

Stock Code : 2908



Test Rite International Co., Ltd.

2015 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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I. Letter to Shareholders

Dear shareholders,

Test-Rite reports its FY2015 revenue of NT\$35.98 bn, 0.1% YoY; net income of NT\$671 mn, -5.0% YoY; and basic EPS of NT\$1.32, -6.7% YoY.

Even though trading volume is declining worldwide in 2015, Test-Rite trading business maintains its growth of 0.4% YoY. Being the supplier of many of the world's major retailers, we have closely observed the rapid changes of global retail industry. Therefore, Test-Rite focuses more on providing value-added services and products to our global partners. As for our retail business in Taiwan, TLW and HOLA remain its leading position in DIY and home décor category in Taiwan. Taiwan retail business has slight growth of 0.6%. Along with the growth of E-Commerce, TLW and HOLA continue strengthening its online sales and offline shopping experiences. To better achieve Omni-channel, we also encourage customers to transfer online/mobile browsing to offline traffic. As for China, HOLA China declines 2.4% comparing to the last year. HOLA China is facing greater challenges in 2015 due to the changes of people's shopping behavior and incremental wages and rents.

Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan saw sales of NT\$17.3 bn and a net profit of NT\$604 mn in FY2015. Private Label strategy has come into effects in the past year, contributing 0.6% increase in gross margin equivalent to NT\$140 mn increase. TLW Private Label products accounted for 8.5% TLW sales in 2015, along with 21.8% sales growth. On the other hand, HOLA Private Label products accounted for 19.8% HOLA sales, along with 46.9% sales growth. In 2015, Test-Rite opened two HOLA stores in Taiwan at Miaoli and Pintung. Test-Rite also becomes the franchisee of the reputed American home décor store, Crate&Barrel. By introducing the classic American style brand to Taiwan, Test-Rite expects to continue expanding its leading market share in home décor category. As for China, HOLA china opened 5 stores and closed 2 stores in 2015. HOLA china continues reviewing the profitability of each store and developing its business in EC and franchise. We have seen some progress after relaunching our EC plan in the mid-2014. HOLA China has now entered the TMall.com, JD.com and Xiaohongshu. These platforms together generated about RMB\$5.16 mn sales in 2015. Test-Rite group has about 26 TLW stores, 25 HOLA Taiwan stores, and 38 HOLA China stores as of the cut-off-date.

Given that worldwide trading is declining in 2015, Test-Rite is resilient. Test-Rite focuses more on core customers' relationship and development. By providing value-added services and products, our main market, North America and Europe, is showing steady growth. Total shipment to North America and Europe grew 0.2% and 28% respectively. Total trading revenue is about NT\$13 bn, 0.4% YoY. Gross margin is close to the last year, but net income has 14.5% growth in 2015 reaching NT\$615 mn.

In Jan-2015, 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 Yangmei and 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 FY2015, along with business plan summary for FY2016 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 2015

(1) Operating result based on business plan for 2015 (consolidated):

(NT\$ mn)	2015A	2014A	YoY change by value	YoY change (%)
Net sales	35,981	35,946	35	0.10
COGS	24,678	25,114	(436)	-1.74
Gross profit	11,303	10,832	471	4.35
Operating Expense	10,492	9,850	642	6.52
Operating profit	811	982	(171)	-17.41
Non-op.profit/(loss)	54	(99)	153	NA
Net profit before tax	865	883	(18)	-2.04
Net profit after tax	671	715	(44)	-6.15
Recurring Net profit attribute to TRIC	671	706	(35)	-4.96

(2) Operating result based on business plan for 2015(stand alone):

(NT\$ mn)	2015A	2014A	YoY change by value	YoY change (%)
Net sales	12,679	12,937	(258)	-1.99
COGS	10,074	10,376	(302)	-2.91
Gross profit	2,605	2,561	44	1.72
Operating Expense	2,493	2,394	99	4.14
Operating profit	112	167	(55)	-32.93
Non-op.profit/(loss)	607	575	32	5.57
Net profit before tax	719	742	(23)	-3.10

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

Item/Year		2015A	2014A	YoY change (%)
Balance Sheet	Total Liability/Total Asset	70.51%	70.46%	0.07
	Current Ratio	107.69%	116.07%	-7.22
Profitability	ROE	9.09%	10.15%	-10.44
	Net Margin	1.86%	1.99%	-6.53
	EPS	1.32	1.42	-7.04

2. 2016 business plan and future development strategy

(1) Business plan and managerial principle:

A. Retail Business

- Taiwan: TLW opened Xitong store in Taichung on Jan-2016. HOLA has no new store opening plan in 2016. However, physical stores will more emphasize on enhancing shopping experiences, such as building the LED zone in TLW. Furthermore, Test-Rite plans to open the second Crate & Barrel store in Taichung.
- China: No new store opening plan in 2016. HOLA China will continue reviewing the profitability of each store and developing its business in EC and franchise.
- Ramp up E-commerce product offerings in Taiwan and China. TLW plans to launch its new version website in mid-2016 to enhance customers' shopping experiences.
- Brand Agency will continue to introduce well-known and reputed brands to Taiwan. For example, we will introduce the popular German cooking ware, WMF, to Taiwan in Mar-2016. Besides, KitchenAid, Honeywell (Water-Cooling Fan) are in the pipeline.
- Strengthening the sales of Private Label products to improve margin.
- By further integrating merchandising team of Taiwan and China to reach synergies.

B. Trading Business:

- Continue providing value-added services and products to our global partners
- Develop the 3rd party PQS services.
- Post M&A integration of German subsidiaries and establishment of European Hub.
- Continue integration of trading and retail operations to realize potential synergy.

(2) Future development strategy:

A. Retail Business strategy

- Increasing the sales of Private Label products to improve margin.
- Continue to introduce well-known and reputed brands to Taiwan.
- Expanding EC development and enhancing offline shopping experiences to reach omni-channel

B. Trading Business 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.
- Both principal and agency maintain existing relationships with trading customers and aggressively pursue potential business opportunities.
- Strengthening the function and services of Shanghai FTZ zone to provide efficient supply chain management services.
- 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

Taiwanese government has tightened up the housing policy since the central bank proposed a series of actions to the housing market in 2013. Numbers of house transactions has decreased year by year. We expect the situation will be similar in 2016. To some extent, the low transaction amount has suppressed the DIY and home décor demand from new house buyers. However, we find another group of customers' demand emerging. While many people feel that they're not going to buy the house in the short/mid-term, they turned to spend some money to renovate their old house. To sum up, we feel the overall demand of DIY and home décor products will continue to grow in Taiwan.

In China, common people's shopping behavior has significantly shifted to online buying. Besides, the authorities have continued to reign in the purported excess spending of wealthy individuals. The result is a substantial slowdown of retail sales. These issues, along with rising labor

costs and rents, have significantly increased the challenges of our retail operation in China. However, as the Chinese consumers become more modernized and richer, the increasing demand of improving living environment of home is unchanged. Our aspiration to become the premier retail operator in home related categories remain unchanged.

2015 is a challenging year to all trading companies in the world. The global trading volume is decreasing in most of the major countries. Till Feb-2016, Taiwan export amount has experienced consecutive 13 months decreases, including 9 months double digit decreases. China, South Korea and Japan also face similar difficulties. However, Test-Rite is uniquely positioned as a supplier to many of the top retail in the world. Even though trading volume is declining worldwide in 2015, Test-Rite trading business maintains its growth. We intend to fully leverage our strengths to grow our principle shipments, add new agency customers, 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

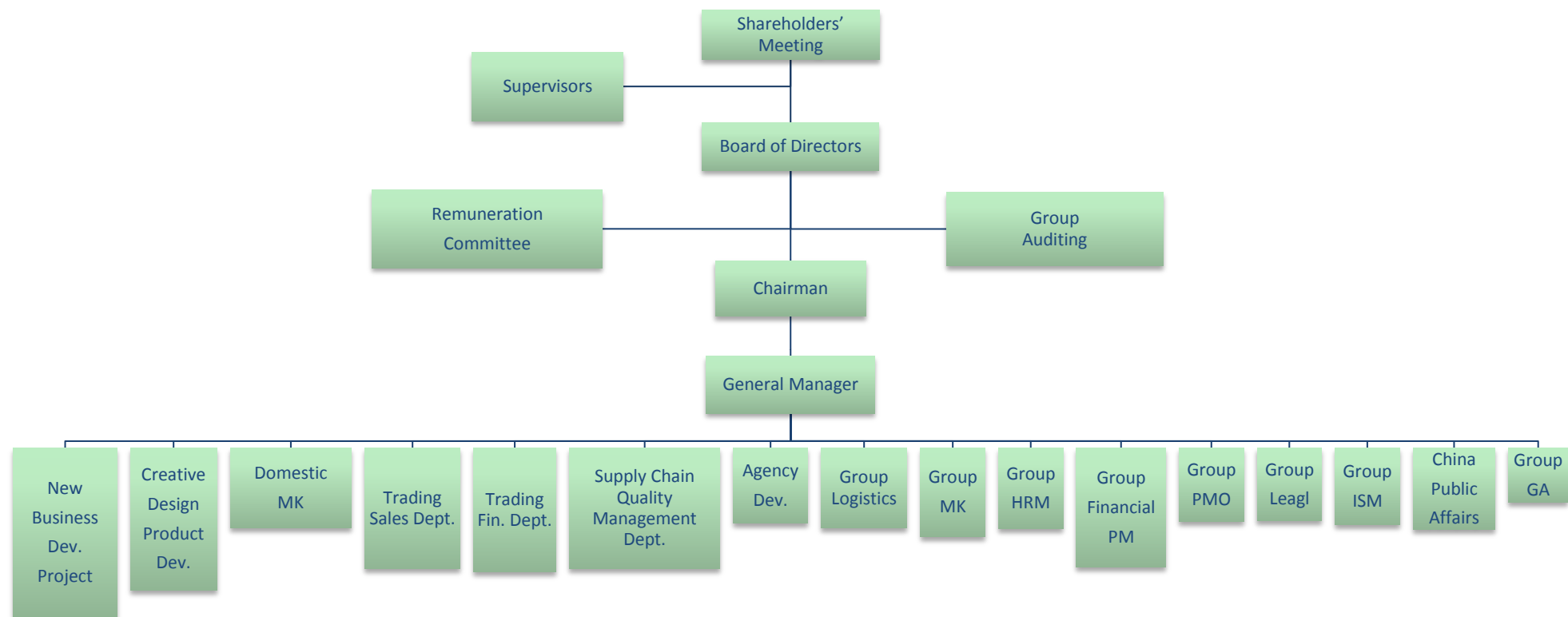
2.2 Company History

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. Introduced the first Crate & Barrel store in Taiwan
2016	TLW new concept store in XiTun Taichung

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	Group business development and expansion, marketing and planning for retail business in Taiwan, provision of quality and timely customer services.
Group Logistics	Support for shipping, logistics management and other related operations of business units.
Agency Development	Agency business promotion; provision of information and services for customers.
Supply Chain Quality Management Dept.	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.
Domestic Marketing	Planning and execution of marketing and promotional activities.
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 25, 2016

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	2015.06.15	3	1983.07.04	36,050,614	7.10	25,711,294	5.04	43,995,550	8.63	0	0.00	President of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd. ; Director of Tong Long Metal Industry Co., Ltd. ; Department of Bank and Insurance/ Tamkang University	Note 1	Director Director	Tony Ho Robin Ho	Family Family
Director	Taiwan	Mr. Tony Ho	2015.06.15	3	1983.07.04	42,682,905	8.41	43,995,550	8.63	25,711,294	5.04	0	0.00	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	Judy Lee Robin Ho	Family Family
Director	Taiwan	Ms. Robin Ho	2015.06.15	3	2010.06.15	761,431	0.15	1,949,579	0.38	252,000	0.04	0	0.00	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 3	Director Director	Tony Ho Judy Lee	Family Family
Director	Taiwan	Property Int'l Co., Ltd. Representative: Ms. Ai Chen Lee	2015.06.15	3	2006.06.09	588,000 1,030,880	0.12 0.20	606,083 728,583	0.12 0.14	0	0.00	0	0.00	Director of ShiFu Industry Co., Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Kuang Lung Vocational High School	Note 4	-	-	-
Director	Taiwan	Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	2015.06.15	3	2012.06.18	588,000 0	0.12 0	606,083 0	0.12 0.00	0	0.00	0	0.00	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	-	-	-

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
Independent Director	Taiwan	Mr. Hung-Hsun Ting	2015.06.15	3	2015.06.15	0	0.00	0	0.00	0	0.00	0	0.00	Partner of Baker Tilly Clock & Co; Director of Pacific Securities; Director of Pacific SOGO Department Stores Co., Ltd; Supervisor of Tien Liang Biotech Co., Ltd; Supervisor of Emerging Display Technologies Corp.; The Department of Accounting, Chinese Culture University	Note 5	-	-	-
Independent Director	Taiwan	Mr. Ting-Yang Liu	2015.06.15	3	2015.06.15	0	0.00	0	0.00	0	0.00	0	0.00%	Principal of Taipei College of Maritime Technolog; Dean of Graduate Institute of Human Resource and Knowledge Management at National Kaohsiung Normal University; Dean of Student Affairs of I-Shou University, Researcher of Centre for Human Resource Development and Management Studies at Peking University; Independent director of HER CHEE Industrial Co.,Ltd.; Independent director of Tekom Technologies, Inc; School of Government, Peking University, Juris Doctor; Alliant International Universit, Doctor of Education	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	Mr. Chung Hsing Huang	2015.06.15	3	2009.06.16	31,362,873 0	6.18 0.00	32,327,389 0	6.34 0.00	0	0.00	0	0.00	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	Note 7	-	-	-
Supervisor	Taiwan	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	2015.06.15	3	2003.06.20	31,362,873 0	6.18 0	32,327,389 0	6.34 0	0	0	0	0	Director 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 8	-	-	-

Note:

- 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. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH
- 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 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. ∙ Director of Test Rite (UK) LTD. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH

3. 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 Cin M&E Engineering 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 Rui Feng International Co., Ltd. › Director of Test-Rite Development GmbH › Director of Test-Rite International (Germany) GmbH › Director of Test-Rite Germany Import GmbH › GM of Test-Rite International (U.S.) Co., Ltd.
4. 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.
5. Chairman and member of Test-Rite Remuneration Committee › Independent director, Chairman and member of Audit Committee of ShunSin Technology Holdings Limited › Independent director, Chairman and member of Audit Committee of CyberTAN Technology Inc. › Partner of Baker Tilly Clock & Co.
6. Member of Test-Rite Remuneration Committee › Professor of Graduate Institute of Human Resource and Knowledge Management at National Kaohsiung Normal University › Visiting professor of School of Business at Macau University of Science and Technology › Contract Research Fellow of National Policy Foundation › Director of Li-Chih Valuable School › Advisors of Taipei City Government
7. Director of Delta Electronics Inc. › Associate Professor of National Taiwan University College of Management
8. Director 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 25, 2016

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 25, 2016

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 25, 2016

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Director	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent
		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
Ms. Robin Ho			✓								✓		✓	✓		0
Mr. Hung-Hsun Ting		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Mr. Ting-Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Property Int'l Co., Ltd. Representative: Ms. Ai Chen Lee			✓				✓	✓			✓	✓	✓			0
Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			1
Mr. Chung Hsing Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
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

As of April 25, 2016

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	1,637,909	0.32%	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	324,223	0.06%	888,601	0.17%	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	1,949,579	0.38%	252,000	0.04%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, Fujen Catholic University	Note 3	-	-	-
Vice President	Taiwan	Hannis Chang	2006.6.1	545,461	0.11%	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; University of Central Okalahoma	-	-	-	-
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	Note 5	-	-	-
Vice President	Taiwan	Lawrence Wu	2007.3.1	77,668	0.02%	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	424,405	0.08%	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 6	-	-	-
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	Note 7	-	-	-
Vice President	Taiwan	CC Fan	2010.6.10	3,000	0.00%	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	438,865	0.09%	85,990	0.02%	0	0.00%	Vice president of B&S Link Co., Ltd.; Master, University of Missouri	-	-	-	-

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
Vice President	Taiwan	Maggy Chen	2011.12.5	354,512	0.07%	147	0.00%	0	0.00%	General manager of Freer Inc. , Department of Business Management, Soochow 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 8	-	-	-
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	40,011	0.01%	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	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/Shih Chien College	-	-	-	-
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	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	-	-	-	-

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
Assistant Vice President	Taiwan	Sky Yuan	2011.12.2	20,000	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	Humphrey 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	0.00%	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.; Master, 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	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	-	-	-	-
Assistant Vice President	Taiwan	Yite Chu	2015.06.15	0	0.00%	0	0.00%	0	0.00%	Manager of MediaTek Inc.; Master of Industrial and Labor Relations, Cornell University	-	-	-	-
Assistant Vice President	Taiwan	Ya-Pei Kang	2015.07.06	0	0.00%	0	0.00%	0	0.00%	HR Director of Hiir Inc.; Soochow University M.B.A.	-	-	-	-

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
Assistant Vice President	Taiwan	Maggie Chuang	2015.09.15	0	0.00%	0	0.00%	0	0.00%	Vice President of APO International Co., Ltd.; Sales and Marketing Director of EVERLIGHT LIGHTING CO., LTD.; University of Southern Queensland M.B.A.	-	-	-	-
Assistant Vice President	Taiwan	Jennie Hsu	2016.02.04	10,000	0.00%	0	0.00%	0	0.00%	Executive Vice President of PinJang Enterprise Ltd.; Shilin High School of Commerce	-	-	-	-
Assistant Vice President	Taiwan	Bruce Shen	2016.02.23	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Mass Communication, Tamkang 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.
2. 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 ∨ GM of Energy Retailing Co., Ltd.
3. 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 Cin M&E Engineering 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. ∨ Director of Test-Rite Development GmbH ∨ Director of Test-Rite International (Germany) GmbH ∨ Director of Test-Rite Germany Import GmbH ∨ GM of Test-Rite International (U.S.) Co., Ltd.
4. 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.
5. Director of Test Rite South America Co., Ltd.
6. Supervisor of Energy Retailing Co., Ltd.
7. Director of Hwa Hong International Co., Ltd.
8. Director of Lih Chiou Co., Ltd. ∨ Director of Lih Teh International Co., Ltd., ∨ Director of Fusion International Distribution Inc.

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

3.3.1 Remuneration of Directors

As of Dec. 31, 2015 : 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	4,000	4,000	0	0	7,594	7,594	348	432	1.78%	1.79%	20,751	39,369	779	779	3,378	0	3,378	0	0	0	0	0	5.50%	8.29%	0
Director	Mr. Tony Ho																									
Director	Ms. Robin Ho																									
Independent Director	Mr. Hung-Hsun Ting*																									
Independent Director	Mr. Ting-Yang Liu*																									
Director	Property Int'l Co. Ltd. Representative: Ms. Ai Chen Lee																									
Director	Property Int'l Co. Ltd. Representative: Mr. Wen-Tzong, Chen																									
Director	Mr. Hsin-Hsien Huang**																									
Director	Property Int'l Co. Ltd. Representative: Mr. Chung Hsing Huang**																									

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

* Mr. Hung-HsunTing and Mr. Ting-Yang Liu were elected as independent director on June 15th, 2015

** Director Mr. Hsin-Hsien Huang and Property Int'l Co. Ltd. Representative, Mr. Chung Hsing Huang's tenure expired on June 15th, 2015

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 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、Property Int'l Co., Ltd. Representative : Mr. Chung Hsing Huang 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Mr. Hung-HsunTing 、Mr. Ting-Yang Liu	Mr. Hsin Hsien Huang 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、Property Int'l Co., Ltd. Representative : Mr. Chung Hsing Huang 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Mr. Hung-HsunTing 、Mr. Ting-Yang Liu	Mr. Hsin Hsien Huang 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、Property Int'l Co., Ltd. Representative : Mr. Chung Hsing Huang 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Mr. Hung-HsunTing 、Mr. Ting-Yang Liu	Mr. Hsin Hsien Huang 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、Property Int'l Co., Ltd. Representative : Mr. Chung Hsing Huang 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Mr. Hung-HsunTing 、Mr. Ting-Yang Liu
NT\$2,000,000 ~ NT\$5,000,000	Mr. Tony Ho 、Ms. Judy Lee 、Ms. Robin Ho	Mr. Tony Ho 、Ms. Judy Lee 、Ms. Robin Ho	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-	Ms. Robin Ho	-
NT\$10,000,000 ~ NT\$15,000,000	-	-	Mr. Tony Ho 、Ms. Judy Lee	Ms. Robin Ho
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	9	9	9	9

3.3.2 Remuneration of Supervisors

As of Dec. 31, 2015; 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. Hsueh Hsing Liao	0	1,500	3,475	3,475	84	234	0.53%	0.78%	0
Supervisor	Mr. Chung Hsing Huang *									
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai**									

* Mr. Chung Hsing Huang was elected as supervisor on June 15th, 2015

** Supervisor Mr. Yung Chi Lai's tenure expired on June 15th, 2015

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 、 Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao 、 Mr. Chung Hsing Huang	-
NT\$2,000,000 ~ NT\$5,000,000	-	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai 、 Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao 、 Mr. Chung Hsing Huang
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	3	3

3.3.3 Compensation of President and Vice Presidents

As of Dec. 31, 2015; Unit: NT\$ thousands

As of Dec. 31, 2013, Unit: NT\$ thousands																		
Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Granted Employee Restricted Stock		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities		The company	From All Consolidated entities	The company	From All Consolidated entities			
								Cash	Stock	Cash	Stock							
CEO of strategy & new business development	Tony Ho	112,464	130,698	37,886	37,886	10,913	10,913	3,347	0	3,347	0	24.55	27.27	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	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	Jack Ueng																	
Vice President	Maggy Chen																	
Vice President	Linda Lin																	
Vice President	Shelly Chen																	
Vice President	Terrance Yang																	
Vice President	Constance Chuang																	
Vice President	Ted Ho																	
Vice President	Lancy Wu*																	
Vice President	Monica Chen*																	
Vice President	Peter Dong**																	
Vice President	Chester Lee**																	
Vice President	Kelly Ho**																	
Vice President	Michael Ho**																	
Vice President	Rebecca Chi**																	

* VP Lancy Wu and VP Monica Chen were promoted in January 2015; VP Chester Lee joined in April 2015

**VP Rebecca Chi dismissed in March 2015; VP Kelly Ho and VP Michael Ho dismissed in July 2015; VP Chester Lee dismissed in September 2015; VP Peter Dong dismissed in October 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	Rebecca Chi 、Kelly Ho	Rebecca Chi
NT\$2,000,000 ~ NT\$5,000,000	Monica Chen 、Lancy Wu 、Constance Chuang 、Shelly Chen 、Linda Lin 、Maggy Chen 、CC Fan 、Robin Ho 、Paul Wang 、Edward Kao 、Tracy Tsai 、Bob Yueh 、Gillian Joe 、Lawrence Wu 、Alfred Chang 、John Peng	Monica Chen 、Lancy Wu 、Shelly Chen 、Linda Lin 、Maggy Chen 、CC Fan 、Robin Ho 、Paul Wang 、Edward Kao 、Tracy Tsai 、Bob Yueh 、Gillian Joe 、Lawrence Wu 、Alfred Chang 、John Peng 、Kelly Ho
NT\$5,000,000 ~ NT\$10,000,000	Ted Ho 、Michael Hou 、Terrance Yang 、Jack Ueng 、Jane Peng 、Hannis Chang	Ted Ho 、Michael Hou 、Terrance Yang 、Jack Ueng 、Jane Peng 、Hannis Chang
NT\$10,000,000 ~ NT\$15,000,000	Tony Ho 、Judy Lee 、Peter Dong 、Chester Lee	Peter Dong 、Chester 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	29	29

3.3.4 Employee bonuses of Managers

As of Dec. 31, 2015; 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	3,628,306	3,628,306	0.54%
	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	Jack Ueng				
	Vice President	Maggy Chen				
	Vice President	Linda Lin				
	Vice President	Shelly Chen				
	Vice President	Terrence Yang				
	Vice President	Constance Chuang				
	Vice President	Ted Ho				
	Vice President	Lancy Wu*				
	Vice President	Monica Chen*				
	Vice President	Peter Dong**				
	Vice President	Rebecca Chi**				
	Vice President	Kelly Ho**				
	Vice President	Michael Hou**				
	Assistant Vice President	Lancy Wu**				
	Assistant Vice President	Chester Lee**				
	Assistant Vice President	Alex Yu				
	Assistant Vice President	Jack Chang				
	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	Celine Hsien*				
	Assistant Vice President	Kevin Lin*				
	Assistant Vice President	Yite Chu*				
	Assistant Vice President	Ya-Pei Kang*				
	Assistant Vice President	Maggie Chuang*				
	Assistant Vice President	Gino Chen**				

* VP Lancy Wu and VP Monica Chen were promoted in January 2015; VP Chester Lee joined in April 2015; AVP Celine Hsien was promoted in January 2015; AVP Kevin Lin joined in January 2015; AVP Yite Chu joined in June 2015; AVP Ya-Pei Kang was promoted in July 2015; AVP Maggie Chuang joined in September 2015.

** VP Rebecca Chi resigned in March 2015; VP Kelly Ho and VP Michael Hou resigned in July 2015; VP Chester Lee resigned in September 2015; VP Peter Dong resigned in October 2015; AVP Gino Chen resigned in June 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	
	2014	2015
Directors	7.40%	8.29%
Supervisors	0.74%	0.78%
Presidents and Vice Presidents	20.45%	27.27%

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 9 meetings of the board of directors were held in the previous period (Year 2015). Director and supervisor attendance was as follows :

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Chairman	Ms. Judy Lee	9	0	100%	
Director	Mr. Tony Ho	7	2	78%	
Director	Ms. Robin Ho	8	1	89%	
Independent Director	Mr. Hung-Hsun Ting	5	0	56%	Newly elected on June 15th, 2015
Independent Director	Mr. Ting-Yang Liu	5	0	56%	Newly elected on June 15th, 2015
Director	Property International Company Limited Representative: Ms. Ai Chen Lee	9	0	100%	
Director	Property International Company Limited Representative: Mr. Wen-Tzong Chen	8	1	89%	
Director	Mr. Hsin Hsien Huang	4	0	44%	Resolved on June 15th, 2015
Director	Property International Company Limited Representative: Mr. Chung Hsing Huang	3	1	33%	Resolved on June 15th, 2015

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	Motion for the distribution of performance-based bonuses to the Company's individual managers for 2014.	Chairwoman Judy Lee and Director Tony Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	Director Robin Ho abstained by proxy; remaining directors in attendance passed the motion without objection.
Mr. Hung-Hsun Ting Mr. Ting-Yang Liu	Discussion on the appointing the Company's Remuneration Committee member	Independent Director Hung-Hsun Ting and Ting-Yang Liu are nominated candidates for the Company's Remuneration Committee member.	All other directors in attendance passed the motion without objection.
All directors	Motion for the distribution of compensation to the Company's supervisors for 2014.	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.
Ms. Judy Lee Ms. Robin Ho	Motion for the Company's 2014 managerial profit-sharing for employees and 2015 year-end bonus allocation.	Chairwoman Judy Lee and Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	Director Tony Ho abstained by proxy; remaining directors in attendance passed the motion without objection.

3. Measures taken to strengthen the functionality of the Board :
- (1) 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 26, 2015, the Board approved the appointment of the third 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. Two members of the Remuneration Committee are independent directors.
 - (4) 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, and hold analyst meeting aperiodically. 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, and offers private lessons at home.

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	Mr. Chung-Hsing Huang	2	22%	New office assumed on June 15, 2015
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	8	89%	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Yung Chi Lai	4	44%	Term expired on June 15, 2015

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?	✓		The Company's has implemented a Corporate Governance Code of Practice. The Code of Practice is disclosed on the Company’s official website and MOPS	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) The Company has established its “Procedures for Handling Material Inside Information” to address related norm, and 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? (3) Has the Company established a performance rating method for its Board of Directors, and conducted	✓		(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) Corporate government related functions are conduct by the Company’s Board of Directors and Remuneration Committee. (3) The Company has not yet established a method to assess the performance of its Board of Directors. (4) The board of directors, following the statement of independence issued by the certified public accountants, hereby states that the	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	
performance ratings accordingly on an annual basis? (4) Does the Company evaluate its CPAs’ independence on a regular basis?			accountants and auditors have complied with the applicable independence requirement to be unbiased, impartial and independent. Furthermore, the certified public accountants hired under the internal self assessment practice are not directors/supervisors or shareholders of the company, and have not received salaries from the company. Renewal of the contract with certified public accountants will not be discussed unless certain criteria, such as not being a stakeholder of the company and not having served as a certified public accountant of the company for seven consecutive years, are met.	
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 official 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	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	
			completed various reporting requirements. Excerpts of briefings of institutional investor conferences can be 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 and stakeholders have been reasonable. We always offer communication opportunities and respect the legitimate rights and interests of all</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>parties involved.</p> <p>(5) Directors and supervisors of the Company have continuously attended courses related to Corporate Governance.</p> <p>A. Independent Director Hung-Hsun Ting attended the "Corporate Governance and Social Responsibility" course hosted by the Securities and Futures Institute for three hours on March 25, 2015.</p> <p>B. Independent Director Hung-Hsun Ting attended the "The Latest Revised TIFRS" course hosted by the Institute of Certified Public Accountants for three hours on July 24, 2015.</p> <p>C. Supervisor Chung-Hsing Huang attended the "Operational Risk Management Process" course hosted by the Securities and Futures Institute for three hours on July 28, 2015.</p> <p>D. Independent Director Ting-Yang Liu attended the "Forum for Directors of Public Companies – Corporate Integrity Risk Control and Social Responsibility New World Forum" course hosted by the Securities and Futures Institute for three hours on September 17, 2015.</p> <p>E. Independent Director Hung-Hsun Ting attended the "GAAS No. 54" course hosted by the Institute of Certified Public Accountants for three hours on September 23, 2015.</p> <p>F. Chairwoman Judy Lee, President Tony Ho, Director Robin Ho, Director Ai-Chen Lee, Director Wen-Chung Chen, Independent Director Hung-Hsun Ting, and Supervisor Hsueh-Hsing Liao attended the "Disclosure of Material Information and Responsibility of Directors and Supervisors" course hosted by the Taiwan Corporate Governance Association for three hours on October 23, 2015.</p> <p>G. Supervisor Chung-Hsing Huang attended the "Hostile Merge Case Study - ASE VS. SPIL" course hosted by the Taiwan Corporate Governance Association for three hours on November 30, 2015.</p> <p>H. Chairwoman Judy Lee, President Tony Ho, Director Robin Ho, Director Ai-Chen Lee, Director Wen-Chung Chen, Independent Director Hung-Hsun Ting, and Supervisor Hsueh-Hsing Liao</p>	

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>attended the "M&A Case Study" course hosted by the Taiwan Corporate Governance Association for three hours on December 14, 2015.</p> <p>I. Independent Director Ting-Yang Liu attended the “Detection of Fraudulent Financial Reporting” course hosted by the Taiwan Corporate Governance Association for three hours on December 22, 2015.</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>	
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 Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an remuneration committee member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Other	Mr. Hong Xun Ding		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Other	Mr. Ting Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Mr. Huang, Kuo-Shih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

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 26, 2015 to June 14, 2018. The Remuneration Committee convened four regular meetings in the previous period. The Committee members' attendance status is as follows:

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%	The Remuneration Committee’s members were elected on June 15, 2015. Their respective tenures are from June 26 2015
Member	Mr. Ting Yang Liu	4	0	100%	
Member	Mr. Kuo-Shih Huang	4	0	100%	
Other notable items:					
1. If the directors’ meetings objected to or modified the proposal of remuneration committee : None.					
2. If the remuneration committee member objected to or subject to qualified opinion and recorded or declared in writing : 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>	✓		Please refer to pages 5, 98~99 of the Company's CSR Report.	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 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</p>	✓		Please refer to pages 36~38, 47~51, 64~79 of the Company's CSR Report.	Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
emissions?				
3. Promoting social welfare (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 Company established adequate management methodologies, procedures, and monitoring mechanisms? (2) Has the Company set up employee grievance mechanisms and channels, and handled these grievances in an appropriate manner? (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? (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? (5) Has the Company established an effective career development plan for its employees? (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? (7) Does the Company comply with related laws, regulations, and international standards for the marketing and labels on its products and services?	✓		Please refer to pages 35~36, 40~51, 54~61, 90~97, 99, 101 of the Company’s CSR Report. 	

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<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 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>4. Enhancing information disclosure</p> <p>The manner in which the company discloses information related to corporate social responsibility that concerns relevance and reliability. Has the Company compiled a Corporate Social Responsibility Report and disclosing its work towards the promotion of corporate social responsibility?</p>	✓		Please refer to the basic information section of the Company's CSR Report.	The Company has not yet drafted the 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) Environmental protection: Please refer to pages 35~38, 64~79 of the Company's CSR Report.</p> <p>(2) Community involvement, social contributions, social services, social welfare, human rights, security, health and other social responsibility activities: Please refer to pages 102-108 of the Company's CSR Report.</p>				
<p>7. Provide description for any of the Company's products or corporate social responsibility reports that have received certifications from relevant accreditation bodies: The Company has received certification for ISO9001: 2008 Quality Management System.</p>				

3.4.6 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 Company has Business Integrity Policy, and human resources unit is responsible for the implementation. 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. Any violator of the Business Integrity Policy (or relevant regulations) will be severely disciplined, including immediate dismissal and termination of business relationship.</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 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 investigating reports that have been received?</p> <p>(3) Has the Company taken measures to ensure that whistleblowers are not subjected to inappropriate treatment from the reporting actions?</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 directly.</p> <p>(3) The Company shall facilitate a Group Reporting Mechanism this year, thereby activating the Group's reporting and investigation procedures.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>

<p>4. Information Disclosure</p> <p>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?</p>	✓		<p>The Company implements Business Integrity Policy, and publicly announced this information on our official website. The Company has clearly disclosed its corporate values of integrity, accountability, modesty, customer-driven and high performance on our company website.</p>	<p>Our guidelines are consistent with those specified in "Code of Ethics for Business Management for TWSE/GTSM Listed Companies".</p>
<p>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.</p>				
<p>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).</p> <p>The Board has approved the Corporate Governance guidelines and Regulations on November 11, 2013, and announced this information on our company website.</p> <p>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.</p> <p>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.</p>				

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
President	Sophia Tong	2015/12/14	Taiwan Corporate Governance Association	M&A Case Study	3.0
Vice President	Robin Ho	2015/10/23	Taiwan Corporate Governance Association	Disclosure of Material Information and Responsibility of Directors and Supervisors	3.0
		2015/12/14	Taiwan Corporate Governance Association	M&A Case Study	3.0
Vice President	Hannis Chang	2015/10/23	Taiwan Corporate Governance Association	Disclosure of Material Information and Responsibility of Directors and Supervisors	3.0
		2015/12/14	Taiwan Corporate Governance Association	M&A Case Study	3.0
Accounting Supervisor	Linda Lin	2015/10/18	Accounting Research and Development Foundation, R.O.C.	Continuing Studies for Accounting Supervisors in Issuers of Securities Dealers Exchange	12.0
		2015/10/23	Taiwan Corporate Governance Association	Disclosure of Material Information and Responsibility of Directors and Supervisors	3.0
		2015/12/14	Taiwan Corporate Governance Association	M&A Case Study	3.0
Auditing Supervisor	Lancy Wu	2015/10/14	Taiwan Computer Audit Association	2015 Global IT Governance and Audit Benchmarking Conference	3.0
		2015/10/23	Taiwan Corporate Governance Association	Disclosure of Material Information and Responsibility of Directors and Supervisors	3.0
		2015/11/06	Taiwan Corporate Governance Association	11th Taipei Corporate Governance Forum	9.0
		2015/11/26	Taiwan Computer Audit Association	Forensic Accounting and Digital Forensics	3.0
		2015/12/14	Taiwan Corporate Governance Association	M&A Case Study	3.0
		2015/12/16	Taiwan Computer Audit Association	Corporate Government and Auditing Case Study	3.0

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 Senior 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	Qualified Internal Auditor (QIA) 、 Internal Control of Corporation Test of Securities and Futures Institute 、 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
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
Raise 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, 2016

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2015:

1. The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2015, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of the Company's Annual Report for the year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 25, 2016, with none of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

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 2015 Stockholder's General Meeting for Test Rite Corporation was held on June 15, 2015 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 2014 fiscal year. Execution: resolved to pass.
- (2) Acknowledged the motion for earnings distribution for the 2014 fiscal year.
 - Execution: resolved to pass, and carried out according to the resolution of the shareholders meeting.
- (3) Passed the motion to revise articles in the Company's internal regulations, as follows:
 - A. Operating Procedures for Trading Derivatives;
 - B. Operational Procedures for Endorsements and Guarantees;
 - C. Articles of Association.
 - Execution: resolved to pass, and carried out according to the resolution of the shareholders meeting.
- (4) Passed the motion to issue common stock to raise cash capital using the book building method.
 - 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 8 Board of Director Meetings, from May 21, 2015 to May 20, 2016. Abstracts of important resolutions are as follows:

Date of the Board of Directors Meeting	Abstract of Important Resolutions
June 15, 2015	Elected the Company's Chairwoman
June 26, 2015	Passed the motion for appointing members of Remuneration Committee member. Passed the motions relating to the Company's profit-sharing, cash dividend distribution, and cash dividend payout ratio for 2014. Passed the motion to decrease capital through cancellation of treasury stock. Passed the motion for allocation of compensation for the Company's directors for 2014. Passed the motion to indirectly raise capital for HOLA Shanghai Retail & Trading Ltd. through the Company's subsidiaries, Test Rite Retailing Co, Ltd. and Test Rite Co., Ltd
Aug. 17, 2015	Reported on Test Rite Co, Ltd's consolidated financial results for Q2 2015.
Nov. 11, 2015	Passed the motion for managers' profit sharing of employee's benefits for 2014, and year-end bonus allocation for 2015. Reported on Test Rite Co, Ltd's consolidated financial results for Q3 2015. Passed the motion to the procedure for suspension or halting of trading
Dec. 16, 2015	Passed the motion for the Company's operational plan and budget for 2015. Passed the motion to implement the Company's internal audit plan for 2015. Passed the motion to amend the Company's "Internal Control System", "Details on Implementation of Internal Audit", and "Procedure for Internal control self-evaluation" Passed the motion that the Company has the ability to prepare financial report independently. Passed the motion to assess the independence of the Company's CPA.
Jan. 28, 2016	Passed the motion for company managers' performance-based bonus allocation for 2015. Passed the amendments to sections of the "Articles of Association". Passed the amendments to sections of the "Stamp Management Regulation". Passed the motion to raise capital for Test Rite Retailing Co., Ltd.

	Passed the motion to raise capital for Test- Rite Products Corp. Passed the motion to changes to financial executives, the spokesman and acting spokesman case.
Mar. 25, 2016	Passed the motion for allocation of compensation for the Company's directors and supervisors, and for the Company's employee bonus 2015. Reported on Test Rite Co, Ltd's Operational Highlights and consolidated financial results for 2015. Passed the motion for profit-sharing for 2015. Passed the motion for the statement of the Company's internal control system for 2015. 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.. Passed the motion to issue common stock to raise capital through the book building method. Passed the motion to call for the Company's Stockholder's General Meeting for 2016.
May 11, 2016	Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2016. Passed the motion to raise capital for Test Rite Retailing Co., Ltd.

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	2015/1/1-2015/12/31	None

Range \ Item		Audited fee	Non-audited fee		Total
			Business registration	Other	
1	Less than 2,000,000	0	0	365*	365
2	2,000,000~4,000,000	3,600	0	0	3,600
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 2015 include NT\$55,000 relating to business registration, NT\$50,000 with respect to issuance of the annual report to shareholders, NT\$30,000 with tax assurance for obsolete inventory, NT\$50,000 relating to M&A advisory, and NT\$180,000 relating to the Company's internal training session.

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

(Unit : Share)

Title	Name	2015		As of Apr. 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairwoman	Judy Lee	5,152,000	0	0	0
Director	Tony Ho	0	0	0	0
Director	Robin Ho	220,000	0	25,000	0
Director	Property Co., Ltd.	0	0	0	0
Independent Director	Hung-Hsun Ting*	0	0	0	0
Independent Director	Ting-Yang Liu*	0	0	0	0
Supervisor	Tsai-Chi Co., Ltd.	0	0	0	0
President	Sophia Tong	308,000	0	0	0
VP	John Peng	(9,000)	0	0	0
VP	Hannis Chang	100,000	0	0	0
VP	Gillian Joe	0	0	0	0
VP	Alfred Chang	(10,000)	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	(20,000)	0	(30,000)	0
VP	Paul Wang	0	0	0	0
VP	Tracy Tsai	0	0	0	0
VP	Robin Ho	220,000	0	0	0
VP	CC Fan	(57,000)	0	0	0
VP	Jack Ueng	100,000	0	0	0
VP	Maggy Chen	30,000	0	0	0
VP	Linda Lin	0	0	0	0
VP	Shelly Chen	9,000	0	(9,000)	0
VP	Terrance Yang	0	0	0	0
VP	Ted Ho	0	0	0	0
VP	Constance Chuang	40,000	0	0	0
VP	Lancy Wu	0	0	0	0
VP	Monica Chen	0	0	0	0
AVP	Alex Yu	0	0	0	0
AVP	Austin Lin	0	0	0	0
AVP	Sky Yuan	20,000	0	0	0
AVP	Johnson Lee	0	0	0	0
AVP	Humphrey Wang	0	0	0	0
AVP	Tracy Leu	0	0	0	0

Title	Name	2015		As of Apr. 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
AVP	Dick Ko	0	0	0	0
AVP	Eddie Wei	0	0	0	0
AVP	Jenny Chen	(30,000)	0	(30,000)	0
AVP	Kevin Lin*	0	0	0	0
AVP	Celine Hsien*	0	0	0	0
AVP	Yite Chu*	0	0	0	0
AVP	Ya-Pei Kang*	0	0	0	0
AVP	Maggie Chuang*	0	0	0	0
AVP	Jennie Hsu*	NA	NA	0	0
AVP	Bruce Shen*	NA	NA	0	0

* Mr. Hung-HsunTing and Mr. Ting-Yang Liu were elected as independent director on June 15th, 2015

*AVP Kevin Lin joined in January 2015; AVP Celine Hsien was promoted in March 2015; AVP Yite Chu joined in June 2015; AVP Ya-Pei Kang was promoted in July 2015; AVP Maggie Chuang joined in September 2015; AVP Jennie Hsu was promoted in February 2016; AVP Bruce Shen joined in February 2016.

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, 2016

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	
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	49,540,395	9.72	0	0	0	0	Judy Lee	Substantive sponsor	-
Tsai Ye Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	48,580,635	9.53	0	0	0	0	Judy Lee	Substantive sponsor	-
Tsai Wang Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	47,000,000	9.22	0	0	0	0	Judy Lee	Substantive sponsor	-
Tony Ho	43,995,550	8.63	25,711,294	5.04	0	0	Judy Lee	Spouse	
Tsai-Chi Co., Ltd. Representative: Ms. Lee, Li-Heng	32,327,389	6.34	0	0	0	0	Judy Lee	Substantive sponsor	-
Chang Qiu Dun	26,700,714	5.24	0	0	0	0	-	-	-
Li Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	26,323,263	5.16	0	0	0	0	Judy Lee	Substantive sponsor	-
Fubon Life Assurance Co., Ltd. Representative: Jheng Ben Yuan	26,000,037	5.10	0	0	0	0	-	-	-
Judy Lee	25,711,294	5.04	43,995,550	8.63	0	0	Tony Ho	Spouse	-
P&F Brother IND., Corp. Representative: Chang Qiu Dun	24,544,000	4.81			0	0	-	-	-

3.8 Long-term Investment Ownership

Date: December 31, 2015 ; 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%	60,000	100.00%	60,000	100.00%
Testrite Brand Agency Co., Ltd.	0	0.00%	26,000,000	100.00%	26,000,000	100.00%
Test Rite C&B Co., Ltd.	0	0.00%	21,000,000	100.00%	21,000,000	100.00%
Chung Cin Enterprise Co., Ltd.	82,700,000	100.00%	0	0.00%	82,700,000	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 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.	2,750,000	100.00%	0	0.00%	2,750,000	100.00%
Test-Rite (UK) Co., Ltd.	1,805,930	100.00%	0	0.00%	1,805,930	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.	88,331,000	100.00%	0	0.00%	88,331,000	100.00%
Test-Rite Trading Co., Ltd.	53,126,495	100.00%	0	0.00%	53,126,495	100.00%
Fortune Miles Co., Ltd.	30,000	100.00%	0	0.00%	30,000	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
2015.08	10	660,000,000	6,600,000,000	509,887,558	5,098,875,580	Cancellation of Treasury Stock NT\$40,680,000	-	No : 10401175160

As of 4/25/2016

Share Type	Authorized Capital				Remarks
	Issued Shares	Treasury Stock	Un-issued Shares	Total Shares	
Common Stock	509,887,558	0	150,112,442	660,000,000	-

4.1.2 Status of Shareholders

As of 4/25/2016

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	4	54	20,465	107	20,632
Shareholding (shares)	153,016	31,520,935	241,379,178	198,376,399	38,458,030	509,887,558
Percentage %	0.03	6.18	47.34	38.9	7.55	100

4.1.3 Shareholding Distribution Status

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

As of 4/25/2016

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage %
1 - 999	10,607	2,122,523	0.42%
1000 - 5000	6,780	14,242,839	2.79%
5001 - 10000	1,505	10,339,861	2.03%
10001 - 15000	620	7,137,724	1.4%
15001 - 20000	231	4,066,882	0.8%
20001 - 30000	322	7,652,321	1.5%
30001 - 40000	135	4,550,606	0.89%
40001 - 50000	79	3,516,726	0.69%
50001 - 100000	163	11,199,319	2.2%
100001 - 200000	82	10,848,260	2.13%
200001 - 400000	39	10,295,005	2.02%
400001 - 600000	19	8,883,239	1.74%
600001 - 800000	11	7,484,045	1.47%
800001 - 1000000	4	3,492,301	0.68%
1000001 or over	35	404,055,907	79.24%
Total :	20,632	509,887,558	100%

B. Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/25/2016

Shareholder's Name	Shareholding	
	Shares	Percentage %
Up Master Investment Co., Ltd.	49,540,395	9.72%
Tsai Ye Enterprise Company Limited	48,580,635	9.53%
Tsai Wang Enterprise Company Limited	47,000,000	9.22%
Tony Ho	43,995,550	8.63%
Tsai-Chi Co., Ltd.	32,327,389	6.34%
Chang Qiu Dun	26,700,714	5.24%
Li Hsiung Co., Ltd.	26,323,263	5.16%
Fubon Life Assurance Co.,Ltd.	26,000,037	5.10%
Judy Lee	25,711,294	5.04%
P&F Brother IND., Corp.	24,544,000	4.81%

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

Unit: NT\$

Item		2014	2015 (Note1)	2016/1/1-2016/3/31 (Note3)
Market Price per Share	Highest Market Price	23.40	21.50	20.85
	Lowest Market Price	19.05	18.80	19.70
	Average Market Price	21.19	20.52	20.12
Net Worth per Share	Before Distribution	14.61	14.56	15.15
	After Distribution	13.46	13.61	-
Earnings per Share	Weighted Average Shares	498,337,558	507,287,558	509,887,558
	Diluted Earnings Per Share	1.42	1.32	0.60
Dividends per Share	Cash Dividends	1.15	0.95	-
	Stock Dividends	-	-	-
	Accumulated Undistributed Dividends	-	-	-
Return on Investment	Price / Earnings Ratio (Note2)	-	-	-
	Price / Dividend Ratio (Note2)	14.92	15.55	-
	Cash Dividend Yield Rate (Note2)	18.43	21.60	-

Note:

1. The earnings allocation plan is up for voting at the shareholders' meeting.
2. 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
3. 2016 financial data have been duly reviewed by independent auditors.

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. No less than 50% of the earnings available for distribution shall be allocated to shareholder dividends in cash or shares. Cash dividends may not be less than 10% of the total shareholder dividends. However, in the event that the cash dividend is less than NT\$0.1 per share, no cash dividends will be distributed. Instead the dividends will be distributed via stock dividends.

2. Proposed Distribution of Dividend

The Company's audited 2015 financial statements indicate that the net profit totaled to NT\$670,509,057, and together with the retained earnings of NT\$(131,630,699) in the previous years, less the allocated statutory surplus reserve of NT\$(53,887,836) the surplus available for distribution was NT\$484,990,522.

The Company intends to allocate shareholder's dividends in the amount of NT\$484,393,180 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 25, 2016 (ex-dividend date) being 509,887,558 shares, and consequently the cash dividend per share is NT\$0.95.

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, Director, and Supervisors' Remuneration

1. As pursuant of the Company Act and Article of Incorporation, no less than 1% of any profit made by the company in a year shall be allocated to employee remuneration, and the board of directors shall decide to distribute the remuneration as shares or cash, which can also be distributed to employees of affiliated companies that meet certain criteria. The chairman shall be authorized to establish the criteria.

The company may, with a resolution of the board of directors, allocate no more than 2% of the aforesaid profit to remuneration of directors and supervisors. Remuneration of employees and of directors and supervisors shall be presented to the shareholders meeting. A sum shall be set aside in advance to pay down any outstanding cumulative losses before remuneration of employees and of directors and supervisors can be allocated according to the above percentage.

2. 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, no less than 1% and no more than 2% of the annual profit (i.e. the earnings before tax of the current year less the profit allocated to remuneration of employees and of directors and supervisors) shall be allocated to remuneration of employees and of directors and supervisors, respectively. 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 remuneration information:
 - (1) The Company amended its Articles of Association according to the amended Company Law. The Company's proposed distribution of the 2015 profit was approved by the Board of Directors on March 25, 2016. This entailed remuneration allotments of NT\$11,069,575 for directors and supervisors and NT\$7,379,717 for employee bonuses in accordance with the provisions of the Articles of Association.
 - (2) The ratio of the proposed allotment of employee stock bonus amount and account for the ratio of current net income and employee remuneration: Not applicable.
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 2014 was approved at the annual shareholders' meeting on June 15, 2015. Remuneration to directors and supervisors accounted for NT\$11,296,788 and employee bonuses amounted to NT\$5,898,394 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	5,898,394	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	

4.1.9 Buyback of Treasury Stock

As of 4/30/2016

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	11,868,000
Accumulated number of company shares held	0	0	0
Percentage of total company shares held (%)	0	0	0

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	2014		2015	
	Amount	%	Amount	%
Principal Trading	12,735,073	35.4%	12,800,789	35.6%
Agency Commission	255,425	0.7%	237,288	0.7%
Taiwan Retail	17,211,855	47.9%	17,311,988	48.1%
China Retail	4,096,803	11.4%	3,997,276	11.1%
Others	1,647,085	4.6%	1,634,110	4.5%
Total	35,946,241	100.0%	35,981,451	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 20% of the exported amount in 2015. 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 LED 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. In Taiwan retail market, the Company cooperates with Japanese company, Toshiba, to develop LED ceiling lights and launch TLW private label LED light bulb.

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. In 2015, Test-Rite became the franchisee of the reputed American home décor store, Crate&Barrel. By introducing the classic American style brand to Taiwan, Test-Rite expects to continue expanding its leading market share in home décor category.

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 2015, 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 2014-2015, Taiwan's exports to China accounted for around 40% of its total exports, while corresponding imports was about 20% 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, Flonal, Honeywell, breo, Ecovacs, KIS, Umbra, Frette, IRIS, 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 %
1996	117,581	3.7	102,922	-1.0	220,503	1.45
1997	124,170	5.6	114,955	11.7	239,125	8.45
1998	112,595	-9.3	105,229	-8.5	217,825	-8.91
1999	123,733	9.9	111,196	5.7	234,929	7.85
2000	151,949	22.8	140,732	26.6	292,681	24.58
2001	126,314	-16.9	107,970	-23.3	234,284	-19.95
2002	135,316	7.1	113,245	4.9	248,561	6.09
2003	150,600	11.3	128,010	13.0	278,610	12.09
2004	182,370	21.1	168,757	31.8	351,128	26.03
2005	198,431	8.8	182,614	8.2	381,046	8.52
2006	224,017	12.9	202,698	11.0	426,715	11.99
2007	246,676	10.1	219,251	8.2	465,928	9.19
2008	255,628	3.6	240,447	9.7	496,076	6.47
2009	203,674	-20.3	174,370	-27.5	378,045	-23.79
2010	274,600	34.8	251,236	44.1	525,837	39.09
2011	308,257	12.3	281,437	12.0	589,694	12.14
2012	301,180	-2.3	270,472	-3.9	571,653	-3.06
2013	305,441	1.4	269,896	-0.1	575,338	0.68
2014	313,695	2.7	274,026	1.39	587,722	2.15
2015	285,343	-10.9	237,219	-15.8	522,562	-13.2

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. Decreasing international trading in Taiwan

According to statistical data of imports and exports from the Bureau of Foreign Trade, Taiwan's trade with its primary trading partners (including China, Hong Kong, ASEAN, and Japan) decreased in 2015. Data from the Ministry of Economic Affairs show that total exports to China (including Hong Kong) amounted to USD112.5 billion in 2015, a 12.4% year-on-year decrease. Total imports were USD46.7 billion (down 8.4% from a year ago). Total exports to ASEAN countries decreased 14.2% year-on-year, while total imports declined 16.4%. Imports from United State were decreased 3.4%, and exports decreased 2.8%. The delay signing of the Cross-Strait Service Trade Agreement and the lack of TPP and RCEP membership will make Taiwan's international trading business more challenging in the future.

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	126,314	107,970	33,611	7,953	60.90	46.27
2002	248,561	135,316	113,245	43,486	9,883	64.37	47.61
2003	278,610	150,600	128,010	53,758	12,935	65.23	49.36
2004	351,128	182,370	168,757	69,245	19,101	66.76	49.29
2005	381,046	198,431	182,614	77,678	22,203	67.44	48.97
2006	426,715	224,017	202,698	89,189	26,663	67.98	47.53
2007	465,928	246,676	219,251	100,396	29,839	68.24	45.41
2008	496,076	255,628	240,447	99,573	32,883	66.06	43.69
2009	378,045	203,674	174,370	83,693	25,545	67.51	46.79
2010	525,837	274,600	251,236	114,741	37,573	68.35	47.11
2011	589,694	308,257	281,437	124,044	45,271	68.55	46.27
2012	571,653	301,180	270,472	118,646	43,566	68.90	45.34
2013	575,338	305,441	269,896	121,221	44,247	69.37	44.42
2014	587,722	313,695	274,026	124,653	49,725	69.58	45.58
2015	522,562	285,343	237,219	112,539	46,733	69.60	48.40

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

In 2015, 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 for Taiwan and China markets.

(2) Principal trading

Output from traditional trading reached NTD12.73 billion in 2015, which represented growth of 0.5% over the previous year, and accounted for 70% of the consolidated output for all trade. Test Rite major products include hand tools (including hand tools and gardening tools; which account for 29% of traditional trading revenue) and household items (including sanitary equipment, automo supplies, fireplace equipment and supplies, furniture, Christmas and seasonal products, and barbecue utensils; which account for 55% of traditional trading 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 NTD5.39 billion in 2015, which was down 5.7% from the same period in the previous year, and accounted for approximately 30% of the consolidated trading output. Commission income from the purchasing agency business reached NTD237 million (-7.1% from a year ago), accounting for 2% of total trading revenues. The purchasing agency is still one of the fastest-growing areas in the future, although its sales moderated in FY2015. 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

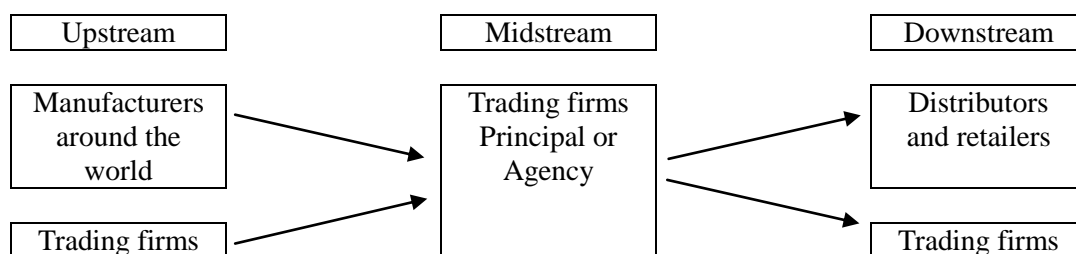
style aesthetics. These include soft and comfortable bedding, fashionable home décor fabrics, aromatic bathroom and beauty products, and polished, tasteful dining and tea utensils. Equipped with these, customers are able to fill every living space with rich and lively expressions of style, creating happy, 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 as advantages to either buyers or sellers as a result of product characteristics or structure of the sales channel. This situation requires trading companies to bridge the gap of potential sellers and potential buyers of products.

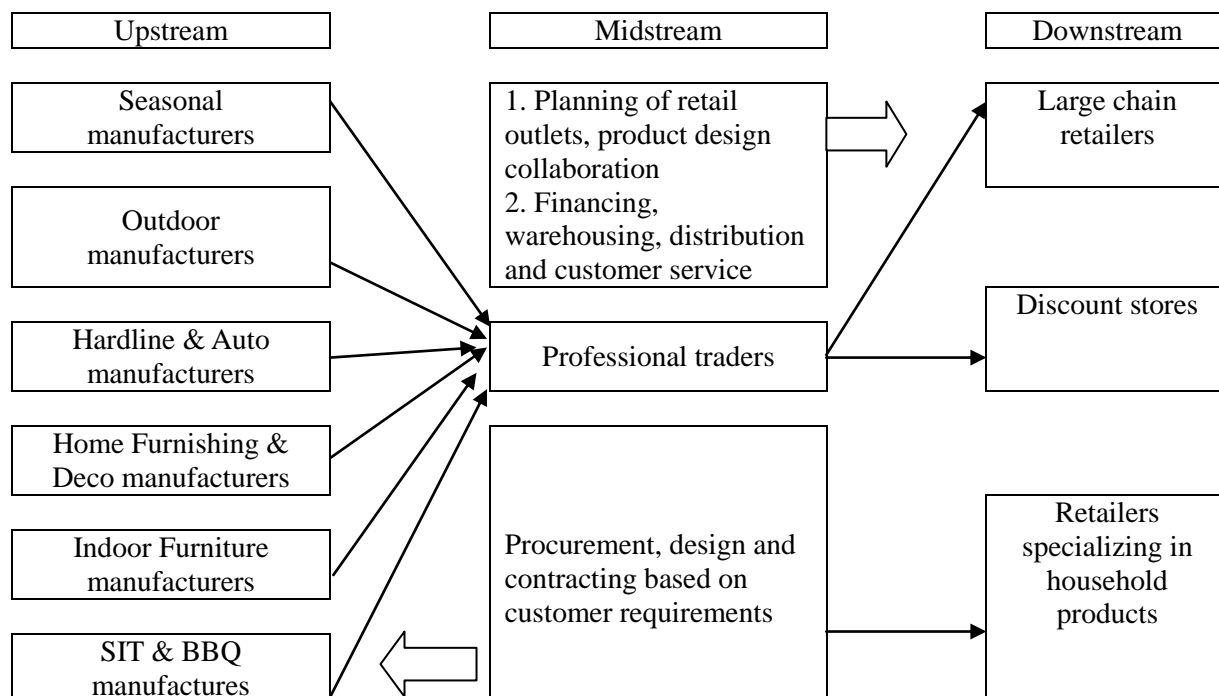
Upstream, i.e. manufacturers or suppliers are no longer confined to only one country or one region. As a result, sourcing products from upstream manufacturers or suppliers are increasingly complex, especially when factors such as rising labor cost in China is adding pressure to the supply chain to look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

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

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

Most often, upstream manufacturers of hand tools and household products are often smaller operations, and they aim to sell products quickly with the intermediary services provided by trading companies. As for large downstream retailers, the

benefit of placing orders with trading companies with sufficient economies of scale would mean a more streamlined ordering process. Larger trading companies can provide services beyond just order fulfillment but “Total Solution Services” that include packaging, logistics, warehousing, and potentially financing services. The relationships of traders with their upstream, midstream and downstream partners are depicted in the following diagram:



In order to provide customers with comprehensive services and identify new sourcing opportunities in local markets, trading companies often open branch offices in both domestic and overseas markets. Trading companies have also provide OEM or ODM products for downstream customers and some trading companies have created or acquired own brands to add to their distribution channels along with the existing products they already source for global retail customers. In addition, trading companies can also increase their on size/scalability by acquire special niche players to bolster their our product portfolio. The most recent example for Test-Rite is the 1Q13 acquisition of International Art, a Christmas and seasonal specialist based in Shenzhen, China. In January 2015, the Company acquired a Germany BBQ brand. We will continue to explore additional M&A opportunities going forward.

(3) Developing Trends

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

A. Specialization in Products and Customer Services

As competition becomes more intense, the role of trading companies must evolve beyond order fulfillment functions including sourcing and re-selling. Many larger trading companies already evolved to become full service suppliers by provide product consultation and after-sales service as well

as logistics and distribution functions. Since these services often involve specialized products, trading companies have also become more focused in specific product categories with complete product lines in order to demonstrate their specialization and competency.

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

Global trade liberalization remains a key force driving the changes for the competitive landscape for trading companies. Following Taiwan's accession to WTO as a full member, once trade practices are deemed unfair or damaging to Taiwanese businesses can be resolved through the WTO. This enables all parties involved to have effective access to international trade regulations and trends in a more regulated environment thereby mitigating regulatory risk of trading and investing activities. Following the signing of Economic Cooperation Framework Agreement (ECFA), economic activities between Taiwan and mainland China have flourished and cross-strait trade and investment opportunities have become increasingly accessible. But as China, Japan and South Korea held the first round of FTA negotiation in March 2013, there will likely be negative impact on the competitiveness of Taiwanese businesses. Taiwan government will need to accelerate negotiations on economic cooperation agreements with other countries in order to mitigate this impact and further eliminations of trade barriers will likely presents trading companies with many different challenges and opportunities. These include increased pressure from overseas competitors, threats from expansion of emerging markets and more transparent information of competitors and suppliers in other markets.

- C. Applications to accommodate e-Commerce

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

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

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

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

NTD413 million, accounting for 3.6% of total revenue, and an 17% increase over the previous year;

- HOLA Taiwan <http://www.hola.com.tw> – annual sales revenue of NTD318 million, accounting for 5.4% of total revenue, and a 68.3% increase over the previous year;
- HOLA China <http://holahome.taiwan.tmall.com/> –annual sales revenue of RMB5.16 million, accounting for 0.64% 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, Adeo, and Costco 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, Chewy, Fred's, FleetPride, and Lightbulb 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. TLW 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%). For our retail operation in mainland China, we opened 5 new HOLA China stores closed 2 stores in 2015. We are reviewing the profitability of each store in China and actively make adjustments to minimize losses. Although HOLA China has no store opening plan this year, we will continue to expand our Chinese operation through franchise model. By cooperating with the franchise owners, HOLA will be able to expand its presence to cities that we didn't have exposure before and strengthen our brand image to Chinese consumers. We have seen some progress after relaunching our EC plan in the mid-2014. HOLA China has now entered the TMall.com, JD.com and Xiaohongshu. These platforms together generated about RMB\$5.16 mn sales in 2015. We will continue expanding our EC and franchising business, and expect that our short-term goal of turning from a loss to profit will be attained soon.
- B. Taiwan's consumer market is a relatively more mature market, but it is a market where more and more consumers are looking to make purchases to improve their standard of living. Meanwhile with China's 12th five-year plan aimed at driving demand for domestic consumption, considerable growth opportunities exist in China as well.

(3) Group Integration

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

2. Important Marketing and Development Strategies

(1) Product Marketing:

- A. Strengthen marketing and promotional capability; continue to develop well-known customers; take advantage of the Company's existing ISO-9001 certification and specialty in hard-line trading product development and packaging; develop new customers and new markets.
- B. Increase sales and profits by leveraging efficient cross-departmental functions to provide consistent service, on-time delivery, and high quality products; as a result, retaining customers trust as a reliable supplier. Additionally, Test-Rite can work with marketing/ promotion strategies of the customers and offer additional logistics services that is tailored to the needs of retail customers who operates in multiple consumer markets.

- C. To accommodate different cultures and situations in various countries, we actively collect market information to develop new products and product mix to expand into domestic and foreign markets in order to maximizing the packaging and design in appropriate quantities.
 - D. Enhancing our presence in Taiwan and China by establishing additional stores, we provide a tight service network aimed at domestic and overseas customers, thus enabling us to enter new markets and to collect information on market supply and demand as well as on products.
- (2) Product Development:
- A. Continue to development of hardware, hand tools and household products, thereby reinforce the image of Test Rite as a trading company specializing in hard-line/houseware products. Product innovations to encompass new design concepts, ergonomic benefits, multi-function/specialized functional capabilities, in order to meet the fast changing consumer demands.
 - B. Taking advantage of Test Rite's specialty in 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	2014		2015	
	Amount	%	Amount	%
Asia	30,763,044	85.58%	29,740,071	82.65%
America	4,310,353	11.99%	4,412,729	12.26%
Europe	871,125	2.42%	1,826,901	5.08%
Australia and Others	1,719	0.01%	1,750	0.01%
Total	35,946,241	100.00%	35,981,451	100.00%

(1) Export Markets

In 2015, 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, benefitted from the bought back of our Germany subsidiaries, the European region increased 108% of the sales volume in 2015, accounted for 5.08% of total trading sales. The Asian domestic consumption markets continue to grow amidst brisk economic development. Test Rite's 14 sales locations span over 11 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. 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 2015, Test Rite and HOLA Taiwan have 26 and 25 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 2016, with the slowdown in worldwide economic activity alleviating, demand in North America and Europe 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.

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, and FleetPride and Lightbulb are our new agency clients in 2015.

- (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 Petite), 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 25 stores in Taiwan and 36 stores in China.
Home Improvement	Test Rite Retail Test Rite good helper decoration union Test Rite Interior Design	<ul style="list-style-type: none"> ● Comprehensive, professional, and leading DIY brands for home improvement supplies and services with 27 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 FRETTE	<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 22 store counters. ● New concept store focused on bedding/dining/bath-related lifestyle applications with 10 store counters. ● The Company is the agent for the Wedgwood home and bedroom decorated fabrics brand. There are presently 13 store counters. ● The Company is the agent for the Frette premium Italian bedding brand. There are presently six store counters.
Healthy Living	Live for Nature	<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.
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 2014 and 2015 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 2014 and 2015 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

Business Units \ Year	2014		2015	
	Local	Export	Local	Export
	Amount	Amount	Amount	Amount
Principal Trading(Agency)		12,990,498		13,038,077
Taiwan Retail	17,211,855		17,311,988	
China Retail		4,096,803		3,997,276
Others	1,216,856	430,229	1,182,837	451,273
Total	18,428,711	17,517,530	18,494,825	17,486,626

5.3 Human Resources

Test-Rite International Co., Ltd. and Subsidiaries

Year		2014	2015	Until April 30, 2016
No. of Group Employees		6,115	5,891	5,768
Average Age		34	34.3	34.5
Average Years of Service		4.7	5.2	5.5
Education	Ph.D.	0.18%	0.15%	0.19%
	Masters	4.58%	4.23%	4.38%
	Bachelor's Degree	63.93%	63.62%	63.85%
	Senior High School	28.03%	28.46%	28.12%
	Below Senior High School	3.28%	3.55%	3.45%

Test-Rite International Co., Ltd.

Year		2014	2015	Until April 30, 2016
No. of Group Employees		489	415	401
Average Age		40.5	41.3	41.7
Average Years of Service		8.4	8.6	9.8
Education	Ph.D.	0.00%	0.00%	0.00%
	Masters	12.64%	11.94%	11.83%
	Bachelor's Degree	71.02%	74.38%	73.78%
	Senior High School	12.42%	13.68%	14.40%
	Below Senior High School	3.92%	0.00%	0.00%

5.4 Environmental expenditure Information:

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.

To increase energy efficiency, the company has chosen to focus on lighting when investing in energy saving equipment. Energy conservation and more environmentally friendly lighting fixtures are installed in the head office and in all retail outlets. Reasonable adjustment has been made to the contract capacity accordingly. Test Rite, for example, invested a large amount in 2013 to ban incandescent light bulbs from all retail outlets in Taiwan. In addition, metal fixtures were replaced by more energy saving lighting fixtures. Section switches were installed for the more power consuming lighting departments. The contract capacity was adjusted for the stores as part of the effort to control power consumption.

For HOLA, to reduce power consumption and reduce heat caused by lighting, the stores started phasing out heat generating and power consuming CDM spotlights and fluorescent lamps in November 2013. Instead, the stores installed LED spotlights that generate little heat and consume little power. In addition, the Yangmei Logistics Center and the Test Rite head office also started phasing out old fluorescent lighting fixtures in 2013. At the present, all Test Rite and HOLA stores as well as the Yangmei Logistics Center and the Test Rite head office have completed switched to LED lighting.

Total expenses spent on environmental conservation over the last three years, including installation of energy saving lighting fixtures, waste management and wastewater treatment, are listed in detail as follows:

Items	2013	2014	2015
Installation of energy saving lighting fixtures	1,657,639	28,091,402	2,377,167
Waste management	2,345,000	2,615,972	2,667,220
Wastewater treatment	4,170	76,880	13,600
Engine room advise and manage projects	-	33,000,000	-
Total expenses	4,006,809	63,784,254	5,057,987

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 and Subsidiaries outcomes of the last two years (2015) Education and Training as follows:

Training programs	Training sessions	Attendees	Training Hours	Training expense
General knowledge training	236	12,761	19,011	19,237,448
Specialized training	212	10,558	63,280	
Management training	50	969	10,194	
Total	498	24,288	92,485	

(3) Staff ethical conduct and code of ethics

- A. The Company has established "Work Regulations" for the staff to follow in their daily work and behavior. All staff should comply with the ethical conduct and code of ethics of the Company, for example: being in line with the principles of integrity and honesty, protecting the Company's reputation, exhibiting a spirit of teamwork, loyally and diligently finishing one's duties, avoiding arrogance and greed, and refraining

from behavior that may damage the reputation of individuals or the institution; staff are also disallowed from the use of their position to accept gifts or favors.

- B. All staff members sign a confidentiality agreement that stipulates that staff should carefully manage matters and confidential information pertaining to their duties; except in cases where it is necessary to provide information for the execution of a certain duty, information not disclosed by the Company itself may not be disclosed to a third party or for purposes other than those related to the work in question. This applies also for those staff members who have signed the agreement but are no longer with the company.
 - C. The Company has established a "Major Internal Information Processing Procedure" in order to establish good internal processing and a mechanism within the Company for the disclosure of major information; this procedure prevents improper information leaks and ensures the consistency and accuracy of the information published by the Company.
 - D. The Company has established "Personal Data Management Objectives and Policies" for the management and preservation of the company's personal information, including that of its personnel and customers. To better regulate the behavior of employees using computers, the company has established its "Internet Security Management Regulations" and "Information Security Incident Management Regulations," with which all employees must comply.
 - E. The Company has established Code of Ethics for Business Management and Integrity Declaration and Undertaking, Encourage employees to find there is a breach in the rules or the Code of Practices Act, was spotted by the complainant reported the mailbox.
 - F. In order to maintain gender equality and respect at work, the Company prohibits all sexual harassment behavior in the work place, has established its "Sexual Harassment Prevention Measures, Claims, and Disciplinary Regulations," and irregularly holds and encourages employees to participate in gender-related educational workshops.
 - 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 2015, the fair value of the assets in the Company's retirement fund was NTD29.531 million; the figure for the consolidated company was NTD289.840 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, 2015

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 loan	Syndicate Loan primarily coordinated and run by First Commercial Bank	2012.07.27~ 2020.06.24	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 loan	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

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan	Chang Hwa Bank	2013.10.01～ 2016.10.01	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None
Long-term loan	Taishin International Bank	2015.05.18～ 2017.05.18	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 300%
Long-term loan	Industrial Bank of Taiwan	2015.12.29～ 2018.12.29	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing/credit cycles financing	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	Taiwan Business Bank	2013.11.12～ 2016.11.12	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	
Agreement on Accounts Receivable Factoring	Taishin International Bank	2015.10.31～ 2016.04.15	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 2012-2015 Financial Summary (Note1)				2016/3/31 (Note2)
	2012	2013	2014	2015	
Current Assets	10,439,476	12,011,301	13,194,183	13,023,367	13,420,088
Property, Plant and Equipment	6,195,672	6,208,064	6,048,084	6,411,230	6,524,012
Intangible Assets	2,400,619	2,419,336	2,473,018	2,613,288	2,610,960
Other Assets	2,861,808	2,733,537	3,205,661	3,147,361	3,106,967
Total Assets	21,897,575	23,372,238	24,920,946	25,195,246	25,662,027
Current Liabilities	Before allocation	9,642,492	10,804,486	11,367,673	12,093,772
	After allocation	10,168,547	11,306,574	11,945,074	12,578,165
Non-Current Liabilities		5,606,214	5,774,592	6,192,298	5,672,052
Total Liabilities	Before allocation	15,248,706	16,579,078	17,559,971	17,765,824
	After allocation	15,774,761	17,081,166	18,137,372	18,250,217
Equity attributable to owners of the parent		6,629,794	6,762,666	7,333,453	7,425,940
Capital Stock		5,219,555	5,219,555	5,139,555	5,098,875
Capital Surplus		694,476	694,476	678,829	673,456
Retained Earnings	Before allocation	1,468,371	1,580,149	1,733,427	1,682,466
	After allocation	942,316	1,078,061	1,156,026	1,198,073
Other Equity		(23,484)	(2,390)	29,813	(28,857)
Treasury Stock		(729,124)	(729,124)	(248,171)	-
Non-Controlling Interest		19,075	30,494	27,522	3,482
Total Equity	Before allocation	6,648,869	6,793,160	7,360,975	7,429,422
	After allocation	6,122,814	6,291,072	6,783,574	6,945,029

Note:

1. 2012-2015 financial data have been duly audited by independent auditors.
2. The earnings allocation plan is passed by the board of directors on March 25, 2016 and is up for voting at the shareholders' meeting. March 31, 2016 financial data have been reviewed by independent auditors.

6.1.2 Condensed Standalone Balance Sheet - IFRSs

Unit : NTD\$ thousand

Item \ Year		Year 2012-2015 Financial Summary (Note)			
		2012	2013	2014	2015
Current Assets		4,286,495	4,646,500	4,989,496	4,561,836
Property, Plant and Equipment		571,917	553,406	585,681	792,375
Intangible Assets		53,994	59,471	60,352	50,183
Other Assets		7,994,102	8,443,144	9,188,552	9,383,615
Total Assets		12,906,508	13,702,521	14,824,081	14,788,009
Current Liabilities	Before allocation	2,550,827	3,266,928	3,679,829	3,650,880
	After allocation	3,076,882	3,769,016	4,257,230	4,135,273
Non-Current Liabilities		3,725,887	3,672,927	3,810,799	3,711,189
Total Liabilities	Before allocation	6,276,714	6,939,855	7,490,628	7,362,069
	After allocation	6,802,769	7,441,943	8,068,029	7,846,462
Equity attributable to owners of the parent		-	-	-	-
Capital Stock		5,219,555	5,219,555	5,139,555	5,098,875
Capital Surplus		694,476	694,476	678,829	673,456
Retained Earnings	Before allocation	1,468,371	1,580,149	1,733,427	1,682,466
	After allocation	942,316	1,078,061	1,156,026	1,198,073
Other Equity		(23,484)	(2,390)	29,813	-28,857
Treasury Stock		(729,124)	(729,124)	(248,171)	-
Non-Controlling Interest		-	-	-	-
Total Equity	Before allocation	6,629,794	6,762,666	7,333,453	7,425,940
	After allocation	6,103,739	6,260,578	6,756,052	6,941,547

Note:

1. 2012-2015 financial data have been duly audited by independent auditors.
2. The earnings allocation plan is passed by the board of directors on March 25, 2016 and is up for voting at the shareholders' meeting.

6.1.3 Condensed Balance Sheet-ROC GAAP

Unit : NTD\$ thousand

Item \ Year		Year 2011-2012 Financial Summary (Note)	
		2011	2012
Current assets		5,423,893	4,305,395
Funds & Long-term investments		9,555,569	8,323,373
Fixed assets		592,999	571,917
Intangible assets		53,836	53,994
Other assets		686,926	652,917
Total assets		16,313,223	13,907,596
Current liabilities	Before allocation	2,009,690	2,723,659
	After allocation	2,397,228	3,249,714
Long-term liabilities		5,950,590	3,319,760
Other liabilities		1,610,156	1,118,216
Total liabilities	Before allocation	9,570,436	7,161,635
	After allocation	9,957,974	7,687,690
Capital stock	Before allocation	5,074,228	5,219,555
	After allocation	5,219,555	5,219,555
Capital surplus		694,476	694,476
Retained earnings	Before allocation	1,354,667	1,511,339
	After allocation	821,802	985,284
Unrealized gain or loss on financial instruments		1,682	25
Cumulative translation adjustments		133,069	109,560
Net loss unrecognized as pension cost		(104,021)	(59,870)
Unrealized revaluation increments		25,825	0
Treasury stock		(437,139)	(729,124)
Total shareholders' equity	Before allocation	6,742,787	6,745,961
	After allocation	6,355,249	6,219,906

Note : 2011-2012 financial data have been duly audited by independent auditors.

6.1.4 Condensed Consolidated statement of Income - IFRSs

Unit : NTD\$ thousand

Item \ Year	Year 2012-2015 Financial Summary (Note1)				2016/3/31 (Note2)
	2012	2013	2014	2015	
Revenue	35,252,142	35,203,864	35,946,241	35,981,451	9,641,635
Operating revenue	10,403,161	10,610,334	10,832,026	11,302,872	3,103,311
Gross profit	720,317	776,738	981,902	810,467	342,694
Non-operating income and expense	(33,590)	(44,016)	(98,758)	54,638	52,119
Income before tax	686,727	732,722	883,144	865,105	394,813
Income from operations of continued segments - after tax	564,694	640,614	715,167	670,485	306,124
Income from discontinued operations	0	0	0	-	-
Profit or loss for the period	564,694	640,614	715,167	670,485	306,124
Other comprehensive income	(50,177)	29,732	37,323	(131,293)	(8,979)
Total comprehensive income	514,517	670,346	752,490	539,192	297,145
Allocations of profit or loss for the period attributable to owners of the parent.	509,214	635,139	705,731	670,509	306,126
Allocations of profit or loss for the period attributable to non-controlling interest.	55,480	5,475	9,436	(24)	(2)
Allocations of total comprehensive income for the period attributable to owners of the parent.	477,225	658,927	744,221	540,899	297,229
Allocations of total comprehensive income for the period attributable to non-controlling interest.	37,292	11,419	8,269	(1,707)	(84)
Earnings per share	1.03	1.30	1.42	1.32	0.60

Note1 : 2012-2015 financial data have been duly audited by independent auditors.

Note2 : March 31, 2016 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	2015
Revenue	11,902,223	12,175,665	12,936,975	12,679,062
Operating revenue	2,211,418	2,235,640	2,560,578	2,621,452
Gross profit	102,694	73,554	166,730	112,458
Non-operating income and expense	469,620	594,907	575,602	607,064
Income before tax	572,314	668,461	742,332	719,522
Income from operations of continued segments - after tax	509,214	635,139	705,731	670,509
Income from discontinued operations	0	0	0	-
Profit or loss for the period	509,214	635,139	705,731	670,509
Other comprehensive income	(31,989)	23,788	38,490	(129,610)
Total comprehensive income	477,225	658,927	744,221	540,899
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	1.32

Note : 2012-2015 financial data have been duly audited by independent auditors.

6.1.6 Condensed Statement of Income-ROC GAAP

Unit : NTD\$ thousand

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

Note : 2011-2012 financial data have been duly audited by independent auditors.

6.1.7 Auditors' Opinions from 2011 to 2015

Year	CPA's Name	CPA's 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
2015	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 4 years (Note)				2016/3/31
		2012	2013	2014	2015	
Financial structure (%)	Ratio of liabilities to assets	69.64	70.93	70.46	70.51	69.89
	Ratio of long-term capital to Property, Plant and Equipment	187.92	193.14	214.88	204.30	206.87
Solvency (%)	Current ratio	108.27	111.17	116.07	107.69	110.34
	Quick ratio	52.38	58.25	62.57	48.98	54.26
	Times interest earned ratio	4.52	5.80	5.70	5.00	9.23
AR/AP (turnover)	Accounts receivable turnover (turns)	13.04	13.61	12.25	12.89	14.43
	Average collection period	27.99	26.81	29.79	28.31	25.29
	Inventory turnover (turns)	4.61	4.92	4.63	3.98	3.98
	Accounts payable turnover (turns)	5.52	4.92	4.81	4.21	4.40
	Average days in sales	79.17	74.18	78.83	91.70	91.70
	Property, Plant and Equipment turnover (turns)	5.06	5.68	5.87	5.78	1.49
	Total assets turnover (turns)	1.42	1.56	1.49	1.44	0.38
Profitability	Return on total assets (%)	2.94	3.39	3.61	3.39	1.36
	Return on stockholders' equity (%)	7.99	9.57	10.15	9.09	4.04
	Pretax income Ratio to issued capital (%)	13.16	14.04	17.18	16.97	7.74
	Profit ratio (%)	1.60	1.82	1.99	1.86	3.18
	Earnings per share (\$)	1.03	1.30	1.42	1.32	0.60
Cash flow	Cash flow ratio (%)	36.20	11.50	1.54	12.78	3.11
	Cash flow adequacy ratio (%)	91.97	98.80	75.83	81.38	111.60
	Cash reinvestment ratio (%)	20.37	4.43	-1.89	5.52	2.90
Leverage	Operating leverage	15.82	14.97	12.00	15.32	9.22
	Financial leverage	1.37	1.24	1.24	1.36	1.16

Note:

1. 2012-2015 financial data have been duly audited by independent auditors.
2. 1Q/2016 financial data have been reviewed by independent auditors.

Reasons for changes in the various consolidated financial ratios for the two-year period of 2014-2015. (No analysis needed for increases or decreases that are less than 20%.)

1. Factors behind the drop in quick ratio include: the increase in current liabilities due to higher current portion of long-term borrowings, and decrease in quick asset because the Company paid back part of short-term borrowings, and because of shorter accounts receivable days, and the merge of German subsidiaries.
2. The increase in the cash flow ratio and ratio of reinvestment of cash were due to the increase in net cash flow from operations over this period.
3. Lower operating leverage is due to higher operating expenses in new business at the initial phase, and M&A related one-time expenses. Although gross margin increased, our operating margin declined.

6.2.2 Standalone Financial Analysis - IFRSs

Item		Year	Financial analysis in the past 3 years (Note)			
			2012	2013	2014	2015
Financial structure (%)	Ratio of liabilities to assets		48.63	50.65	50.53	49.78
	Ratio of long-term capital to Property, Plant and Equipment		1,739.68	1,821.62	1843.4	1,330.57
Solvency (%)	Current ratio		168.04	142.23	135.59	124.95
	Quick ratio		154.58	135.38	126.02	117.54
	Times interest earned ratio		7.45	12.67	12.58	9.54
AR/AP (turnover)	Accounts receivable turnover (turns)		3.45	3.89	3.67	3.38
	Average collection period		106	94	99	108
	Inventory turnover (turns)		65.09	71.44	52.92	45.40
	Accounts payable turnover (turns)		6.99	5.33	5.04	4.92
	Average days in sales		6	5	7	8
	Property, Plant and Equipment turnover (turns)		20.43	21.64	22.71	18.40
	Total assets turnover (turns)		0.82	0.92	0.91	0.86
Profitability	Return on total assets (%)		4.03	5.13	5.32	5.00
	Return on stockholders' equity (%)		7.21	9.49	10.01	9.09
	Pretax income Ratio to issued capital (%)		10.96	12.81	14.44	14.11
	Operating profit					
	Profit ratio (%)		4.28	5.22	5.46	5.29
Cash flow	Earnings per share (\$)		1.03	1.30	1.42	1.32
	Cash flow ratio (%)		101.85	32.96	-9.46	39.12
	Cash flow adequacy ratio (%)		10.30	38.90	51.92	74.21
Leverage	Cash reinvestment ratio (%)		28.40	15.13	-7.52	7.51
	Operating leverage		12.79	16.26	8.58	12.58
	Financial leverage		7.37	4.53	1.62	3.98

Note: 2012-2015 financial data have been duly audited by independent auditors.

Reasons for changes in the various financial ratios for the two-year period of 2014-2015. (No analysis needed for increases or decreases that are less than 20%.)

1. The decrease in the ratio of long-term capital to Property, Plant and Equipment is because of the investment in the warehouse in YangMei.
2. Higher times interest earned ratio is due to higher interest rate for the extended syndicate loan.
3. The lower cash flow ratio and the drop in the ratio of reinvestment of cash is mostly due to a decrease 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. Higher 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

Year Item		Financial analysis in the past 2 years (Note)	
		2011	2012
Financial structure (%)	Ratio of liabilities to assets	58.67	51.49
	Ratio of long-term capital to fixed assets	2,140.54	1,760.00
Solvency (%)	Current ratio	269.89	158.07
	Quick ratio	245.39	145.47
	Times interest earned ratio	8.21	9.48
AR/AP (turnover)	Accounts receivable turnover (turns)	4.17	3.45
	Average collection period	88	105.79
	Inventory turnover (turns)	92.88	63.85
	Accounts payable turnover (turns)	11.79	6.79
	Average days in sales	4	6
	Fixed assets turnover (turns)	22.08	20.43
	Total assets turnover (turns)	0.86	0.79
Profitability	Return on total assets (%)	4.62	5.05
	Return on stockholders' equity (%)	9.72	10.22
	Ratio to issued capital (%)	Operating profit	5.75
		Pretax income	14.42
	Profit ratio (%)	4.79	5.79
	Earnings per share (\$)	1.27	1.40
Cash flow	Cash flow ratio (%)	18.47	96.76
	Cash flow adequacy ratio (%)	17.49	42.55
	Cash reinvestment ratio (%)	0.23	19.82
Leverage	Operating leverage	4.43	4.37
	Financial leverage	1.42	1.42

Note 1 : 2011-2012 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. 2016 Shareholders Meeting

From: Supervisors of Test Rite International Co., Ltd

Re: Supervisor's review report on the 2015 Financial Statements

Dear shareholders,

Here we ensure the annual financial reports of TRIC stands alone and its consolidation for 2015 have been rendered by Board and audited independent auditors Mr. HONG, KUO-TYAN and Mr. WU, KER-CHANG of Deloitte Touche. Further we review 2015 Business report and 2015 Profits Distribution proposal and assure to its compliance with Company Act No. 219 as well.

Supervisors:

Tsai-Chi Co., Ltd.

Representative: Mr. Liao, Hsueh-Hsing

Mr. Huang, Chung-Hsing

Date: March 25, 2016

6.4 Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014, 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, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014 (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, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 on which we have issued an unqualified report.

March 25, 2016

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,903,406	8	\$ 2,316,128	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	938,954	4	1,053,554	4
Debt investments with no active market - current (Notes 4 and 9)	297,342	1	158,668	1
Notes receivable (Notes 4 and 10)	61,493	-	78,835	-
Trade receivables (Notes 4 and 10)	2,411,447	10	3,031,812	12
Other receivables	257,556	1	411,106	2
Inventories (Notes 4 and 11)	6,718,609	27	5,696,015	23
Prepayments	380,974	1	385,433	2
Other current financial assets	29,665	-	1,707	-
Other current assets	<u>23,921</u>	<u>-</u>	<u>60,925</u>	<u>-</u>
Total current assets	<u>13,023,367</u>	<u>52</u>	<u>13,194,183</u>	<u>53</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	94,011	-	71,085	-
Debt investments with no active market - non-current (Notes 4 and 9)	50,000	-	50,000	-
Property, plant and equipment (Notes 4 and 13)	6,411,230	26	6,048,084	24
Goodwill (Notes 4 and 14)	2,342,753	9	2,231,278	9
Other intangible assets (Notes 4 and 15)	270,535	1	241,740	1
Deferred tax assets (Note 4)	1,248,753	5	1,182,045	5
Refundable deposits	969,191	4	974,859	4
Prepayments for investment	-	-	44,404	-
Other non-current assets	<u>785,406</u>	<u>3</u>	<u>883,268</u>	<u>4</u>
Total non-current assets	<u>12,171,879</u>	<u>48</u>	<u>11,726,763</u>	<u>47</u>
TOTAL	<u>\$ 25,195,246</u>	<u>100</u>	<u>\$ 24,920,946</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 2,283,327	9	\$ 2,749,782	11
Short-term bills payable (Note 16)	49,966	-	79,957	-
Notes payable	2,697	-	35,216	-
Trade payables	5,821,749	23	5,860,687	23
Other payables (Notes 4 and 18)	1,475,366	6	1,382,290	6
Current tax liabilities (Note 4)	162,720	1	87,247	-
Advance receipts	503,411	2	464,746	2
Current portion of long-term borrowings (Note 16)	1,603,641	6	500,000	2
Other current liabilities	<u>190,895</u>	<u>1</u>	<u>207,748</u>	<u>1</u>
Total current liabilities	<u>12,093,772</u>	<u>48</u>	<u>11,367,673</u>	<u>45</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	5,106,969	20	5,662,504	23
Net defined benefit liabilities - non-current (Notes 4 and 19)	188,712	1	125,072	1
Guarantee deposits received	250,637	1	225,464	1
Deferred credit (Note 13)	50,000	-	100,000	-
Other non-current liabilities	<u>75,734</u>	<u>1</u>	<u>79,258</u>	<u>-</u>
Total non-current liabilities	<u>5,672,052</u>	<u>23</u>	<u>6,192,298</u>	<u>25</u>
Total liabilities	<u>17,765,824</u>	<u>71</u>	<u>17,559,971</u>	<u>70</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TEST-RITE				
Share capital				
Common stock (Notes 4 and 20)	<u>5,098,875</u>	<u>20</u>	<u>5,139,555</u>	<u>21</u>
Capital surplus (Notes 4 and 20)	<u>673,456</u>	<u>2</u>	<u>678,829</u>	<u>3</u>
Retain earnings (Notes 4 and 20)				
Legal reserve	995,491	4	929,953	4
Special reserve	148,098	1	148,098	-
Unappropriated earnings	<u>538,877</u>	<u>2</u>	<u>655,376</u>	<u>3</u>
Total retain earnings	<u>1,682,466</u>	<u>7</u>	<u>1,733,427</u>	<u>7</u>
Other equity (Notes 4 and 20)	<u>(28,857)</u>	<u>-</u>	<u>29,813</u>	<u>-</u>
Treasury shares (Notes 4 and 21)	<u>-</u>	<u>-</u>	<u>(248,171)</u>	<u>(1)</u>
Total equity attributable to owners of TEST-RITE	7,425,940	29	7,333,453	30
NON-CONTROLLING INTERESTS (Note 4)	<u>3,482</u>	<u>-</u>	<u>27,522</u>	<u>-</u>
Total equity	<u>7,429,422</u>	<u>29</u>	<u>7,360,975</u>	<u>30</u>
TOTAL	<u>\$ 25,195,246</u>	<u>100</u>	<u>\$ 24,920,946</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, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 35,981,451	100	\$ 35,946,241	100
OPERATING COSTS (Note 11)	<u>24,678,579</u>	<u>69</u>	<u>25,114,215</u>	<u>70</u>
GROSS PROFIT	11,302,872	31	10,832,026	30
OPERATING EXPENSES	<u>10,492,405</u>	<u>29</u>	<u>9,850,124</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>810,467</u>	<u>2</u>	<u>981,902</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	25,505	-	17,992	-
Other income	189,181	1	172,754	-
Gain on sale of investments, net	37,662	-	14,472	-
Foreign exchange gain	156,526	-	-	-
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	-	-	317,254	1
Interest expense	(216,533)	(1)	(188,093)	(1)
Other expense	(121,117)	-	(179,914)	-
Loss on disposal of property, plant and equipment	(4,795)	-	(5,038)	-
Foreign exchange loss	-	-	(248,185)	(1)
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(2,092)	-	-	-
Impairment loss	<u>(9,699)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>54,638</u>	<u>-</u>	<u>(98,758)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	865,105	2	883,144	2
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(194,620)</u>	<u>-</u>	<u>(167,977)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>670,485</u>	<u>2</u>	<u>715,167</u>	<u>2</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (70,940)	-	\$ 6,287	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(60,353)</u>	<u>-</u>	<u>31,036</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>(131,293)</u>	<u>-</u>	<u>37,323</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 539,192</u>	<u>2</u>	<u>\$ 752,490</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 670,509	2	\$ 705,731	2
Non-controlling interests	<u>(24)</u>	<u>-</u>	<u>9,436</u>	<u>-</u>
	<u>\$ 670,485</u>	<u>2</u>	<u>\$ 715,167</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 540,899	2	\$ 744,221	2
Non-controlling interests	<u>(1,707)</u>	<u>-</u>	<u>8,269</u>	<u>-</u>
	<u>\$ 539,192</u>	<u>2</u>	<u>\$ 752,490</u>	<u>2</u>
EARNINGS PER SHARE (Notes 4 and 23)				
Basic	<u>\$ 1.32</u>		<u>\$ 1.42</u>	
Diluted	<u>\$ 1.32</u>		<u>\$ 1.42</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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Test-Rite											
	Equity Attributable to Owners of Test-Rite						Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital						Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Share (In Thousands of Shares)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2014	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 (Note 20)												
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 (loss) 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 21)	-	-	17,344	-	-	-	-	-	313,665	331,009	-	331,009
Retirement of treasury shares (Notes 20 and 21)	(8,000)	(80,000)	(32,991)	-	-	(54,297)	-	-	167,288	-	-	-
Equity transactions with non-controlling interests (Note 25)	-	-	-	-	-	(2,355)	-	-	-	(2,355)	(11,241)	(13,596)
BALANCE AT DECEMBER 31, 2014	513,956	5,139,555	678,829	929,953	148,098	655,376	29,788	25	(248,171)	7,333,453	27,522	7,360,975
Appropriation of 2014 earnings (Note 20)												
Legal reserve	-	-	-	65,538	-	(65,538)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(577,401)	-	-	-	(577,401)	-	(577,401)
Net profit (loss) for the year ended December 31, 2015	-	-	-	-	-	670,509	-	-	-	670,509	(24)	670,485
Other comprehensive loss for the year ended December 31, 2015	-	-	-	-	-	(70,940)	(58,670)	-	-	(129,610)	(1,683)	(131,293)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	599,569	(58,670)	-	-	540,899	(1,707)	539,192
Treasury shares transferred to employees (Note 21)	-	-	-	-	-	(481)	-	-	163,105	162,624	-	162,624
Retirement of treasury shares (Notes 20 and 21)	(4,068)	(40,680)	(5,373)	-	-	(39,013)	-	-	85,066	-	-	-
Equity transactions with non-controlling interests (Note 25)	-	-	-	-	-	(33,635)	-	-	-	(33,635)	(22,333)	(55,968)
BALANCE AT DECEMBER 31, 2015	<u>509,888</u>	<u>\$ 5,098,875</u>	<u>\$ 673,456</u>	<u>\$ 995,491</u>	<u>\$ 148,098</u>	<u>\$ 538,877</u>	<u>\$ (28,882)</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 7,425,940</u>	<u>\$ 3,482</u>	<u>\$ 7,429,422</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, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 865,105	\$ 883,144
Adjustments for:		
Depreciation expenses	668,155	644,286
Amortization expenses	155,210	165,887
Impairment loss recognized (reversal of impairment loss) on trade receivables	267	(808)
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	2,092	(317,254)
Interest expense	216,533	188,093
Interest income	(25,505)	(17,992)
Compensation cost of employee share options	5,226	8,250
Loss on disposal and impairment of property, plant and equipment	4,795	5,038
Gain on disposal of investments	(37,662)	(2,115)
Impairment loss recognized on financial assets	9,699	-
Amortization of unrealized gain on sale-leaseback	(50,000)	(50,000)
Changes in operating assets and liabilities		
Financial assets held for trading	224,548	81,141
Notes receivable	17,342	(73,659)
Trade receivables	721,551	(276,740)
Other receivables	159,272	44,715
Inventories	(250,430)	(541,749)
Prepayments	8,035	178,200
Other current assets	82,231	23,704
Other financial assets	(471)	(1,445)
Other operating assets	92,556	(231,855)
Notes payable	(32,519)	(66,187)
Trade payables	(697,650)	495,112
Other payables	(155,207)	(462,306)
Advance receipts	38,088	(138,635)
Other current liabilities	(81,271)	(23,095)
Other operating liabilities	<u>(36,245)</u>	<u>11,639</u>
Cash generated from operations	1,903,745	525,369
Interest received	26,513	17,790
Interest paid	(215,309)	(177,343)
Income tax paid	<u>(169,967)</u>	<u>(190,271)</u>
Net cash generated from operating activities	<u>1,544,982</u>	<u>175,545</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(465,474)
Purchase of debt investments with no active market	(156,132)	(6,438)
Proceeds on sale of debt investments with no active market	17,458	13,893
Purchase of financial assets measured at cost	(32,500)	-
Proceeds on sale of financial assets measured at cost	-	2,853

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Increase in prepayments of investment	\$ -	\$ (44,404)
Decrease in prepayments of investment	44,404	-
Net cash outflow on acquisition of subsidiaries	(144,602)	-
Payments for property, plant and equipment	(1,010,298)	(731,541)
Proceeds from disposal of property, plant and equipment	3,065	7,187
Decrease (increase) in refundable deposits	5,668	(41,211)
Payments for intangible assets	<u>(36,295)</u>	<u>(40,477)</u>
Net cash used in investing activities	<u>(1,309,232)</u>	<u>(1,305,612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	493,119
Repayments of short-term borrowings	(600,059)	-
(Repayments of) proceeds from short-term bills payable	(29,991)	69,960
Proceeds from long-term borrowings	9,932,056	3,510,564
Repayments of long-term borrowings	(9,383,950)	(2,875,675)
Increase in guarantee deposits received	25,173	27,465
Dividends paid	(577,401)	(502,088)
Proceeds from treasury stock transferred to employees	157,398	322,759
Payments for equity transactions with non-controlling interests	<u>(55,968)</u>	<u>(13,596)</u>
Net cash (used in) generated from financing activities	<u>(532,742)</u>	<u>1,032,508</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(115,730)</u>	<u>(4,752)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(412,722)</u>	<u>(102,311)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,316,128</u>	<u>2,418,439</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,903,406</u>	<u>\$ 2,316,128</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, 2015 AND 2014 (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, 2015 and 2014, Test-Rite and subsidiaries (collectively, the “Company”) had 6,004 and 6,226 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by Test-Rite’s board of directors on March 25, 2016.

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

- a. Initial application of 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 Financial Supervisory Commission (FSC)

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, “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.

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

1) IFRS 10 "Consolidated Financial Statements"

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

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 past standards. Please refer to Note 12 for related disclosures.

3) IFRS 13 "Fair Value Measurement"

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

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

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

The amendments to IAS 1 require 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 previous IAS 1, there were no such requirements.

The Company retrospectively applied the above amendments starting in 2015. Items that are not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items that are expected to be reclassified to profit or loss are the exchange differences on translating foreign operations and unrealized gains (loss) on available-for-sale financial assets. The application of the above amendments did not have 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.

5) 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.

6) 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”.

7) 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 Company and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

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

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

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 3)
IFRS 9 “Financial Instruments”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
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, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
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
(Concluded)	

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: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; 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.

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.

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 Company 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.

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) 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.

8) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities;

cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

9) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all other deductible temporary differences, except when the tax law restricts the utilization of a loss as deduction only of a specific type of income, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets at more than their carrying amount if there is sufficient evidence that it is probable that the Company will realize the higher amount, and that the estimate of future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

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 Company 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

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 period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of Test-Rite and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company'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.

See Note 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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.

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, 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, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment 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.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset 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 Group's cash-generating units or groups of cash-generating units (referred to as 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.

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, they are measured on the same basis as intangible assets that are acquired separately.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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, with the resulting impairment loss recognized in profit or loss.

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) 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.

c) Financial assets measured at cost

Investments in equity instruments under available-for-sale financial assets 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 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, except for uncollectible trade receivables that are written off against the allowance account.

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 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.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Share-based Payment Arrangements

The fair value at the grant date of the employee share options granted to employee that is vesting immediately is recognized as an expense in full at the grant date, based on the Company's best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options.

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 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 carryforward 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, 2015 and 2014, the carrying amounts of trade receivables were \$2,411,447 thousand and \$3,031,812 thousand (deducted by allowances for impairment loss of \$29,306 thousand and \$40,770 thousand, respectively).

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 66,132	\$ 50,706
Checking accounts and demand deposits	1,702,564	2,199,657
Cash equivalents	<u>134,710</u>	<u>65,765</u>
	<u>\$ 1,903,406</u>	<u>\$ 2,316,128</u>

The time deposits with original maturity more than 3 months were \$297,342 thousand and \$158,668 thousand, respectively, as of December 31, 2015 and 2014 and reclassified to debt investments with no active market (Notes 9 and 31).

The time deposits of the Company which 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	
	2015	2014
Time deposits	<u>\$ 68,207</u>	<u>\$ 162,399</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets held for trading - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 217,798	\$ 308,883
Non-derivative financial assets		
Equity securities listed in open market	51,331	110,943
Mutual funds	15,341	9,534
Corporate bonds	76,537	64,923
Financial products	<u>577,947</u>	<u>559,271</u>
	<u>\$ 938,954</u>	<u>\$ 1,053,554</u>

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

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2015</u>			
Forward exchange contracts - sell	US\$/NT\$	2016.01.04-2017.01.03	US\$372,000/NT\$12,300,552
Forward exchange contracts - buy	US\$/NT\$	2016.01.04-2016.12.28	US\$382,000/NT\$12,631,212
Forward exchange contracts - sell	EUR/US\$	2016.01.11	EUR100/US\$109
Forward exchange contracts - buy	EUR/US\$	2016.01.15-2016.08.31	US\$25,621/EUR22,731
Forward exchange contracts - sell	US\$/EUR	2016.01.15-2016.10.11	US\$2,212/EUR1,997
Forward exchange contracts - sell	AUD/EUR	2016.05.23	AUD150/EUR100
Forward exchange contracts - sell	GBP/EUR	2016.05.31-2016.06.13	GBP324/EUR458

December 31, 2014

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

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

	<u>December 31</u>	
	2015	2014
Domestic investments		
Domestic unlisted common shares	\$ 42,120	\$ 42,120
Foreign investments		
Overseas unlisted common shares	<u>51,891</u>	<u>28,965</u>
	<u>\$ 94,011</u>	<u>\$ 71,085</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 94,011</u>	<u>\$ 71,085</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	
	2015	2014
Current		
Time deposits with original maturity more than 3 months (Note 6)	<u>\$ 297,342</u>	<u>\$ 158,668</u>
Non-current		
Subordinated bond of Ta Chong Bank	<u>\$ 50,000</u>	<u>\$ 50,000</u>

As of December 31, 2015 and 2014, debt investments with no active market - current of \$297,342 thousand and \$149,654 thousand were pledged as collaterals for borrowings (see Note 31).

10. NOTES AND TRADE RECEIVABLES

	December 31	
	2015	2014
Notes receivable	\$ 61,493	\$ 78,835
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>61,493</u>	<u>78,835</u>
Trade receivables	2,440,753	3,072,582
Less allowance for doubtful accounts	<u>(29,306)</u>	<u>(40,770)</u>
	<u>2,411,447</u>	<u>3,031,812</u>
	<u>\$ 2,472,940</u>	<u>\$ 3,110,647</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 was as follows:

	December 31	
	2015	2014
Not due	\$ 2,047,513	\$ 2,665,297
Less than 30 days	167,066	156,763
31-60 days	66,521	161,481
61-365 days	89,560	33,097
More than 366 days	<u>70,093</u>	<u>55,944</u>
	<u>\$ 2,440,753</u>	<u>\$ 3,072,582</u>

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

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2015	2014
Less than 30 days	\$ 167,066	\$ 154,630
31-60 days	66,258	93,143
More than 61 days	<u>30,689</u>	<u>21,076</u>
	<u>\$ 264,013</u>	<u>\$ 268,849</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, 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>
Balance at January 1, 2015	\$ 625	\$ 40,145	\$ 40,770
Add: Additional amounts recognized from business combinations occurring during the year	-	1,308	1,308
Add: Impairment losses recognized on receivables	4	263	267
Less: Amounts written off during the year as uncollectible	(4)	-	(4)
Less: Amounts turned to overdue receivables	-	(12,936)	(12,936)
Foreign exchange translation gains and losses	<u>-</u>	<u>(99)</u>	<u>(99)</u>
Balance at December 31, 2015	<u>\$ 625</u>	<u>\$ 28,681</u>	<u>\$ 29,306</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
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2015

Taishin International Bank	\$ <u>42,153</u> (Note 1)	\$ <u>122,975</u> (Note 2)	\$ <u>148,995</u> (Note 3)	\$ <u>16,133</u> (Note 4)	\$ <u> </u>	-	\$ <u> </u>	US\$ 3,800,000	\$ -
<u>2014</u>									
Taishin International Bank	\$ <u> </u>	\$ <u>40,435</u> (Note 1)	\$ <u> </u>	\$ <u>40,435</u> (Note 1)	\$ <u> </u>	-	\$ <u> </u>	US\$ 3,800,000	-

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.

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

Note 2: US\$3,719,065.

Note 3: US\$4,505,986.

Note 4: US\$487,898.

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

11. INVENTORIES

	December 31	
	2015	2014
Merchandise - retail	\$ 4,284,737	\$ 3,910,286
Merchandise - trade	2,235,675	1,580,687
Construction in progress	<u>198,197</u>	<u>205,042</u>
	<u>\$ 6,718,609</u>	<u>\$ 5,696,015</u>

The cost of inventories recognized as cost of sales for the years ended December 31, 2015 and 2014 was \$22,296,503 thousand and \$22,907,938 thousand, respectively.

The operating cost includes inventory value decline in the amount of \$36,851 thousand and loss on physical inventory count in the amount of \$58,895 thousand for the year ended December 31, 2015; the operating cost includes reversal of inventory value decline 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. Previous write-downs had been reversed according to the result of inventory close-out.

Merchandise - retail is the inventories of TR Retailing, Test-Rite Retail, Test-Rite Home Service, Chung Cin Enterprise, Testrite Brand Agency and Test-Rite C&B.

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. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Subsidiaries	Main Businesses	% of Ownership		Remarks
			December 31		
			2015	2014	
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	Note 1 Note 1
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	
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	
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	Note 3 Note 2 Note 4
Test-Rite International Co., Ltd.	Upmaster Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l (U.S.) Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	and Upmaster Co., Ltd.				
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	
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.	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	

(Continued)

(Continued)

Investor	Subsidiaries	Main Businesses	% of Ownership		Remarks	
			December 31			
			2015	2014		
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	Note 5	
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	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	100.00		
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	100.00		Note 4
Test-Rite Retail	Testrite Brand Agency Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00		Note 4
Test-Rite Retail	Test-Rite C&B Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00		Note 4

(Concluded)

Note 1: Intercompany transaction to reorganize the investment structure of the Company, Test-Rite sold TRS Investment Co., Ltd. to Test-Rite Trading Co., Ltd. in April 2015.

Note 2: Liquidated.

Note 3: Test-Rite Vietnam Co., Ltd. decided to dissolve in September 2015 but not liquidated yet.

Note 4: Intercompany transaction to reorganize the investment structure of the Company, Lih Chiou Co., Ltd. sold all interests in Hola Homefurnishings Co., Ltd., Testrite Brand Agency Co., Ltd. and Test-Rite C&B Co., Ltd. which hold retailing brand to Test-Rite Retail in March 2014.

Note 5: Acquired 49% of interests in Viet Han in June 2014.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2015	2014
Land	\$ 545,512	\$ 545,512
Buildings and improvements	2,138,718	1,966,467
Machinery and equipment	31,595	29,542
Transportation equipment	22,849	19,640

Furniture, fixtures and office equipment	184,488	188,630
Leasehold improvements	2,917,889	3,021,347
Molds and tools	3,307	5,577
Other equipment	179,551	188,814
Prepayments for property, plant and equipment	<u>387,321</u>	<u>82,555</u>
	<u>\$ 6,411,230</u>	<u>\$ 6,048,084</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
<u>Cost</u>										
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>

(Continued)

	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
<u>Accumulated depreciation and impairment</u>										
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>\$ 79,542</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>

<u>Cost</u>										
Balance at January 1, 2015	\$ 545,512	\$ 2,387,538	\$ 80,159	\$ 69,356	\$ 847,653	\$ 7,553,392	\$ 11,993	\$ 775,738	\$ 82,555	\$12,353,896
Additions	-	14,163	6,853	6,975	29,527	183,397	-	19,980	804,710	1,065,605
Acquisitions through business combinations	-	-	2,695	9,091	9,506	-	-	6,254	-	27,546
Disposals	-	(8,657)	(3,200)	(5,584)	(34,932)	(42,470)	(1,399)	(20,793)	-	(117,035)
Reclassified	-	385,629	2,254	(3,105)	34,292	322,743	(1,565)	31,198	(499,975)	271,471
Effect of foreign currency exchange differences	-	5,606	(716)	(1,642)	(2,241)	(9,842)	(10)	(1,477)	31	(10,291)
Balance at December 31, 2015	<u>\$ 545,512</u>	<u>\$ 2,784,279</u>	<u>\$ 88,045</u>	<u>\$ 75,091</u>	<u>\$ 883,805</u>	<u>\$ 8,007,220</u>	<u>\$ 9,019</u>	<u>\$ 810,900</u>	<u>\$ 387,321</u>	<u>\$13,591,192</u>

<u>Accumulated depreciation and impairment</u>										
Balance at January 1, 2015	\$ -	\$ 421,071	\$ 50,617	\$ 49,716	\$ 659,023	\$ 4,532,045	\$ 6,416	\$ 586,924	\$ -	\$ 6,305,812
Depreciation expense	-	120,480	5,405	8,383	54,492	406,601	2,991	69,803	-	668,155
Acquisitions through business combinations	-	-	1,371	2,117	8,525	-	-	3,957	-	15,970
Disposals	-	(8,657)	(475)	(3,948)	(33,431)	(25,859)	(1,234)	(19,855)	-	(93,459)
Reclassified	-	108,141	-	(3,105)	12,187	181,328	(2,458)	(8,602)	-	287,491
Effect of foreign currency exchange differences	-	4,526	(468)	(921)	(1,479)	(4,784)	(3)	(878)	-	(4,007)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 645,561</u>	<u>\$ 56,450</u>	<u>\$ 52,242</u>	<u>\$ 699,317</u>	<u>\$ 5,089,331</u>	<u>\$ 5,712</u>	<u>\$ 631,349</u>	<u>\$ -</u>	<u>\$ 7,179,962</u>
Carrying amounts at December 31, 2015	<u>\$ 545,512</u>	<u>\$ 2,138,718</u>	<u>\$ 31,595</u>	<u>\$ 22,849</u>	<u>\$ 184,488</u>	<u>\$ 2,917,889</u>	<u>\$ 3,307</u>	<u>\$ 179,551</u>	<u>\$ 387,321</u>	<u>\$ 6,411,230</u>

(Concluded)

The property, plant and equipment of the Company are 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, 2015 and 2014, the amortization of unrealized gain was \$50,000 thousand, which was treated as a reduction of rental cost. As of December 31, 2015 and 2014, the unrealized gain was \$100,000 thousand and \$150,000 thousand, respectively, which were recorded: The current portion of \$50,000 thousand as other current liabilities and the noncurrent portion of \$50,000 thousand and \$100,000 thousand, respectively, as other liabilities - deferred credit.

14. GOODWILL

	For the Year Ended December 31	
	2015	2014
Balance at January 1	\$ 2,231,278	\$ 2,205,300
Additional amounts recognized from business combinations occurring during the year (Note 24)	115,951	-
Effect of foreign currency exchange differences	<u>(4,476)</u>	<u>25,978</u>
Balance at December 31	<u>\$ 2,342,753</u>	<u>\$ 2,231,278</u>

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

	December 31	
	2015	2014
Retail	\$ 2,118,928	\$ 2,117,869
Trading	204,432	94,016
Others	<u>19,393</u>	<u>19,393</u>
	<u>\$ 2,342,753</u>	<u>\$ 2,231,278</u>

For the years ended December 31, 2015 and 2014, 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.

15. OTHER INTANGIBLE ASSETS

	December 31	
	2015	2014
Computer software	\$ 181,650	\$ 230,325
Others	<u>88,885</u>	<u>11,415</u>
	<u>\$ 270,535</u>	<u>\$ 241,740</u>

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2014	\$ 777,731	\$ -	\$ 777,731
Additions	37,434	3,043	40,477
Classified	<u>142,155</u>	<u>13,507</u>	<u>155,662</u>
Balance at December 31, 2014	<u>\$ 957,320</u>	<u>\$ 16,550</u>	<u>\$ 973,870</u>

(Continued)

	Computer Software	Others	Total
<u>Accumulated amortization and impairment</u>			
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>\$ 230,325</u>	<u>\$ 11,415</u>	<u>\$ 241,740</u>
<u>Cost</u>			
Balance at January 1, 2015	\$ 957,320	\$ 16,550	\$ 973,870
Additions	33,273	3,022	36,295
Acquisitions through business combinations	20,652	94,723	115,375
Disposals	(310,525)	(3,411)	(313,936)
Classified	<u>791</u>	<u>(7,996)</u>	<u>(7,205)</u>
Balance at December 31, 2015	<u>\$ 701,511</u>	<u>\$ 102,888</u>	<u>\$ 804,399</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2015	\$ 726,995	\$ 5,135	\$ 732,130
Amortization expense	145,219	9,991	155,210
Acquisitions through business combinations	13,153	1,231	14,384
Disposals	(310,525)	(3,411)	(313,936)
Classified	<u>(54,981)</u>	<u>1,057</u>	<u>(53,924)</u>
Balance at December 31, 2015	<u>\$ 519,861</u>	<u>\$ 14,003</u>	<u>\$ 533,864</u>
Carrying amounts at December 31, 2015	<u>\$ 181,650</u>	<u>\$ 88,885</u>	<u>\$ 270,535</u>
			(Concluded)

The other intangible assets of the Company were amortized on a straight-line basis over the estimated useful life of the asset as follows:

Computer software	3-5 years
Customer relationship	7-15 years
Business strife limitation	3 years

16. BORROWINGS

	December 31	
	2015	2014
Short-term borrowings	<u>\$ 2,283,327</u>	<u>\$ 2,749,782</u>
Short-term bills payable	<u>\$ 49,966</u>	<u>\$ 79,957</u>
Current portion of long-term borrowings	<u>\$ 1,603,641</u>	<u>\$ 500,000</u>
Long-term borrowings	<u>\$ 5,106,969</u>	<u>\$ 5,662,504</u>

- a. Short-term borrowings as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014

Unsecured borrowings

Line of credit borrowings	<u>\$ 2,283,327</u>	<u>\$ 2,749,782</u>
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The range of weighted average effective interest rate on bank loans was 1.058%-4.8% and 0.75%-5.65% per annum as of December 31, 2015 and 2014, respectively.

- b. Short-term bills payable

	December 31	
	2015	2014
Commercial paper	\$ 50,000	\$ 80,000
Less: Unamortized discount on bills payable	<u>(34)</u>	<u>(43)</u>
	<u>\$ 49,966</u>	<u>\$ 79,957</u>

- c. Long-term borrowings

	December 31		
	2015		2014
	Interest Rate	Amount	Amount
First Commercial Bank's Syndicate Loan			
Unsecured loan from June 24, 2015 to June 24, 2020. The authorized credit line of \$1,500 million. The principal due in 7 eight months installments with first installment due on December 17, 2016.	1.7895%	\$ 1,500,000	\$ -
Unsecured loan from June 17, 2015 to June 24, 2020. The authorized credit line of \$4,480 million. Principal due on June 17, 2020.	1.7895%	1,000,000	-
Unsecured loan from June 24, 2015 to June 17, 2020. The authorized credit line of \$4,480 million. Principal due on June 17, 2020.	1.5603%	661,320	-
Unsecured loan from July 27, 2012 to June 24, 2016. The authorized credit line of \$4,000 million. Principal due on June 24, 2016.	1.0274%- 1.035%	595,188	2,236,119
Unsecured loan from June 24, 2011 to June 24, 2016. The authorized credit line of \$2,000 million. The principal due in 7 semi-annual installments with first installment due on June 24, 2013. In June 2015, the Company paid the principal in full in advance.	-	-	1,500,000 (Continued)

	December 31		
	2015		2014
	Interest Rate	Amount	Amount
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 US\$29,000 thousand. The principal due in annual installments with first installment due on July 16, 2017.	2.1171%	\$ 958,914	\$ 919,822
Unsecured loan from July 16, 2012 to July 16, 2019. The authorized credit line is US\$29,000 thousand, principal due on July 16, 2019.	2.1171%	462,924	529,691
First Commercial Bank			
Unsecured loan from June 22, 2012 to July 30, 2017. The authorized credit line of \$500 million. The principal with first installment is due on June 22, 2014.	1.7000%	350,000	350,000
Chang Hwa Bank			
Unsecured loan from October 1, 2013 to October 1, 2016. The authorized credit line of \$300 million. Principal due on October 1, 2016.	1.6600%	200,000	200,000
Taishin International Bank			
Unsecured loan from October 16, 2015 to January 14, 2016. The authorized credit line of \$200 million. The authorized period from May 18, 2015 to May 18, 2017, principal due on January 14, 2016.	1.8000%	200,000	-
Taiwan Business Bank			
Unsecured loan from November 20, 2015 to May 18, 2016. The authorized credit line of \$500 million. The authorized period is from November 12, 2013 to November 12, 2016, principal due on May 8, 2016.	1.7800%	150,000	-
Unsecured loan from December 22, 2015 to June 22, 2016. The authorized credit line of \$500 million. The authorized period is from November 12, 2013 to November 12, 2016, principal due on June 22, 2017.	1.7100%	100,000	-
Unsecured loan from November 20, 2014 to February 10, 2015. The authorized credit line of \$500 million. The authorized period is from November 12, 2013 to November 12, 2016, principal due on February 10, 2015.	-	-	100,000

(Continued)

	December 31		
	2015		2014
	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.	1.4840%	\$ 132,264	\$ 126,872
Industrial Bank of Taiwan			
Unsecured loan from December 29, 2015 to December 29, 2018. The authorized credit line of \$200 million. The principal due in 4 three-month installments with first installment due on March 29, 2018.	1.7898%	200,000	-
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.	1.6438%	100,000	100,000
Unsecured loan from September 25, 2013 to August 29, 2017. The authorized credit line of \$100 million. Principal due on August 29, 2017.	1.6438%	100,000	100,000
Less current portion		<u>(1,603,641)</u>	<u>(500,000)</u>
		<u>\$ 5,106,969</u>	<u>\$ 5,662,504</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.

Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with Taishin International Bank, Taiwan Business Bank and Industrial Bank of Taiwan:

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

17. PROVISIONS

	December 31	
	2015	2014
Decommissioning cost (included in other non-current liabilities)	\$ 60,494	\$ 55,242
Customer returns and rebates (included in other payables)	27,050	16,758
Employee benefits (included in other payables)	<u>12,006</u>	<u>13,837</u>
	<u>\$ 99,550</u>	<u>\$ 85,837</u>
Current	\$ 39,056	\$ 30,595
Non-current	<u>60,494</u>	<u>55,242</u>
	<u>\$ 99,550</u>	<u>\$ 85,837</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.
- c. The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees.

18. OTHER PAYABLES

	December 31	
	2015	2014
Accrued expenses	\$ 1,133,704	\$ 1,163,392
Payable for purchase of property, plant and equipment	87,132	31,825
Bonuses payable to employees	17,970	17,936
Bonuses payable to directors and supervisors	32,143	32,650
Allowance of sales returns and discounts	27,050	16,758
Payable for employee benefits	12,006	13,837
Others	<u>165,361</u>	<u>105,892</u>
	<u>\$ 1,475,366</u>	<u>\$ 1,382,290</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. 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 pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 427,231	\$ 339,015
Fair value of plan assets	<u>(298,840)</u>	<u>(293,572)</u>
	128,391	45,443
Defined benefit asset (included in other non-current assets)	<u>60,321</u>	<u>79,629</u>
Net defined benefit liability (included in net defined benefit liabilities - non-current)	<u>\$ 188,712</u>	<u>\$ 125,072</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	<u>\$ 345,784</u>	<u>\$(281,734)</u>	<u>\$ 64,050</u>
Service cost			
Current service cost	3,335	-	3,335
Net interest expense (income)	<u>6,230</u>	<u>(5,532)</u>	<u>698</u>
Recognized in profit or loss	<u>9,565</u>	<u>(5,532)</u>	<u>4,033</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,726)	(1,726)
Actuarial gain - changes in demographic assumptions	<u>(4,561)</u>	<u>-</u>	<u>(4,561)</u>
Recognized in other comprehensive income	<u>(4,561)</u>	<u>(1,726)</u>	<u>(6,287)</u>
Contributions from the employer	-	(16,353)	(16,353)
Benefits paid	<u>(11,773)</u>	<u>11,773</u>	<u>-</u>
Balance at December 31, 2014	<u>339,015</u>	<u>(293,572)</u>	<u>45,443</u>
Business combinations	<u>38,689</u>	<u>(13,268)</u>	<u>25,421</u>
Service cost			
Current service cost	4,408	-	4,408
Net interest expense (income)	<u>7,189</u>	<u>(6,166)</u>	<u>1,023</u>
Recognized in profit or loss	<u>11,597</u>	<u>(6,166)</u>	<u>5,431</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	223	223
Actuarial loss - changes in financial assumptions	15,202	-	15,202
Actuarial loss - experience adjustments	33,178	-	33,178
Actuarial loss - changes in demographic assumptions	<u>22,337</u>	<u>-</u>	<u>22,337</u>
Recognized in other comprehensive income	<u>70,717</u>	<u>223</u>	<u>70,940</u>
Contributions from the employer	-	(17,406)	(17,406)
Benefits paid	(30,330)	30,330	-
Others	<u>(2,457)</u>	<u>1,019</u>	<u>(1,438)</u>
Balance at December 31, 2015	<u>\$ 427,231</u>	<u>\$(298,840)</u>	<u>\$ 128,391</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2015	2014
Selling and marketing expenses	<u>\$ 5,431</u>	<u>\$ 4,033</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate	1.375%-2.500 %	1.750%-2.000 %
Expected rate of salary increase	0.000%-3.000 %	2.500%-3.000 %

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2015	2014
Discount rate		
0.25%-0.5% increase	<u>\$(15,631)</u>	<u>\$ (9,451)</u>
0.25%-0.5% decrease	<u>\$ 16,810</u>	<u>\$ 9,836</u>
Expected rate of salary increase		
0.25%-1% increase	<u>\$ 13,367</u>	<u>\$ 11,640</u>
0.25%-1% decrease	<u>\$(12,565)</u>	<u>\$(10,892)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 17,383</u>	<u>\$ 16,336</u>
The average duration of the defined benefit obligation	9.10-25.44 years	8.80-21.00 years

20. EQUITY

a. Share capital

	December 31	
	2015	2014
Number 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>509,888</u>	<u>513,956</u>
Shares issued	<u>\$ 5,098,875</u>	<u>\$ 5,139,555</u>

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

Test-Rite's outstanding share capital as of January 1, 2014 amounted to \$5,219,555 thousand. On October 3, 2014 and June 26, 2015, the board of directors decided to retire treasury shares of 8,000 thousand shares and 4,068 thousand shares, respectively. Such retirements of treasury shares resulted in decrease in share capital by \$80,000 thousand and \$40,680 thousand, respectively. Consequently, as of December 31, 2015, Test-Rite's capital stock decreased to \$5,098,875 thousand.

b. Capital surplus

	December 31	
	2015	2014
Additional paid-in capital - issuance of shares in excess of par	<u>\$ 673,456</u>	<u>\$ 678,829</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 Test-Rite 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 2014 and 2013 had been approved in the shareholders' meetings on June 15, 2015 and June 11, 2014, 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	
	2014	2013	2014	2013
Legal reserve	\$ 65,538	\$ 55,789	\$ -	\$ -
Cash dividends	577,401	502,088	1.15	1.00

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to Test-Rite's Articles of Incorporation had been proposed by Test-Rite's board of directors on January 28, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 23, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to employee benefits expense in Note 27.

The appropriations of 2015 earnings had been proposed by the board of directors on March 25, 2016. The proposed appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 53,888	\$ -
Cash dividends	484,393	0.95

The appropriations of 2015 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 23, 2016.

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. 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.

21. TREASURY SHARES

The changes in treasury shares for the years ended December 31, 2015 and 2014 were summarized as follows (in shares):

Purpose	January 1, 2015	Increase	Decrease	December 31, 2015
To transfer to employees	<u>11,868,000</u>	<u>-</u>	<u>11,868,000</u>	<u>-</u>
Purpose	January 1, 2014	Increase	Decrease	December 31, 2014
To transfer to employees	<u>34,868,000</u>	<u>-</u>	<u>23,000,000</u>	<u>11,868,000</u>

As of December 31, 2014, the treasury shares of Test-Rite amounted to \$248,171 thousand, which was purchased back by Test-Rite.

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

Test-Rite transferred to employees 7,800 thousand and 15,000 thousand treasury shares amounting to \$157,398 thousand and \$322,759 thousand in April 2015 and March 2014, respectively. Based on the Transferring Way of Purchased Back Treasury Stock for Transfer to Employees issued by Test-Rite, employee stock options granted during the years ended December 31, 2015 and 2014 were priced using the Black-Scholes model, and compensation cost of \$5,226 thousand and \$8,250 thousand (recorded as salary expense) was recognized in 2015 and 2014, respectively. Such transactions of treasury shares resulted in decrease in retained earnings by \$481 thousand in the year ended December 31, 2015 and increase in capital surplus by \$17,344 thousand in the year ended December 31, 2014.

Since some of the treasury shares, purchased back by Test-Rite from time to time for the purpose of transferring to employees, were not transferred within the statutory period (three years from the buyback date), Test-Rite retired 4,068 thousand treasury shares amounting to \$85,066 thousand in August 2015. Such retirement of treasury shares resulted in decrease in share capital by \$40,680 thousand, capital surplus by \$5,373 thousand and retained earnings by \$39,013 thousand.

Since some of the treasury shares, purchased back by Test-Rite from time to time for the purpose of transferring to employees, were not transferred within the statutory period (three years from the buyback date), Test-Rite retired 8,000 thousand treasury shares amounting to \$167,288 thousand in October 2014. Such retirement of treasury shares resulted in decrease in share capital by \$80,000 thousand, capital surplus by \$32,991 thousand and retained earnings by \$54,297 thousand.

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 held by Test-Rite as of December 31, 2015 and 2014 was 11,688 thousand shares and 34,868 thousand shares, respectively. The total amount was \$248,171 thousand and \$729,124 thousand pursuant to the law, respectively.

As of December 31, 2015 and 2014, information regarding Test-Rite's share-based payment was summarized below:

- a. As of December 31, 2015 and 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	April 24, 2015	7,800,000	-	Immediate	-	-
	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	April 24, 2015	\$20.90	\$20.240	12.76%	-	-	0.60%	\$0.67
	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.

22. 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	
	2015	2014
In respect of the current year	\$ 259,457	\$ 235,108
Adjustments to deferred tax assets	(68,032)	(62,650)
In respect of prior periods	<u>3,195</u>	<u>(4,461)</u>
	<u>\$ 194,620</u>	<u>\$ 167,997</u>

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

	For the Year Ended December 31	
	2015	2014
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 405,845	\$ 351,808
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(146,388)	(116,700)
Adjustments to deferred tax assets	(68,032)	(62,650)
In respect of prior periods	<u>3,195</u>	<u>(4,461)</u>

	For the Year Ended December 31	
	2015	2014
Income tax expense recognized in profit or loss	<u>\$ 194,620</u>	<u>\$ 167,997</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	
	2015	2014
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 538,877</u>	<u>\$ 655,376</u>
Imputation credits accounts	<u>\$ 613,083</u>	<u>\$ 579,079</u>
	For the Year Ended December 31	
	2015	2014
	(Expected)	
Creditable ratio for distribution of earning	20.48%	20.48%

According to Article 66-6.1 of the Income Tax Law, effective January 1, 2015, ROC resident individual shareholders receiving dividends or net earnings are allowed a tax credit half of their proportionate share of the income tax paid by the Company.

- d. Income tax assessments

The income tax returns of Test-Rite for years through 2013 have been examined and approved by the tax authority.

23. EARNINGS PER SHARE

For the years ended December 31, 2015 and 2014, the amounts of earnings per share were calculated as follows:

	2015						
	Amounts (Numerator)				EPS (NT\$)		
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax	Shares (Denominator)	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	\$ 865,105	\$ 670,485	\$ 670,509	507,287,558	<u>\$ 1.71</u>	<u>\$ 1.32</u>	<u>\$ 1.32</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	503,876			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 865,105</u>	<u>\$ 670,485</u>	<u>\$ 670,509</u>	<u>507,791,434</u>	<u>\$ 1.70</u>	<u>\$ 1.32</u>	<u>\$ 1.32</u>

	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>

Since Test-Rite offered to settle compensation or bonuses paid to employees in cash or shares, Test-Rite assumed the entire amount of the compensation or 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Subsidiaries of TR Development	Importation and exportation	January 1, 2015	100	<u>\$ 240,056</u>

In order to expand its trading business, the Company paid a total of EUR6,242 thousand to related parties, Tony Ho, Judy Lee and Robin Ho and non-related parties, Dirk Zimmermann etc. to acquire two subsidiaries 100% owned by TR Development.

b. Considerations transferred

	International Art Enterprise
Cash	\$ 240,056
Original ownership at fair value	<u>2,271</u>
	<u>\$ 242,327</u>

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

	Subsidiaries of TR Development
Current assets	
Cash and cash equivalents	\$ 95,454
Financial assets at fair value through profit or loss-current	74,378
Trade receivables	101,453
Other receivables	6,730
Inventories	772,164
Prepayments	3,576
Other current assets	45,227
Non-current assets	
Plant and equipment	11,576
Deferred tax assets	18,037
Other intangible assets	100,991
Goodwill	115,951
Other non-current assets	387
Current liabilities	
Short-term borrowings	(133,604)
Trade payables	(658,712)
Other payables	(191,752)
Advanced receipts	(577)
Other current liabilities	(64,418)
Non-current liabilities	
Net defined benefit liabilities - non-current	(25,421)
Deferred tax liabilities	<u>(29,113)</u>
	<u>\$ 242,327</u>

d. Net cash outflow on acquisition of subsidiaries

	Subsidiaries of TR Development
Consideration paid in cash	\$ 240,056
Less: Cash and cash equivalent balances acquired	<u>(95,454)</u>
	<u>\$ 144,602</u>

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For integrating resources and upgrading of efficiency in the management of investments and operations in coordination with the set strategy, the Company paid a total of EUR1,455 thousand to non-related parties, Dirk Zimmermann to acquire 35% of interests in TRGI. After the acquisition, the Company increased its interests of ownership in TRGI to 100%.

TRGI

Cash consideration paid	\$ 55,968
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(22,333)</u>
Differences arising from equity transaction	<u>\$ 33,635</u>

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%.

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>

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

26. OPERATING LEASE

Test-Rite entered into lease agreements for office premises with related parties, Tsai Wang, Li Xiong and Judy Lee for periods from 4 to 10 years. A list of rent expense for the next 5 years as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 325,155
2017	334,270
2018	8,077
2019	8,077
2020	<u>6,058</u>
	<u>\$ 681,637</u>

Hola Shanghai Retail & Trading entered into lease agreement for office premises with non-related parties from 2 to 20 years. A list of rent expense for the next 5 years including the present value of rentals from 2021 to 2030 as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 705,626
2017	697,900
2018	699,873
2019	575,607
2020	457,540
2021-2025 (present value \$946,683 thousand)	1,230,688
2026-2030 (present value \$112,598 thousand)	<u>163,267</u>
	<u>\$ 4,530,501</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 2021 to 2039 as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 1,107,536
2017	988,531
2018	726,738
2019	511,980
2020	493,112
2021-2025 (present value \$1,455,802 thousand)	1,586,886
2026-2030 (present value \$481,653 thousand)	564,521
2031-2035 (present value \$342,291 thousand)	430,091
2036-2039 (present value \$200,413 thousand)	<u>265,621</u>
	<u>\$ 6,675,016</u>

Test-Rite Home Service 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 2021 to 2025 as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 4,484
2017	4,672
2018	4,703
2019	3,986
2020	1,710
2021-2025 (present value \$312 thousand)	<u>405</u>
	<u>\$ 19,960</u>

Test-Rite C&B entered into lease agreement for office premises with non-related parties. A list of rent expense for next 5 year as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 74,660
2017	75,697
2018	79,845
2019	82,955
2020	<u>62,217</u>
	<u>\$ 375,374</u>

TR Products entered into lease agreement for office premises with non-related parties. A list of rent expense for next 5 years as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 77,242
2017	78,862
2018	26,254
2019	21,857
2020	<u>18,054</u>
	<u>\$ 222,269</u>

Energy Retailing 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 2021 to 2025 as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 247,916
2017	252,761
2018	257,687
2019	262,726
2020	267,834
2021-2025 (present value \$70,962 thousand)	<u>90,353</u>
	<u>\$ 1,379,277</u>

Test-Rite (China) Investment entered into lease agreement for office premises with non-related parties. A list of rent expense for next 3 years as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 81,946
2017	56,152
2018	<u>42,114</u>
	<u>\$ 180,212</u>

Test-Rite Business Development entered into lease agreement for office premises with non-related parties. A list of rent expense for next 3 years as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 30,689
2017	30,689
2018	<u>23,017</u>
	<u>\$ 84,395</u>

Chung Cin Enterprise 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 2021 to 2025 as of December 31, 2015 was as follows:

Period	Amount
2016	\$ 38,618
2017	38,598
2018	39,305
2019	39,805
2020	40,053
2021-2025 (present value \$946,683 thousand)	<u>189,084</u>
	<u>\$ 385,463</u>

27. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2015 and 2014 were summarized as follows:

Function Expense Item	2015			2014		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 24,906	\$ 3,467,910	\$ 3,492,816	\$ 79,436	\$ 3,197,776	\$ 3,277,212
Labor insurance and health insurance	2,200	243,841	246,041	5,760	234,140	239,900
Pension cost	1,179	216,073	217,252	3,165	187,758	190,923
Others	2,159	354,493	356,652	2,703	319,768	322,471
Depreciation expenses	78,334	589,821	668,155	69,917	574,369	644,286
Amortization expenses	25	155,185	155,210	25	165,862	165,887

The existing (2014) Articles of Incorporation of Test-Rite stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 1% and no higher than 2%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$5,500 thousand and \$11,100 thousand, respectively, representing 1% and 2%, respectively, of the base net income.

In compliance with the Company Act as amended in May 2015, Test-Rite proposed amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$7,380 thousand and \$11,070 thousand, respectively, representing 1% and 1.5%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by Test-Rite's board of directors on March 25, 2016 and are subject to the resolution and adoption of the amendments to Test-Rite's Articles of Incorporation by the shareholders in their meeting to be held on June 23, 2016, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 15, 2015 and June 11, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2014	2013
	Cash Dividends	Cash Dividends
Bonus to employees	\$ 5,898	\$ 5,021
Remuneration of directors and supervisors	11,297	10,042

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2014 and 2013 approved in the shareholders' meetings on June 15, 2015 and June 11, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Bonus to Employees	Remuneration of Directors and Supervisors	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 5,898	\$ 11,297	\$ 5,021	\$ 10,042
Amounts recognized in respective financial statements	5,500	11,100	5,260	10,521

The differences were adjusted to profit and loss for the years ended December 31, 2015 and 2014.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

28. 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.

29. 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	
	For the Year Ended December 31	
	2015	2014
Others (Tsai Wang)	<u>\$ 311,009</u>	<u>\$ 300,226</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	
	2015	2014
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 Notes 24 and 25.

c. Property lease

See Note 26.

d. Endorsements or guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 32.

As of December 31, 2015, short-term bills payable of \$49,966 thousand were guaranteed by others (Tony Ho).

As of December 31, 2015, short-term borrowings of \$10,769 thousand were guaranteed by others (Tony Ho and Judy Lee), short-term borrowings of \$214,823 thousand were guaranteed by others (Judy Lee), short-term borrowings of \$250,000 thousand were guarantee by others (Tony Ho).

As of December 31, 2015, long-term borrowings of \$1,421,838 thousand were guaranteed by others (Tony Ho and Judy Lee), long-term borrowings of \$3,888,772 thousand were guaranteed by others (Judy Lee), and long-term borrowings of \$1,400,000 thousand were guaranteed by others (Tony Ho).

As of December 31, 2014, short-term bills payable of \$79,957 thousand were guaranteed by others (Tony Ho).

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

e. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	\$ 187,146	\$ 183,719
Post-employment benefits	<u>38,665</u>	<u>2,982</u>
	<u>\$ 225,811</u>	<u>\$ 186,701</u>

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

30. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. 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. As of December 31, 2015 and 2014, the carrying amounts approximate their fair value.

b. Fair value measurements recognized in the consolidated balance sheets

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 217,798	\$ -	\$ 217,798
Non-derivative financial assets	<u>\$ 721,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,156</u>

December 31, 2014

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

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

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 33).

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.

	Currency USD Impact		Currency EUR Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2015	2014	2015	2014
Equity	\$ (63,645)	\$ (183,771)	\$ 5,682	\$ 5,850

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:

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 500,259	\$ 386,832
Financial liabilities	9,043,903	8,992,243

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, 2015 and 2014 would have been higher by \$85,436 thousand and \$86,054 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.

c. 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, 2015			
	1 Year	1-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,299,812	\$ -	\$ 250,637	\$ 7,550,449
Fixed interest rate liabilities	49,966	-	-	49,966
Variable interest rate liabilities	<u>3,886,968</u>	<u>1,988,087</u>	<u>3,118,882</u>	<u>8,993,937</u>
	<u>\$ 11,236,746</u>	<u>\$ 1,988,087</u>	<u>\$ 3,369,519</u>	<u>\$ 16,594,352</u>

	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>4,086,119</u>	<u>1,576,385</u>	<u>8,912,286</u>
	<u>\$ 10,607,932</u>	<u>\$ 4,086,119</u>	<u>\$ 1,801,849</u>	<u>\$ 16,495,900</u>

31. PLEDGED ASSETS

	December 31	
	2015	2014
Time deposits (see Notes 6 and 9)	<u>\$ 365,549</u>	<u>\$ 312,053</u>

32. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's, Test-Rite Retail's Testrite Brand Agency's and Test-Rite C&B's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2015 were US\$3,443 thousand and EUR381 thousand.

Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2014 were US\$1,761 thousand and EUR61 thousand.

Endorsements/guarantees provided: As of December 31, 2015 and 2014, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	December 31	
	2015	2014
Endorsements		
TR Products	US\$ 23,080	US\$ 27,559
TR Trading & TR Retailing	US\$ 21,000	US\$ 21,000
Hola Shanghai Retail & Trading, Test-Rite (China)		
Investment and Test-Rite Business Development	US\$ 6,500	US\$ -
Test-Rite Business Development	US\$ 5,000	US\$ 15,000
Hola Shanghai Retail & Trading	US\$ 5,000	US\$ 11,500
TR Pte.	US\$ 1,500	US\$ 1,500
Subsidiary of TR Development	EUR 7,000	EUR -
TRGI & Subsidiary of TR Development	EUR 1,000	EUR -
TR GI	EUR -	EUR 1,000
TR Canada	CAD 60	CAD 60
Test-Rite C&B	NT\$ 45,000	NT\$ 45,000

As of December 31, 2015 and 2014 Test-Rite Retail and Testrite Brand Agency have import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$86,960 thousand and \$132,391 thousand.

33. 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, 2015 and 2014 was summarized as follows:

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

	December 31					
	2015			2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 112,546	33.066	\$ 3,721,446	\$ 123,407	31.718	\$ 3,914,223
EUR	1,956	35.8952	70,211	1,715	38.4582	65,956
<u>Financial liabilities</u>						
Monetary items						
USD	131,794	33.066	4,357,900	181,346	31.718	5,751,932
EUR	373	35.8952	13,389	194	38.4582	7,461

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains (losses) were \$156,526 thousand and \$(248,185) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. 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, 2015 and 2014 was as follows:

2015					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$ 21,768,693	\$ 20,230,377	\$ 1,535,857	\$ (7,553,476)	\$ 35,981,451
Operating costs	<u>(13,949,876)</u>	<u>(16,236,048)</u>	<u>(1,233,437)</u>	<u>6,740,782</u>	<u>(24,678,579)</u>
Gross profit	7,818,817	3,994,329	302,420	(812,694)	11,302,872
Operating expenses	<u>(7,561,017)</u>	<u>(3,800,401)</u>	<u>(177,023)</u>	<u>1,046,036</u>	<u>(10,492,405)</u>
Profit from operations	<u>\$ 257,800</u>	<u>\$ 193,928</u>	<u>\$ 125,397</u>	<u>\$ 233,342</u>	<u>810,467</u>
Nonoperating income and expenses					<u>54,638</u>
Profit before income tax					<u>\$ 865,105</u>

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)	\$ 35,946,241
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	7,884,661	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>	<u>981,902</u>
Nonoperating income and expenses					<u>(98,758)</u>
Profit before income tax					<u>\$ 883,144</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2015 and 2014.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2015 and 2014 was as follows:

2015					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 12,694,425</u>	<u>\$ 18,996,679</u>	<u>\$ 1,797,229</u>	<u>\$ (8,293,087)</u>	<u>\$ 25,195,246</u>
Liabilities	<u>\$ 9,641,896</u>	<u>\$ 10,673,377</u>	<u>\$ 515,209</u>	<u>\$ (3,064,658)</u>	<u>\$ 17,765,824</u>
2014					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 12,059,455</u>	<u>\$ 20,851,729</u>	<u>\$ 1,996,700</u>	<u>\$ (9,986,938)</u>	<u>\$ 24,920,946</u>
Liabilities	<u>\$ 8,741,372</u>	<u>\$ 13,485,854</u>	<u>\$ 775,762</u>	<u>\$ (5,443,017)</u>	<u>\$ 17,559,971</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2015 and 2014.

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	
	2015	2014	2015	2014
Asia	\$ 29,740,071	\$ 30,763,044	\$ 10,488,184	\$ 10,299,600
America	4,412,729	4,310,353	-	-
Europe	1,826,901	871,125	230,610	-
Australia and others	<u>1,750</u>	<u>1,719</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,981,451</u>	<u>\$ 35,946,241</u>	<u>\$ 10,718,794</u>	<u>\$ 10,299,600</u>

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

Major Customer

No individual customer accounted for at least 10% of consolidated revenue in 2015 and 2014.

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

7.1 Analysis of Financial Status

Unit : NTD\$ thousand

Item \ Year	2014	2015	Difference	
			Amount	%
Current Assets	13,194,183	13,023,367	-170,816	-1.29%
Long-term Investment	6,048,084	6,411,230	363,146	6.00%
Fixed Assets	2,473,018	2,613,288	140,270	5.67%
Other Assets	3,205,661	3,147,361	-58,300	-1.82%
Total Assets	24,920,946	25,195,246	274,300	1.10%
Current Liabilities	11,367,673	12,093,772	726,099	6.39%
Long-term Liabilities	6,192,298	5,672,052	-520,246	-8.40%
Other Liabilities	17,559,971	17,765,824	205,853	1.17%
Total Liabilities	5,139,555	5,098,875	-40,680	-0.79%
Capital stock	678,829	673,456	-5,373	-0.79%
Capital surplus	1,733,427	1,682,466	-50,961	-2.94%
Retained Earnings	29,813	(28,857)	-58,670	*-196.79%
Other Adjustments	(248,171)	0	248,171	*-100.00%
Total Stockholders' Equity	7,360,975	7,429,422	68,447	0.93%

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 11,868 thousand shares in April 2015 for employees to purchase, and 4,068 thousand shares in June 2015 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	2014	2015	Difference	
			Amount	%
Net Sales	35,946,214	35,981,451	35,237	0.10%
Cost of Sales	25,114,215	24,678,579	(435,636)	-1.73%
Gross Profit	10,832,026	11,302,872	470,846	4.35%
Operating Expenses	9,850,124	10,492,405	642,281	6.52%
Operating Income	981,902	810,467	(171,435)	-17.46%
Non-operating Income and Expenses	(98,758)	54,638	153,396	*-155.33%
Income Before Tax	883,144	865,105	(18,039)	-2.04%
Tax Benefit (Expense)	(167,977)	(194,620)	(26,643)	15.86%
Income After Tax	715,167	670,485	(44,682)	-6.25%

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 non-operating revenue and decrease in expense: due to losses in currency exchange over the period.

● Future response plans :

Given that worldwide trading is declining in 2015, Test-Rite is resilient. Test-Rite focuses more on core customers' relationship and development. Taiwanese government has tightened up the housing policy since the central bank proposed a series of actions to the housing market in 2013. Numbers of house transactions has decreased year by year. We expect the situation will be similar in 2016. To some extent, the low transaction amount has suppressed the DIY and home décor demand from new house buyers. However, we find another group of customers' demand emerging. While many people feel that they're not going to buy the house in the short/mid-term, they turned to spend some money to renovate their old house. To sum up, we feel the overall demand of DIY and home décor products will continue to grow in Taiwan. As the Chinese consumers become more modernized and richer, the increasing demand of improving living environment of home is unchanged. Our aspiration to become the premier retail operator in home related categories remain unchanged.

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
2,316,128	1,544,982	(412,722)	1,903,406	N.A.	N.A.

1. Operating Activities: The net cash inflow from operating activities NTD 1,544,982 thousand, due to non cash expenses of NTD 750,000, and cash inflow from financial assets at fair value through profit or loss
2. Investment Activities: The net cash outflow from investing activities NTD 1,309,232 thousand, due to the acquisition of subsidiaries, investment in warehouse in YangMe, new store openings, etc.
3. Financing Activities: The Net cash outflow from financing activities NTD 532,742 thousand, due to cash dividend payout

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
1,903,406	1,199,000	222,000	2,125,406	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 NTD1,199,000,000.
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 inflow for investment and financing activities of NTD222,000,000 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
Date: December 31, 2015

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.	2,822,601	Investment holding company	This was due mainly to slower economic growth, falling consumer confidence and volatility of equity markets in China, while the costs incurred prior to launching the stores must be recognized under the equity method.	Improve store operational performance, and establish tighter control on costs and expenses.
Test-Rite Trading Co., Ltd.	1,696,572	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.
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	NA
Test-Rite Int'l (Australia) Pty Ltd.	95,746	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	Establishing tighter control on costs and expenses.
Test-Rite Canada Co., Ltd.	51,483	Importation and exportation	Profit recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite (UK) Co., Ltd.	88,602	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Development Co., Ltd.	753,940	Investment holding company	This was due mainly to the investment in the holding company of our European trading sub-subsidiary, the profit of which was recognized under the equity method.	NA
Test-Rite Int'l (U.S.) Co., Ltd.	1,151,884	Importation and exportation	Profit recognized by equity method.	Closing in June, 2015
Test-Rite Int'l (Thailand) Ltd.	-	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and

Item \ Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
				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	NA
Fusion International Distribution, Inc.	30,721	Importation and exportation	Profit recognized by equity method	NA
Chung Cin Enterprise Co., Ltd.	814,906	Authorized builder to build dwelling, rental and sale of building	Profit recognized by equity method	NA
International Art Enterprise Co., Ltd.	107,109	Trading of leisure goods	Profit recognized by equity method	NA
Test-Rite Retail Co., Ltd.	4,955,542	Sale of house decoration hardware and construction materials	Profit recognized by equity method	NA
Test-Rite Home Service Co., Ltd.	86,000	Interior design	Loss recognized by equity method	NA
Hola Home furnishings Co., Ltd.	402	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.	259,802	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	NA
Test Rite C&B Co., Ltd.	209,794	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Tony Construction Co., Ltd.	230,000	Build and civil engineering	Profit recognized by equity method	NA
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	NA

7.5.2 Investment plan in one year

(Unit : USD\$ thousand)

Item	Remarks	Investment amount	Policies	Investment reason
Test-Rite Retailing Co., Ltd.		20	Investment holding company	Pay back borrowings and increase working capital
Test-Rite Int'l (U.S.) Co., Ltd.		15	Importation and exportation	Pay back borrowings and increase working capital
HOLA SHANGHAI RETAIL & TRADING LTD.		8	Retail	Increase working capital

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	2014	2015
Ratio of liabilities to assets (%)	70.46	70.51
Interest Expense	188,093	216,533
Income before Tax	883,144	865,105
Ratio of Interest Expense to income before tax (%)	21.30	25.03

- (1) Losses that have impacted the company: the Company's interest expenses from loans for 2014 and 2015 were NTD188.093 million and NTD216.533 million, 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	2014	2015
Foreign exchange gain	0	156,526
Operating revenues	35,946,241	35,981,451
Income before income tax	883,144	865,105
Foreign exchange gain / Operating revenues (%)	0	0.44
Foreign exchange gain / Income before income tax (%)	0	18.09

- (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.

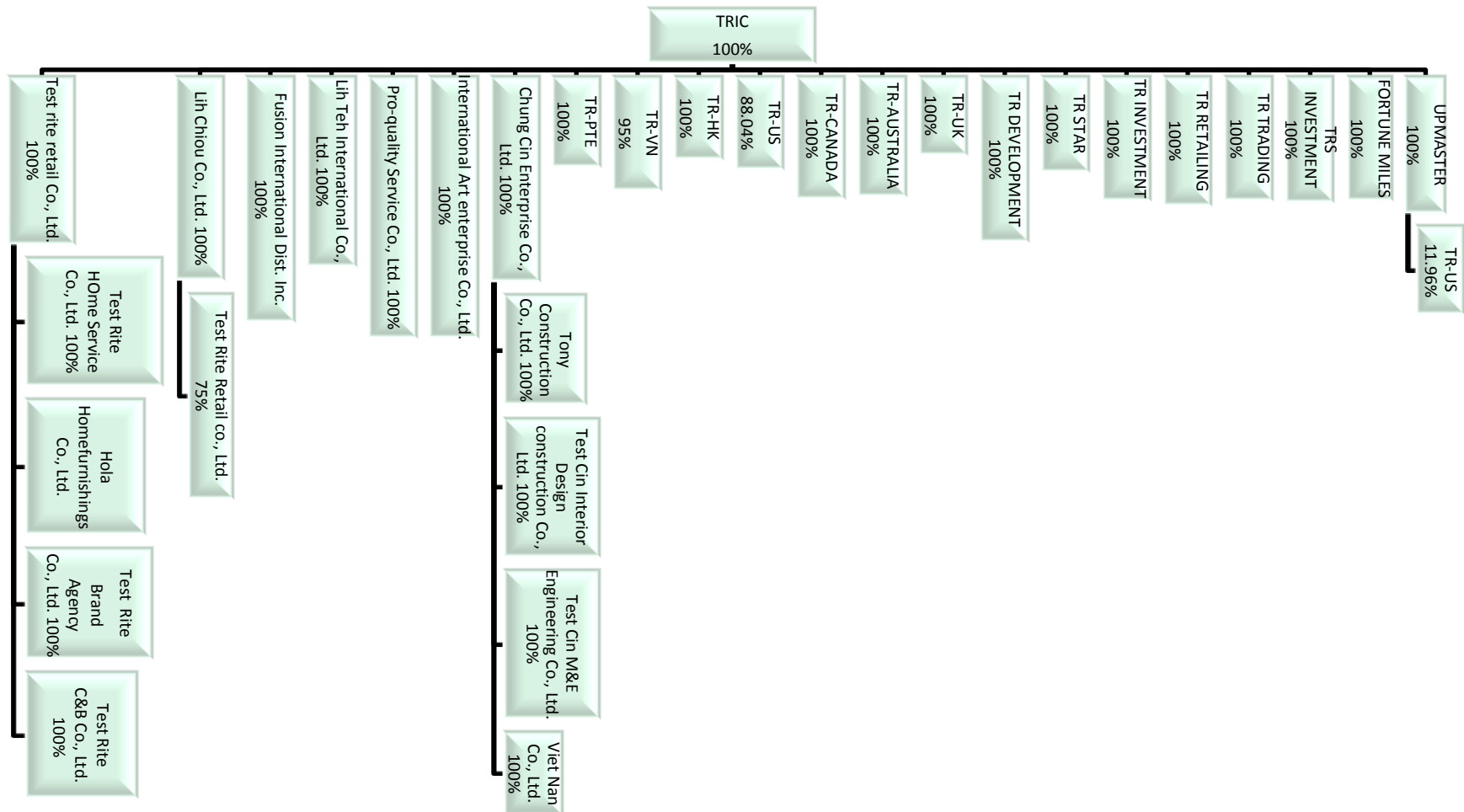
7.6.12 Litigation or Non-litigation Matters : None.

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, 2015

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 600,000	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 260,000,000	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 210,000,000	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 827,000,000	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 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	Room 2502, 25/F., 148 Electric Road, North Point , Hong Kong	HK\$ 1,076,386	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	110 Riviera Drive, Markham, Ontario L3R 5M1	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	125 London Wall London EC2Y 5AS	GBP\$ 1,805,930	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 Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 1,089,000	Investment holding company
TR INVESTMENT (B.V.I.)	10/1/1997	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 500,000	Investment in various industries
TR RETAILING	4/8/2003	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 83,331,000	Investment holding company
TR TRADING	10/23/2002	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 53,126,495	Investment holding company
FORTUNE MILES	9/21/2001	Trust Net Chambers, Lotemau Center, P.O.Box 1225, Apia,Samoa	US\$ 30,000	Investment holding company
UPMASTER	6/14/1996	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 6,400,000	Investment holding company

8.1.3 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.	60,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Judy Lee	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Kelly Ho	0	0.00
Testrite Brand Agency Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	26,000,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	26,000,000	100.00
		Representative : Judy Lee	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	26,000,000	100.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	26,000,000	100.00
		Representative : Hannis Chang	0	0.00

Test Rite C&B Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd. Representative : Tony Ho	21,000,000 0	100.00 0.00
	Director	Test-Rite Retail Co., Ltd. Representative : Judy Lee	21,000,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Kelly Ho	21,000,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Hannis Chang	21,000,000 0	100.00 0.00
	Supervisor	Test-Rite Retail Co., Ltd. Representative : Hannis Chang	21,000,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Hannis Chang	21,000,000 0	100.00 0.00
Chung Cin Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	82,700,000 0	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	82,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Sophia Tong	82,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Agnes Shih	82,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : YC Hsieh	82,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : YC Hsieh	82,700,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	82,700,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	82,700,000 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 : Li Shan Lee	1,200,000 0	100.00 0.00
	Supervisor	Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	1,200,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	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

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
Lih Teh International Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	16,269,479	100.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	0 16,269,479	0.00 100.00
		Test Rite Int'l Co., Ltd. Representative : Jack Chang	0 16,269,479	0.00 100.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	0 16,269,479	0.00 100.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	0 16,269,479	0.00 100.00
			0	0.00
Lih Chiou Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	419,414,000	100.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	0 419,414,000	0.00 100.00
		Test Rite Int'l Co., Ltd. Representative : Linda Lin	0 419,414,000	0.00 100.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	0 419,414,000	0.00 100.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	0 419,414,000	0.00 100.00
			0	0.00
Fusion International Distribution, Inc	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	5,499,838	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	0 5,499,838	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Linda Lin	0 5,499,838	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	0 5,499,838	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	0 5,499,838	100.00 0.00
			0	
International Art Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Judy Lee	1,000,000 0	100.00 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Sophia Tong	1,000,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Robin Ho	1,000,000 0	100.00 0.00
		Test Rite Int'l Co., Ltd. Representative : Hannis Chang	1,000,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Hannis Chang	1,000,000 0	100.00 0.00
Test-Rite Pte. Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Yang Furong	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
		Tracy Pang	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
Upmaster Int'l Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00

8.1.4 Affiliates' Operating Highlights

As of 12/31/2015
(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.	5,098,875	14,788,009	7,362,069	7,425,940	12,679,062	112,458	670,509	1.32
Test-Rite Retail Co., Ltd.	1,000,000	9,589,623	6,234,389	3,355,234	16,684,053	690,117	604,448	6.04
Test-Rite Home Service Co., Ltd.	86,000	204,759	138,677	66,082	732,424	4,167	3,120	0.36
Hola Home furnishings Co., Ltd.	600	295	-	295	-	(61)	(61)	(1.02)
Testrite Brand Agency Co., Ltd.	260,000	354,351	84,980	269,371	161,780	10,457	9,633	0.37
Test Rite C&B Co., Ltd.	210,000	262,942	78,061	184,881	33,929	(35,402)	(23,390)	(1.11)
Chung Cin Enterprise Co., Ltd.	827,000	1,722,178	440,159	1,282,019	988,321	48,721	121,465	1.47
Tony Construction Co., Ltd.	230,000	535,969	169,488	366,481	1,052,457	43,140	46,887	2.04
Test Cin M&E Engineering Co., Ltd.	80,000	177,956	45,167	132,789	182,092	18,946	18,205	2.28
Chung Cin Interior Design Construction Co., Ltd.	12,000	104,853	62,156	42,697	224,687	13,636	12,268	10.22
Viet Han Co, Ltd.	30,603	25,149	67	25,082	-	(1,280)	2	-
Pro-quality Service Co., Ltd.	50,000	50,656	25	50,631	-	(207)	78	1.56
Lih Teh International Co., Ltd.	162,695	257,428	23,572	233,856	210,641	48,380	45,612	2.80
Lih Chiou Co., Ltd.	4,194,140	4,797,378	8,299	4,789,079	-	(18,478)	443,401	1.06
Fusion International Distribution, Inc.	54,998	77,711	12,066	65,645	27,147	20	1,149	0.21
International Art Enterprise Co., Ltd.	10,000	83,540	28,777	54,763	450,917	16,759	13,308	13.31
Test-Rite Pte. Ltd.	66,625	85,269	5,823	79,446	45,821	196	215	0.06
Test-Rite Vietnam Co., Ltd.	32,103	5,737	3,616	2,121	-	(109)	(1,554)	(1.55)
Test-Rite Product (Hong Kong) Ltd.	3,795	39,617	537	39,080	9,416	344	20,610	2,061.21
Test-Rite Int'l (U.S.) Co., Ltd.	1,103,300	2,550,721	2,060,378	490,343	4,501,807	62,053	14,605	3,855.60
Test-Rite Canada Co., Ltd.	46,970	3,508	124	3,384	3,709	(1,110)	(583)	(5,830)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test-Rite Int'l (Australia) Pty Ltd.	75,515	12,841	12,622	219	13,144	(13,796)	(13,796)	(5.02)
Test-Rite (UK) Co., Ltd.	88,602	12,413	1,900	10,513	6,767	(7,556)	(7,857)	(4.35)
Test-Rite Development Co., Ltd.	753,940	1,454,828	940,273	514,555	1,856,601	56,611	174,380	9.34
Test-Rite Star Co., Ltd.	38,148	2,951	-	2,951	-	(66)	(9,765)	(8.97)
Test-Rite Investment (B.V.I.) Co., Ltd.	33,381	22,284	-	22,284	-	(1,089)	(1,085)	(2.17)
Test-Rite Retailing Co., Ltd.	0	3,002,119	3,304,819	(302,700)	4,533,421	(263,951)	(367,708)	(4.14)
Test-Rite Trading Co., Ltd.	1,696,572	592,719	389,752	202,967	1,223,582	58,544	(63,756)	(1.20)
Fortune Miles Co., Ltd.	941	984	-	984	-	(38)	(72)	(2.38)
Upmaster Int'l Co., Ltd.	311,736	81,911	-	81,911	-	(66)	1,681	0.26

8.1.5 Consolidated financial statements of affiliated enterprises

Statement of Declaration

For fiscal year 2015 (January 1 to December 31, 2015), 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. 10 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, 2016

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 2015 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.