Director	Test Rite Int'l Co., Ltd.	0	100.00
		Representative : Judy Lee	5,499,838	0.00
		Test Rite Int'l Co., Ltd.	0	100.00
		Representative : Linda Lin	5,499,838	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	0	100.00
		Representative : Hannis Chang	5,499,838	0.00
International Art Enterprise Co., Ltd.			0	
	Chairman	Test Rite Int'l Co., Ltd.	1,000,000	100.00
		Representative : Judy Lee	0	0.00
	Director	Test Rite Int'l Co., Ltd.	1,000,000	100.00
		Representative : Sophia Tong	0	0.00
		Test Rite Int'l Co., Ltd.	1,000,000	100.00
		Representative : Robin Ho	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	1,000,000	100.00
Test-Rite Pte. Ltd.			0	
	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Yen Hon Pan Benjamin	0	0.00
Test-Rite Int'l (Thailand) Ltd.	Director	Shu Ho	0	0.00
		Robin Ho	229,500	51.00
		Li-Shan Lee	0	0.00
		Varunee Limboonpiwant	0	0.00
Test-Rite Vietnam Co., Ltd.	Director	Tony Ho	0	0.00
		CY Hsieh	0	0.00
Test-Rite Product (Hong Kong) Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
Test-Rite Int'l (U.S.) Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00

Test-Rite Canada Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Chester Lee	0	0.00
		Huei-Ming Annie Wang	0	0.00
Test-Rite Int'l (Australia) Pty Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Robin Ho	0	0.00
		Ian Colin Payne	0	0.00
Test-Rite (UK) Co., Ltd.	Director	Judy Lee	0	0.00
		Robin Ho	0	0.00
		Sophia Teng	0	0.00
		Chester Lee	0	0.00
Test-Rite Development Co., Ltd.	Director	None	0	0.00
Test Rite STAR Co., Ltd.	Director	Tony Ho	0	0.00
Test-Rite Investment (B.V.I.) Co., Ltd.	Director	Tony Ho	0	0.00
Test-Rite Retailing Co., Ltd.	Director	Tony Ho	0	0.00
Test-Rite Trading Co., Ltd.	Director	Tony Ho	0	0.00
Fortune Miles Co., Ltd.	Director	Judy Lee	0	0.00
TRS Investment Co., Ltd.	Director	Judy Lee	0	0.00
Upmaster Int'l Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00

8.1.4 Affiliates' Operating Highlights

As of 12/31/2014
(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.	5,139,555	14,824,081	7,490,628	7,333,453	12,936,975	166,730	705,731	1.42
Test-Rite Retail Co., Ltd.	1,000,000	8,954,726	5,590,987	3,363,739	16,629,482	759,810	645,681	6.46
Test-Rite Home Service Co., Ltd.	86,000	226,137	163,175	62,962	874,818	(28,026)	(22,599)	(2.63)
Hola Home furnishings Co., Ltd.	300	56	-	56	-	(59)	(59)	(1.97)
Testrite Brand Agency Co., Ltd.	300	38	-	38	-	(77)	(77)	(2.57)
Test Rite C&B Co., Ltd.	300	383	1,812	(1,429)	-	(1,860)	(1,544)	(51.47)
Chung Cin Enterprise Co., Ltd.	797,000	1,823,747	602,809	1,220,938	621,905	10,744	100,392	1.26
Tony Construction Co., Ltd.	230,000	532,825	176,225	356,600	816,821	38,979	40,423	1.76
Test Cin M&E Engineering Co., Ltd.	80,000	215,673	78,198	137,475	385,578	28,893	25,493	3.19
Chung Cin Interior Design Construction Co., Ltd.	12,000	110,836	56,202	54,634	243,517	30,971	27,099	22.58
Viet Han Co, Ltd.	30,603	25,179	99	25,080	-	(1,256)	(276)	(0.09)
Pro-quality Service Co., Ltd.	50,000	50,572	19	50,553	-	(433)	(132)	(0.03)
Lih Teh International Co., Ltd.	162,695	243,590	27,144	216,446	191,081	30,334	31,335	1.93
Lih Chiou Co., Ltd.	4,194,140	4,803,688	11,614	4,792,074	-	(23,337)	470,148	1.12
Fusion International Distribution, Inc.	54,998	72,682	5,090	67,592	34,616	1,515	3,440	0.63
International Art Enterprise Co., Ltd.	10,000	124,449	71,200	53,249	640,610	4,462	13,105	13.11
Test-Rite Pte. Ltd.	66,625	82,772	6,779	75,993	94,352	5,370	4,682	1.33
Test-Rite Int'l (Thailand) Ltd.	1,206	1,463	31	1,432	-	(2,100)	(1,908)	(8.67)
Test-Rite Vietnam Co., Ltd.	32,103	7,700	4,026	3,674	-	(5,477)	(5,740)	(5.74)

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	20,769	3,692	17,077	7,970	(3,339)	(4,837)	(483.70)
Test-Rite Int'l (U.S.) Co., Ltd.	1,103,300	2,369,406	1,913,572	455,834	4,373,076	83,805	103,061	25,765.25
Test-Rite Canada Co., Ltd.	46,970	4,873	331	4,542	3,482	2,018	2,878	28,780.00
Test-Rite Int'l (Australia) Pty Ltd.	72,170	5,461	14,870	(9,409)	18,140	(12,411)	(12,919)	(7.18)
Test-Rite (UK) Co., Ltd.	78,433	18,383	9,620	8,763	41,698	(4,962)	(4,955)	(3.09)
Test-Rite Development Co., Ltd.	753,940	656,702	239,118	417,584	835,880	39,217	15,167	0.81
Test-Rite Star Co., Ltd.	38,148	12,539	-	12,539	-	(63)	(63)	(0.06)
Test-Rite Investment (B.V.I.) Co., Ltd.	17,387	22,454	-	22,454	-	(1,275)	(1,270)	(2.54)
Test-Rite Retailing Co., Ltd.	2,652,090	3,019,578	3,065,234.00	(45,656)	4,405,914	(144,420)	(182,610)	(2.19)
Test-Rite Trading Co., Ltd.	1,696,572	813,396	622,888	190,508	1,346,130	(79,490)	(93,381)	(1.76)
TRS Investment Co., Ltd.	76,717	80,637	-	80,637	-	(31)	(1,925)	(0.85)
Fortune Miles Co., Ltd.	947	1,015	-	1,015	-	(76)	(76)	(2.53)
Upmaster Int'l Co., Ltd.	191,616	76,923	-	76,923	-	(63)	12,263	1.92

8.1.5 Consolidated financial statements of affiliated enterprises

Statement of Declaration

For fiscal year 2014 (January 1 to December 31, 2014), 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. 27 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, 2015

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.

8.5 Explanation for significant departures from shareholders' rights provisions for a primary listed or emerging market company: Not applicable.

IX. Any Events in 2014 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.