

Test Rite International Co., Ltd.

2017 Annual General Shareholders' Meeting

Meeting Minutes

- **Time:** 9:00 am, June 15, 2017
- **Place:** Test Rite International Co., Ltd Conference Hall (6F., No. 23, Hsin-Hu 3rd Road, Nei Hu, Taipei, Taiwan)
- **Total outstanding shares of Test Rite International Co., Ltd.** (excluding the shares with not voting rights stipulated in Article 179 of the Company Act) : **509,887,558 shares**
- **Total shares represented by shareholders present** (including the shares with e-voting rights 70,877,332 shares) : **428,937,331 shares**
- **Percentage of shares held by shareholders present: 84.12%**
- **Chairman: Mr. Tony Ho (Chairwoman, Ms. Judy Lee was away on business and appointed Mr. Tony Ho, Director, to chair the 2017 Annual General Shareholder's meeting) / Recorder : Ms. Linda Lin**

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

- **Chairman's Address (omitted)**

Management Presentation

- 1. 2016 Business Report** (see Attachment 1)
- 2. Supervisor's Review Report on the 2016 Financial Statements** (see Attachment 2)
- 3. Report of distribution of employees' compensation and directors' and supervisors' remuneration for 2016. (proposed by the Board of Directors)**

Details : In accordance with Articles of Incorporation, it is proposed that the Company's 2016 pretax profit before deducting the compensation of employees and the remuneration of directors and supervisors is NT\$ 670,898,156. The compensation of employees and the remuneration of directors and supervisors were determined by the board of directors on March 24, 2017. A total employees' compensation of NT\$ 6,708,982 shall be distributed to employees and a total directors' and supervisors' remuneration of NT\$ 10,063,472 shall be distributed to directors and supervisors. All compensation and remuneration shall be distributed in cash.

- 4. Report of amendment to Ethical Corporate Management Best Practice Principles.(proposed by the Board of Directors)**

Details : Amendment to Ethical Corporate Management Best Practice Principles for the Company was adopted by the Board Meeting on Dec. 16, 2016. Please refer to Attachment 3 for details.

Proposals

1. Adoption of the 2016 Business Report and Financial Statements. (proposed by the Board of Directors)

Details :

- (1)2016 parent level financial statements and consolidated financial statements, audited by independent auditors Mr. HONG, KUO-TYAN and Mr. WU, KER-CHANG of Deloitte & Touche, along with 2016 Business report, have been approved by the Board of Directors and examined by the supervisors of the Company.
- (2)Please refer to Attachment 1 for 2016 Business report and attached 4 for Financial Statements.
- (3)2016 Business report and Financial Statements are to be discussed for approval by the shareholders

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331 shares	424,754,183 shares (including the shares with e-voting rights 67,092,515 shares)	20,222 shares (including the shares with e-voting rights 20,222 shares)	4,162,926 shares

2. Adoption of the Proposal for 2016 Profits Distribution. (proposed by the Board of Directors)

Details :

- (1)In accordance with Articles of Incorporation, fiscal year 2016 profits are to be distributed in the following manners with profits from fiscal year 2016 are to be distributed with first. Please refer to Attachment 5 for details.
 - i. 10% of the profits, or NT\$ 60,946,570 is to be reserved as Legal Reserve.
 - ii. Shareholder dividends totaled NT\$ 525,184,185 dollars. Total outstanding shares as of April 17th 2017 is 509,887,558 shares. Accordingly, each eligible share will receive a cash dividend payout of NT\$ 1.03 per share (payout amount of less than NT\$1 will be not be distributed).
 - iii. After the distribution, the accumulated retained earnings is NT\$5,051,645.
- (2)The profit distribution proposal is to be approved by the shareholders at the 2017 shareholders' meeting. Following the proposal's approval, the board of directors, with the authority granted by the shareholders' meeting, will set the ex-dividend date. The board of directors should also be empowered to manage all issues related to dividend payouts in the event that the number of shares outstanding changes and impacts the payout ratio. Potential impact on shares outstanding may be the result of rights issuance, holders of convertible bond realizing their conversion options, or buy back, transfers, and cancellation of treasury shares.
- (3)The proposal is to be discussed for approval by shareholders.

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331shares	424,753,044shares (including the shares with e-voting rights 67,091,376shares)	26,361 shares (including the shares with e-voting rights 26,361shares)	4,157,926shares

Discussion

1.Cash distributed from capital surplus. Please proceed to discuss. (proposed by the Board of Directors)

Details :

- (1)Cash distributed from capital surplus totaled NT\$25,494,378 dollars. Total outstanding shares as of April 17th 2017 is 509,887,558 shares. Accordingly, each eligible share will receive a cash dividend payout of NT\$ 0.05 per share (payout amount of less than NT\$1 will be not be distributed).
- (2)The cash distribution proposal is to be approved by the shareholders at the 2017 shareholders' meeting. Following the proposal's approval, the board of directors, with the authority granted by the shareholder's meeting, will set up the record date for distribution of capital surplus. The board of directors should also be empowered to manage all issues related to dividend payouts in the event that the number of shares outstanding changes and impacts the payout ratio. Potential impact on shares outstanding may be the result of rights issuance, holders of convertible bond realizing their conversion options, or buy back, transfers, and cancellation of treasury shares.
- (3)The proposal is to be discussed by the shareholders during the shareholders' meeting.

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331shares	424,757,183shares (including the shares with e-voting rights 67,095,515shares)	22,222shares (including the shares with e-voting rights 22,222 shares)	4,157,926shares

2.Amendment to Procedures for Lending Funds to Others. Please proceed to discuss. (proposed by the Board of Directors)

Details :

- (1)Partial amendment to Procedures for Lending Funds to Others in accordance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and operation management needs.
- (2)Please refer to Attachment 6 for details.
- (3)The amendment is to be discussed by the shareholders' meeting.

Resolution :

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331 shares	424,743,172 shares (including the shares with e-voting rights 67,081,504 shares)	34,172 shares (including the shares with e-voting rights 34,172 shares)	4,159,987 shares

3. Amendment to Procedures for Acquisition and Disposal of Assets. Please proceed to discuss. (proposed by the Board of Directors)

Details :

- (1) Partial amendment to Procedures for Acquisition and Disposal of Assets in accordance with Financial Supervisory Commission's issuing of interpretation No. 1060001296 released on February 9, 2017, related to Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
- (2) Please refer to Attachment 7 for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331 shares	424,750,887 shares (including the shares with e-voting rights 67,089,219 shares)	26,457 shares (including the shares with e-voting rights 26,457 shares)	4,159,987 shares

4. Proposal for the issuance of public placement of common stock. Please proceed to discuss. (proposed by the Board of Directors)

Details :

In consideration of Company's future business needs, to enhance working capital, to improve financial structure of the Company, and to investment in subsidiaries, the Board of Directors submit a proposal for the issuance of public placement of common stock. Newly issued shares will be no more than 50,000,000 shares. The proposal should be completed within one year following the resolution is approved by the shareholders at the shareholders' meeting. The related issues of the public placement is as follows :

- (1) This cash capital increase will be issued at a par value of NT\$10. If this cash capital increase is issued at a maximum of 50,000,000 shares, the dilution for the existing

shareholders will be 8.93%. This capital increase will be used to support future operational and working capital needs, improve financial structure, and or reinvest in the expansion of continuing businesses of Test-Rite Group companies', and is expect to generate a positive impact for future return for shareholders.

- (2)The issue price will be settled according to the self-regulatory rules of Taiwan Securities Association and government's regulations. The Chairperson is authorized to set the issuing price according to market conditions at the time of the issuance and communicating with the underwriter.
- (3)While 10~15% of the new shares will be reserved for employee subscription, in compliance with Article 267 of Company Act, the remaining 85~90% of the new shares is to be reserved for public underwriting through a book building process. In addition, existing shareholders is expected to relinquish their subscription rights, according to Article 28-1 of Security and Exchange Act. All shares will be publicly offered based via the book building method.
- (4)For the shares that are not fully subscribed or is not subscribed, the Chairperson is authorized to allocate those shares to specified persons at the proposed issue price.
- (5)The rights and obligations associated with common shares issued in this cash capital increase are identical to those of the existing shares.
- (6)Subject to the approval of the proposed offering and issue by the competent authority, it is proposed that the record date of the subscription date and other matters relating to the offering shall be determined by the Chairperson and/or his/her designate to be authorized to do so.
- (7)The proposal here is for shareholders to authorize Board of Directors, subject to market conditions, the reasonability to adjust and, settle major issues related to the public placement plan. The authority granted to Board of Directors include amendments of various details of the public placement issuance, when applicable regulations are changed or requested to change is made by the relevant government bodies. The proposal is for shareholders' meeting to fully authorize Board of Directors to handle all relevant issues of the public placement.
- (8)The authority granted to Board of Directors include amendments of various details of the public placement issuance, when applicable regulations are changed or requested to change is made by the relevant government bodies. The proposal is for shareholders' meeting to fully authorize Board of Directors to handle all relevant issues of the private placement.
- (9)The proposal is to be discussed by the shareholders during the shareholders' meeting.

Resolution :

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331 shares	424,083,591 shares (including the shares with e-voting rights 66,421,923 shares)	693,753 shares (including the shares with e-voting rights 693,753 shares)	4,159,987 shares

**5. Remove the board of directors’ non-competition clause. Please proceed to discuss.
(proposed by the Board of Directors)**

Details :

- (1) According to Company Act article 209, a director who does anything for himself/herself or on behalf of another person that is within the scope of the company's businesses, shall explain to the meeting of shareholders the essential contents of such an act and secure the approval of the meeting of shareholders.
- (2) A proposal is to remove the non-competition clause for the directors who invest or run a business which has similar or same scope to the Company, under the condition that the Company’s interests are not compromised. Directors assume positions at the following companies :

Director	Company	Position
Ms. Lee, Judy	Chung Cin Enterprise Co., Ltd.	Director
Mr. Ho, Tony	Chung Cin Enterprise Co., Ltd.	Chairman & Director
Ms. Ho, Robin	Chung Cin Enterprise Co., Ltd.	Director
	Test Cin M&E Engineering Co., Ltd.	Director

- (3) The proposal is to be discussed by the shareholders during the shareholders’ meeting.

Resolution :

RESOLVED, the above proposal was accepted as submitted.

Voting Results :

Number of shares represented at the time of voting	For	Against	Abstained (e-voting)
428,937,331shares	424,663,735shares (including the shares with e-voting rights 67,002,067shares)	48,609shares (including the shares with e-voting rights 48,609 shares)	4,224,987shares

Questions and Motions : None.

Adjournment (Time : 10:24 a.m.)

Attachment 1

Test Rite International Co., Ltd. Business Report

Dear shareholders,

Test-Rite reports its FY2016 revenue of NT\$35.4 bn, -1.5% YoY; net income of NT\$676 mn, 0.8% YoY; and basic EPS of NT\$1.33, 0.8% YoY.

When we look back the year of 2016, financial result is similar to the comparable period, but Test-Rite has been deeply cultivating for future growth. First of all, Test-Rite has made the strategic alliance with Hillman, a renowned hardware importer in the USA. By leveraging Test-Rite's famous sourcing and supply chain management capability in Asia, both companies will create synergies and expand economic scales. Test-Rite is also honored to be rewarded as "supplier of the year" by O'Reilly. Furthermore, after 18 years, Test-Rite once again returned to the "Tools Category Manager" position in Walmart. By strengthening the collaboration with major customers, we expect the growth of trading will contribute significantly in future years. The burgeoning trading agency business also plays an important role while new customers and new products proliferating. In the second quarter of 2016, we launched a new business model to earn commissions by providing order management services. Through satisfying customers' various needs of services level, Test-Rite is better positioning ourselves as a total solution provider in the global supply chain management. The booming trading agency has shown 100.8% increases YoY, leading the total shipment of trading reaching its historical high of NT\$23.6 bn, 29.6% YoY.

As for our retail business in Taiwan, TLW and HOLA remain its leading position in DIY and home décor industry. However, Test-Rite very carefully tackles the changing behavior of customers. The proposed new business model of retail aims to break the boundary between online and offline. To improve our online content, TLW and HOLA have doubled its online product skus in the past year. TLW and HOLA currently contain more than 40 thousands and 30 thousands skus separately. Both product skus have exceeded that in physical stores. Through the integration of POS system, customers can now easily extend the selections beyond in-store products, hence breaking the limits of displaying and inventory in physical stores. By guiding the massive offline memberships to online, we hope to fully eliminate the boundary in terms of product, payments, membership and marketing. We also reinforce experiential marketing in physical stores and create irreplaceable value of human by extending services into customers' home. As a result, the "TLW Home Improvement Service Unit" made profit for the first time in 2016 since its establishment from 2010.

Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan saw sales of NT\$17.6 bn and a net profit of NT\$597 mn in FY2016. Affected by the chill real-estate market in Taiwan, consumers' demands for replacement of household items are lowered. According to the government department of statistics, the wholesale of household items and building materials dropped at 4.85% and 2.78% YOY separately in 2016, both showing the biggest downturn in the past decade. Even though Taiwan retail market is sluggish, Test-Rite made 1.6% of positive growth YoY in 2016. Our private label has been growing more and more mature in terms of design and theme, accounted for more sales than ever. TLW Private Label products accounted for 12.8% TLW sales in 2016, along with 57.7% sales growth. On the other hand, HOLA Private Label products accounted for 26.3% HOLA sales, along with 27.8% sales growth. The purpose of private label is not only to bring about higher gross margin, it's also an important step to build up differentiation in the market.

HOLA China showed NT\$ 3.6 bn and net loss of NT\$353 mn in FY2016. It was the most difficult year since we entered into the China market since 2004, but it's also the best year because we have seen a very clear trend that consumption upgrade has extended from the richest to the middle class. The

average sales per ticket in China even exceed that in Taiwan. However, our challenge is to contend with changing behavior of Chinese customers. The way consumers absorb product information and do the purchase has greatly changed. Consequently, our first priority is no longer relying on opening physical stores, we closed 5 stores instead. By reviewing the profitability of each store, we want to increase the operation efficiency and focus on the region of east and north China where we have already had higher presence and brand awareness. Being able to increase the HOLA brand identity in the region and use E-commerce as supplementary channels to the spread out. As of the cut-off date, Test-Rite Group operated 27 TLW (DIY) stores, 25 HOLA stores in Taiwan, and 33 HOLA stores in China.

Below please find Test-Rite's parent and consolidated operating result FY2016, along with business plan summary for FY2017 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 2016

(1) Operating result based on business plan for 2016 (consolidated):

(NT\$ mn)	2016A	2015A	YoY change by value	YoY change (%)
Net sales	35,443	35,981	(538)	(1.5)
COGS	24,184	24,678	(494)	(2.0)
Gross profit	11,259	11,303	(44)	(0.4)
Operating Expense	10,434	10,492	(58)	(0.6)
Operating profit	825	811	14	1.7
Non-op.profit/(loss)	67	54	13	24.1
Net profit before tax	892	865	27	3.1
Net profit after tax	676	671	5	0.8
Recurring Net profit attribute to TRIC	676	671	5	0.8

(2) Operating result based on business plan for 2016(stand alone):

(NT\$ mn)	2016A	2015A	YoY change by value	YoY change (%)
Net sales	11,998	12,679	(681)	(5.4)
COGS	9,394	10,074	(680)	(6.8)
Gross profit	2,604	2,605	(1)	(0.0)
Operating Expense	2,379	2,493	(114)	(4.6)
Operating profit	225	112	113	100.9
Non-op.profit/(loss)	496	607	(111)	(18.3)
Net profit before tax	721	719	2	0.3

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

Item/Year		2016A	2015A	YoY change (%)
Balance Sheet	Total Liability/Total Asset	69.5%	70.51%	(1.43)
	Current Ratio	117.15%	107.69%	8.79
Profitability	ROE	9.11%	9.09%	0.22
	Net Margin	1.91%	1.86%	2.69
	EPS	1.33	1.32	0.76

2. 2017 business plan and future development strategy

(1) Business plan and managerial principle:

A. Retail Business

- Taiwan: There's no new store opening plan for both TLW and HOLA in 2017. However, physical stores will emphasize on enhancing shopping experiences. We plan to spread out the new experiential concept store after successfully introduced in TLW Shihlin store.
- China: No new store opening plan in 2017. HOLA China will continue reviewing the profitability of each store.
- Ramp up E-commerce product offerings in Taiwan and China
- Through the integration of POS system, we hope to fully eliminate the boundary between Online and Offline in terms of product, payments, membership and marketing.
- Develop the TLW Home Improvement Service Unit and cooperate with construction projects.
- We have already had abundant brand portfolio after rapidly acquiring several brands agency like WMF, KitchenAid, and Honeywell (Water-Cooling Fan) in 2016. We will focus on expansion of existing brands on hand this year.
- 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
- Strengthening the collaboration with strategic alliance.
- 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 the greater China region.
- 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 published a series of policies to cool down the overheated housing market since 2013. The transaction numbers of household has decreased year by year. We expect the situation will be similar in 2017. The chill real-estate market has lowered consumers' demands to replace household items. According to the government department of statistics, the wholesale of household items and building materials dropped at 4.85% and 2.78% YOY separately in 2016, both showing the biggest downturn in the past decade.



The USA has very strong economic recovery which pushes up the shipment of trading business. However, the newly elected U.S. government is swinging in its attitude toward an open global trading system. There are several other government elections undergoing in Europe. The emerging trade protectionism may require further observations to assess actual impacts to global trading. However, Test-Rite keeps moving forward to be a total solution provider in the global supply chain, increasing shipments and acquiring new customers.

In China, consumers' behavior to absorb product information and do the purchase has greatly changed. 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 goal to become the premier retail operator in home related categories remain unchanged.

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

GM: Sophia Tong

Controller: Linda Lin



Attachment 2

To: Test Rite International Co., Ltd. 2017 Shareholders' Meeting
From: Supervisors of Test Rite International Co., Ltd
Re: Supervisor's review report on the 2016 Financial Statements

Dear shareholders,

Here we ensure the annual financial reports of TRIC stands alone and its consolidation for 2016 have been rendered by Board and audited independent auditors Mr. HONG, KUO-TYAN and Mr. WU, KER-CHANG of Deloitte Touche. Further we review 2016 Business report and 2016 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

March 24, 2017



Attachment 4

**Test-Rite International Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Test-Rite International Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



The following are key audit matters of the consolidated financial statements of the Group as of and for the year ended December 31, 2016:

Sales Revenue Recognition

The recognition of sales revenue depends on whether the ownership and risks of goods have been transferred to customers, and the point of transferring ownership and risks of goods to customers of the Group is critical to the sales revenue recognition and the presentation of the financial statements. As a result, the recognition of sales revenue is regarded as a key audit matter of the 2016 consolidated financial statements. Refer to Note 4 of the consolidated financial statements for disclosures of the accounting policies of sales revenue recognition.

Our audit procedures in response to sales revenue recognition consisted of the following: We reviewed the transaction terms of sales contracts and transaction documents to ensure that the Group's accounting method of sales revenue recognition complied with the sales contracts and was consistently applied; and we selected samples of sales transactions and performed tests of the transaction details to verify the validity of the presentation of sales revenue.

Impairment of Accounts Receivable

As of December 31, 2016, the amount of accounts receivable was material for the Group, and the recognition of allowance for doubtful accounts was subject to management's estimation of future cash flows. As a result, the impairment of accounts receivable is regarded as a key audit matter of the 2016 consolidated financial statements. Refer to Notes 4, 5 and 10 of the consolidated financial statements for further disclosures of accounts receivable and the impairment of accounts receivable.

Our audit procedures in response to accounts receivable and the impairment of accounts receivable consisted of the following: We evaluated the rationale of the assumptions used on the aging report of accounts receivable prepared by management and verified that the assumptions were consistent with those used in the prior year; we examined the calculations in the aging report; and we selected samples of outstanding balances from accounts receivable to assess their collectability by checking related cash collections after the balance sheet date.

Impairment of Goodwill

According to IFRS, management should perform an impairment review under IAS 36 "Impairment of Assets" on an annual basis. As of December 31, 2016, the amount of goodwill was material for the Group, and the impairment of goodwill was subject to management's significant judgment and estimation, including future cash flow predictions, discount rates and long term growth rates, which are influenced by the future market trends and/or economic conditions. As a result, the impairment of goodwill is regarded as a key audit matter of the 2016 consolidated financial statements. Refer to Notes 4, 5 and 14 of the consolidated financial statements for further disclosures of goodwill and the impairment of goodwill.

Our audit procedures in response to the impairment of goodwill consisted of evaluating the rationale of the significant assumptions, evaluation model, and basic information of the impairment test determined by management.

Other Matter

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, 2016 and 2015 on which we have issued an unmodified opinion.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Tyan Hong and Ker-Chang Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.



TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,302,564	9	\$ 1,903,406	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	451,827	2	938,954	4
Debt investments with no active market - current (Notes 4 and 9)	175,739	1	297,342	1
Notes receivable from unrelated parties (Notes 4 and 10)	61,825	-	61,493	-
Trade receivables from unrelated parties (Notes 4 and 10)	2,403,141	10	2,411,447	10
Other receivables	244,056	1	257,556	1
Inventories (Notes 4 and 11)	6,642,730	27	6,718,609	27
Prepayments	358,777	2	380,974	1
Other current financial assets	17,433	-	29,665	-
Other current assets	4,335	-	23,921	-
Total current assets	<u>12,662,427</u>	<u>52</u>	<u>13,023,367</u>	<u>52</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	93,775	-	94,011	-
Debt investments with no active market - non-current (Notes 4 and 9)	105,229	1	50,000	-
Property, plant and equipment (Notes 4 and 13)	5,841,696	24	6,411,230	26
Goodwill (Notes 4 and 14)	2,335,902	10	2,342,753	9
Other intangible assets (Notes 4 and 15)	236,055	1	270,535	1
Deferred tax assets (Note 4)	1,279,315	5	1,248,753	5
Refundable deposits	812,030	3	969,191	4
Other non-current assets	<u>950,869</u>	<u>4</u>	<u>785,406</u>	<u>3</u>
Total non-current assets	<u>11,654,871</u>	<u>48</u>	<u>12,171,879</u>	<u>48</u>
TOTAL	<u>\$ 24,317,298</u>	<u>100</u>	<u>\$ 25,195,246</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,799,526	7	\$ 2,283,327	9
Short-term bills payable (Note 16)	-	-	49,966	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	51,019	-	-	-
Notes payable to unrelated parties	21,714	-	2,697	-
Trade payables to unrelated parties	5,783,246	24	5,821,749	23
Other payables (Notes 4 and 18)	1,657,087	7	1,475,366	6
Current tax liabilities (Note 4)	184,575	1	162,720	1
Advance receipts	555,304	2	503,411	2
Current portion of long-term borrowings and bonds payable (Note 16)	600,000	3	1,603,641	6
Other current liabilities	<u>156,135</u>	<u>1</u>	<u>190,895</u>	<u>1</u>
Total current liabilities	<u>10,808,606</u>	<u>45</u>	<u>12,093,772</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	5,571,922	23	5,106,969	20
Deferred tax liabilities (Note 4)	27,661	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	172,262	1	188,712	1
Guarantee deposits received	237,375	1	250,637	1
Deferred credit (Note 13)	-	-	50,000	-
Other non-current liabilities	<u>83,189</u>	<u>-</u>	<u>75,734</u>	<u>1</u>
Total non-current liabilities	<u>6,092,409</u>	<u>25</u>	<u>5,672,052</u>	<u>23</u>
Total liabilities	<u>16,901,015</u>	<u>70</u>	<u>17,765,824</u>	<u>71</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TEST-RITE				
Share capital				
Common shares (Notes 4 and 20)	<u>5,098,875</u>	<u>21</u>	<u>5,098,875</u>	<u>20</u>
Capital surplus (Notes 4 and 20)	<u>673,456</u>	<u>3</u>	<u>673,456</u>	<u>2</u>
Retain earnings (Notes 4 and 20)				
Legal reserve	1,049,379	4	995,491	4
Special reserve	148,098	1	148,098	1
Unappropriated earnings	<u>609,465</u>	<u>2</u>	<u>538,877</u>	<u>2</u>
Total retain earnings	<u>1,806,942</u>	<u>7</u>	<u>1,682,466</u>	<u>7</u>
Other equity (Notes 4 and 20)	<u>(166,380)</u>	<u>(1)</u>	<u>(28,857)</u>	<u>-</u>
Total equity attributable to owners of TEST-RITE	7,412,893	30	7,425,940	29
NON-CONTROLLING INTERESTS (Note 4)	<u>3,390</u>	<u>-</u>	<u>3,482</u>	<u>-</u>
Total equity	<u>7,416,283</u>	<u>30</u>	<u>7,429,422</u>	<u>29</u>
TOTAL	<u>\$ 24,317,298</u>	<u>100</u>	<u>\$ 25,195,246</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 35,443,444	100	\$ 35,981,451	100
OPERATING COSTS (Note 11)	<u>24,184,630</u>	<u>68</u>	<u>24,678,579</u>	<u>69</u>
GROSS PROFIT	11,258,814	32	11,302,872	31
OPERATING EXPENSES	<u>10,433,994</u>	<u>29</u>	<u>10,492,405</u>	<u>29</u>
PROFIT FROM OPERATIONS	<u>824,820</u>	<u>3</u>	<u>810,467</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	19,984	-	25,505	-
Other income	217,361	1	189,181	1
Gain on sale of investments, net	8,932	-	37,662	-
Foreign exchange gain	368,318	1	156,526	-
Interest expense	(229,381)	(1)	(216,533)	(1)
Other expense	(125,977)	-	(121,117)	-
Loss on disposal of property, plant and equipment	(25,647)	-	(4,795)	-
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(166,047)	(1)	(2,092)	-
Impairment loss	<u>-</u>	<u>-</u>	<u>(9,699)</u>	<u>-</u>
Total non-operating income and expenses	<u>67,543</u>	<u>-</u>	<u>54,638</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	892,363	3	865,105	2
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(216,343)</u>	<u>(1)</u>	<u>(194,620)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>676,020</u>	<u>2</u>	<u>670,485</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(67,160)	-	(70,940)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(137,606)</u>	<u>(1)</u>	<u>(60,353)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(204,766)</u>	<u>(1)</u>	<u>(131,293)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 471,254</u>	<u>1</u>	<u>\$ 539,192</u>	<u>2</u>

(Continued)



TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 676,029	2	\$ 670,509	2
Non-controlling interests	<u>(9)</u>	<u>-</u>	<u>(24)</u>	<u>-</u>
	<u>\$ 676,020</u>	<u>2</u>	<u>\$ 670,485</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 471,346	1	\$ 540,899	2
Non-controlling interests	<u>(92)</u>	<u>-</u>	<u>(1,707)</u>	<u>-</u>
	<u>\$ 471,254</u>	<u>1</u>	<u>\$ 539,192</u>	<u>2</u>
EARNINGS PER SHARE (Notes 4 and 23)				
Basic	<u>\$ 1.33</u>		<u>\$ 1.32</u>	
Diluted	<u>\$ 1.32</u>		<u>\$ 1.32</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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of Test-Rite											
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share (In Thousands of Shares)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2015	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)												
Cash dividends	-	-	-	-	-	(577,401)	-	-	-	(577,401)	-	(577,401)
Legal reserve	-	-	-	65,538	-	(65,538)	-	-	-	-	-	-
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	509,888	5,098,875	673,456	995,491	148,098	538,877	(28,882)	25	-	7,425,940	3,482	7,429,422
Appropriation of 2015 earnings (Note 20)												
Legal reserve	-	-	-	53,888	-	(53,888)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(484,393)	-	-	-	(484,393)	-	(484,393)
Net profit for the year ended December 31, 2016	-	-	-	-	-	676,029	-	-	-	676,029	(9)	676,020
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(67,160)	(137,523)	-	-	(204,683)	(83)	(204,766)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	608,869	(137,523)	-	-	471,346	(92)	471,254
BALANCE AT DECEMBER 31, 2016	509,888	\$ 5,098,875	\$ 673,456	\$ 1,049,379	\$ 148,098	\$ 609,465	\$ (166,405)	\$ 25	\$ -	\$ 7,412,893	\$ 3,390	\$ 7,416,283

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 892,363	\$ 865,105
Adjustments for:		
Depreciation expenses	668,072	668,155
Amortization expenses	148,317	155,210
Impairment loss recognized on trade receivables	15,601	267
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	166,047	2,092
Interest expense	229,381	216,533
Interest income	(19,984)	(25,505)
Compensation cost of employee share options	-	5,226
Loss on disposal and impairment of property, plant and equipment	25,647	4,795
Loss on disposal of intangible assets	117	-
Gain on disposal of investments	(8,932)	(37,662)
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	381,031	224,548
Notes receivable	(332)	17,342
Trade receivables	(7,295)	721,551
Other receivables	13,704	159,272
Inventories	75,879	(250,430)
Prepayments	22,197	8,035
Other current assets	19,586	82,231
Other financial assets	328	(471)
Other operating assets	142,878	92,556
Notes payable	19,017	(32,519)
Trade payables	(38,503)	(697,650)
Other payables	247,492	(155,207)
Advance receipts	51,893	38,088
Other current liabilities	(34,760)	(81,271)
Other operating liabilities	(76,155)	(36,245)
Cash generated from operations	<u>2,883,589</u>	<u>1,903,745</u>
Interest received	19,780	26,513
Interest paid	(232,989)	(215,309)
Income tax paid	<u>(203,831)</u>	<u>(169,967)</u>
Net cash generated from operating activities	<u>2,466,549</u>	<u>1,544,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(163,174)	(156,132)
Proceeds from sale of debt investments with no active market	229,548	17,458
Purchase of financial assets measured at cost	-	(32,500)
Decrease in prepayments of investment	-	44,404
Net cash outflow on acquisition of subsidiaries	-	(144,602)

(Continued)



TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	2016	2015
Payments for property, plant and equipment	\$ (679,255)	\$ (1,010,298)
Proceeds from disposal of property, plant and equipment	22,447	3,065
Decrease in refundable deposits	157,161	5,668
Payments for intangible assets	<u>(23,105)</u>	<u>(36,295)</u>
Net cash used in investing activities	<u>(456,378)</u>	<u>(1,309,232)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(483,801)	(600,059)
Repayments of short-term bills payable	(49,966)	(29,991)
Proceeds from long-term borrowings	6,761,305	9,932,056
Repayments of long-term borrowings	(7,299,993)	(9,383,950)
(Increase) decrease in guarantee deposits received	(13,262)	25,173
Dividends paid	(484,393)	(577,401)
Proceeds from treasury stock transferred to employees	-	157,398
Payments for equity transactions with non-controlling interests	<u>-</u>	<u>(55,968)</u>
Net cash used in financing activities	<u>(1,570,110)</u>	<u>(532,742)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(40,903)</u>	<u>(115,730)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	399,158	(412,722)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,903,406</u>	<u>2,316,128</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,302,564</u>	<u>\$ 1,903,406</u>

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

(Concluded)



Attachment 5

**Test Rite International Co., Ltd
2016 Profits Distribution Table**

(NTD)

Item	Amonut	Notes
Beginning balance of retained earnings	597,342	
Adjusted retained earnings for Investments accounted for using equity method	(33,386,294)	
Remeasurement of defined benefit plans recognized in retained earnings	(33,773,905)	
Adjusted undistributed earnings (a)	(66,562,857)	
Add: Net profit after tax(b)	676,028,559	
Less: 10% for Legal reservation	(60,946,570)	(a+b)*10%
Less : special reserve	(18,283,302)	
Earnings available for pay-out	530,235,830	
Allocation:		
Cash dividend	(525,184,185)	NTD1.03 per share
Ending balance of retained earnings	<u>5,051,645</u>	
1、The Company should set aside the special reserve in accordance with the article 41-1 of Securities and Exchange Act. 2、The number of shares eligible to receive the above proposal of earnings distribution is 509,887,558 shares.		

Chairperson: Judy Lee

GM: Sophia Tong

Controller: Linda Lin



Attachment 6

**TEST RITE International Co., Ltd.
Procedures for Lending Funds to Others
Reference Table for Revised Clauses**

Original clause	Revised clause	Basis and reasons for revision
<p>Article 2 : Entities to which the company may loan funds. 1 、 Where an inter-company or inter-firm business transaction calls for a loan arrangement; or 2 、 Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.<u>The term "short-term" means one year.</u> The term "financing amount" means the cumulative balance of the public company's short-term financing. ; or 3 、 Funds lent or borrowed between overseas companies that are 100% held by the Company either directly or indirectly are not bound by the second subparagraph of the first paragraph. The amount limits of loans shall still apply the rules of the Company that govern the lending of funds to a third party.</p>	<p>Article 2 : Entities to which the company may loan funds. <u>The company shall loan funds to any of its shareholders or any other person under the following circumstances:</u> 1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or 2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.<u>The term "short-term" means one year.</u> The term "financing amount" means the cumulative balance of the public company's short-term financing. 3. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between foreign companies in which the public company holds, directly or indirectly, 100% of the voting shares. The amount limits <u>and the durations</u> of loans shall still apply the rules of the Company that govern the lending of funds to a third party.</p>	<p>Revision is made in accordance with regulatory.</p>
<p>Article 2-1 : The reasons for and conditions of extending loans shall be enumerated Where an inter-company or inter-firm business transaction calls for a loan arrangement needs to comply with Article 3.2; or where short-term financing facility is necessary and shall meet one of the following standards: (1) Where an inter-company or inter-firm whom the Company holds 20% or more shares and that short-term financing facility is necessary due to business</p>	<p>Article 2-1 : The reasons for and conditions of extending loans shall be enumerated Where an inter-company or inter-firm business transaction calls for a loan arrangement needs to comply with Article 3.(2); or where short-term financing facility is necessary and shall meet one of the following standards: (1) Where an inter-company or inter-firm whom the Company holds 20% or more shares and that</p>	<p>Revision is made in accordance with regulatory.</p>

Original clause	Revised clause	Basis and reasons for revision
<p>consideration. (2) Where other company or firm where short-term financing facility is necessary due to working capital needs; or purchasing of materials. (3) Others that the Board of Directors has agreed to loan.</p>	<p>short-term financing facility is necessary due to business consideration. (2) Where other company or firm where short-term financing facility is necessary due to working capital needs; or purchasing of materials.</p>	
<p>Article 6 : Operational Procedures for Loaning Funds to Others Credit evaluation (Omitted) ◦ Security When the Company grants a loan, it is required to acquire guarantee of the same value, when necessary to pledge property or assets. When the personal guarantee or corporate guarantee is provided by the borrower, the Board of Directors needs to decide whether to grant the loan or not based on the finance department's evaluation report; when the corporate guarantee is provided, it needs to be stated in Memorandum of Article. Scope of Authorization To make a loan to others, the case will, after the finance related unit has conducted credit check, be submitted to the President for approval and then proceed according to the resolution of the Board of Directors.</p>	<p>Article 6 : Operational Procedures for Loaning Funds to Others Credit evaluation (Omitted) ◦ Security When the Company grants a loan, it is required to acquire guarantee of the same value, when necessary to pledge property or assets <u>unless the borrower is the Company's 100% own subsidiary.</u> When the personal guarantee or corporate guarantee is provided by the borrower, the Board of Directors needs to decide whether to grant the loan or not based on the finance department's evaluation report; when the corporate guarantee is provided, it needs to be stated in Memorandum of Article. Scope of Authorization To make a loan to others, the case will, after the finance related unit has conducted credit check, be submitted to the <u>Chairperson</u> for approval and then proceed according to the resolution of the Board of Directors.</p>	<p>Revision is made in accordance with regulatory and the needs of commercial practice.</p>
<p>Article 8 : Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights. 1. After a loan is made, attention shall be constantly paid to the financial condition, business operations, and credit status of the borrower and the guarantor. If security is provided, attention shall be paid to changes in the value of the security. One month before the loan matures, the borrower shall be notified to pay back the principal and the accrued interest or extend the loan. (Omitted)</p>	<p>Article 8 : Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights. 1. After a loan is made, attention shall be constantly paid to the financial condition, business operations, and credit status of the borrower and the guarantor. If security is provided, attention shall be paid to changes in the value of the security. One month before the loan matures, the borrower shall be notified to pay back the principal</p>	<p>Revision is made in accordance with regulatory.</p>

Original clause	Revised clause	Basis and reasons for revision
	and the accrued interest. (Omitted)	
<p>Article 9 : Loan maintenance The company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under paragraph (1) of the preceding Article.After the allocation of the loan, the officer in charge shall maintain all loan documentations, guarantees documentations etc. seal in a labeled envelope and submit for supervisor check and send to the responsible unit of the Company for storage along with an internal memo.</p>	<p>Article 9 : Loan maintenance The company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of the preceding Article. <u>If the Company have a collateral, the Company shall register and keep it safe.</u></p>	<p>Revision is made in accordance with regulatory and needs of commercial practice.</p>
<p>Article 10 : Before the implementation of the operating procedures, the Company should pursue the existing loans to the Board of directors. The Company shall handle it in accordance with the provisions of the preceding paragraph after the Board has been approved.</p>		<p>Remove this article in accordance with regulatory change.</p>
<p>Article 11 : The Company shall announce and report the previous month's loan balance of its head office by the 10th day of each month. The public company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the below issues. The subsidiaries shall report the previous month's loan balance of its head office <u>and subsidiaries</u> to the Company by the 5th day of each month.</p>	<p>Article <u>10</u> : The Company shall announce and report the previous month's loan balances of its head office <u>and subsidiaries</u> by the 10th day of each month. The subsidiaries shall <u>submit</u> its' previous month's loan <u>detail</u> to the Company by the 5th day of each month.</p>	<p>Revision the article no. Remove and revision is made in accordance with regulatory.</p>
<p>Article11 : (Omitted)</p>	<p>Article <u>11</u> : (Omitted)</p>	<p>Revision the article no.</p>
<p>Article 14 : Where the Company has established the position of independent director, the Board of Directors shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall</p>	<p>Article 14 : Where the Company has established the position of independent director, the Board of Directors shall take into full consideration each independent director's opinions; independent directors' opinions specifically</p>	<p>Revision is made in accordance with regulatory.</p>



Original clause	Revised clause	Basis and reasons for revision
<p>be included in the minutes of the board of directors' meeting.</p> <p>These Procedures are promulgated pursuant to Regulations Governing Loaning of Funds by Public Companies. Following the approval by the Board of Directors of the Procedures, the same shall be forwarded to the respective Supervisors and shall furthermore be submitted for approval at the shareholders' meeting. The same procedure shall apply in the case of amendments. The directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Supervisors.</p>	<p>expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>These Procedures are promulgated pursuant to Regulations Governing Loaning of Funds <u>and Making of Endorsements/Guarantees</u> by Public Companies. Following the approval by the Board of Directors of the Procedures, the same shall be forwarded to the respective Supervisors and shall furthermore be submitted for approval at the shareholders' meeting. The same procedure shall apply in the case of amendments. The directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Supervisors.</p>	

Attachment 7

**TEST RITE International Co., Ltd.
Procedures for Acquisition and Disposal of Assets
Reference Table for Revised Clauses**

Original clause	Revised clause	Basis and reasons for revision
<p>Article 6 :</p> <p>In acquiring or disposing of real property or equipment procedure</p> <p>1 ∙ Appraisal and operating procedures (Omitted)</p> <p>4 ∙ The appraisal report of real property or equipments</p> <p>In acquiring or disposing of real property or equipments where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery and equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Omitted)</p>	<p>Article 6 :</p> <p>In acquiring or disposing of real property or equipment procedure</p> <p>1 ∙ Appraisal and operating procedures (Omitted)</p> <p>4 ∙ The appraisal report of real property or equipments</p> <p>In acquiring or disposing of real property or equipments where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery and equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Omitted)</p>	<p>Revision is made in accordance with regulatory change.</p>
<p>Article 8 :</p> <p>Procedure of acquires or disposes of memberships or intangible assets</p> <p>1 ∙ Appraisal and Operating procedures (Omitted)</p> <p>4 ∙ The professional appraisal reports report of memberships or intangible assets</p> <p>(1). (Omitted)</p> <p>(2). (Omitted)</p> <p>(3). Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to</p>	<p>Article 8 :</p> <p>Procedure of acquires or disposes of memberships or intangible assets</p> <p>1 ∙ Appraisal and Operating procedures (Omitted)</p> <p>4 ∙ The professional appraisal reports report of memberships or intangible assets</p> <p>(1). (Omitted)</p> <p>(2). (Omitted)</p> <p>(3). Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to</p>	<p>Revision is made in accordance with regulatory change.</p>

<p>the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	
<p>Article 9 : Procedure of conducts a merger, demerger, acquisition, or transfer of shares 1 、 Appraisal and Operating procedures (1). When conducting merger, division, acquisition, or stock transfer, it is recommended for the Company to retain the services of lawyers, accountants, and underwriters to discuss the expected schedule for the legal process, and assemble a task force to carry out the legal process. In addition, the Company shall commission accountants, layers, or securities underwriters to express opinions on the adequacy of the swap ratio, acquisition price or cash to shareholders, or other assets, which will be submitted to the board of directors for discussion and approval. (2). (Omitted)</p>	<p>Article 9 : Procedure of conducts a merger, demerger, acquisition, or transfer of shares 1 、 Appraisal and Operating procedures (1). When conducting merger, division, acquisition, or stock transfer, it is recommended for the Company to retain the services of lawyers, accountants, and underwriters to discuss the expected schedule for the legal process, and assemble a task force to carry out the legal process. In addition, the Company shall commission accountants, layers, or securities underwriters to express opinions on the adequacy of the swap ratio, acquisition price or cash to shareholders, or other assets, which will be submitted to the board of directors for discussion and approval. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u> (2). (Omitted)</p>	<p>revision is made in accordance with regulatory change.</p>
<p>Article 10 : Related Party Transactions 1 、 (Omitted) 2 、 Appraisal and Operating procedures When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than</p>	<p>Article 10 : Related Party Transactions 1 、 (Omitted) 2 、 Appraisal and Operating procedures When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than</p>	<p>Revision is made in accordance with regulatory change.</p>

<p>real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p>	<p>real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p>	
<p>Article 11 : Procedure of Public Disclosure of Information 1、The company shall announce and report the previous month's acquiring or disposing of assets transaction amount of its head office and subsidiaries by the 10th day of each month. The subsidiary shall submit its and its subsidiaries' the previous month's acquiring or disposing of assets transaction amount to the Company by the 5th day of each month. If the subsidiary is a public company, it shall announce and report the previous month's acquiring or disposing of assets transaction amount of its head office and subsidiaries by the 10th day of each month. 2、The items and principle of publicly announce (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds s. (2) Merger, demerger, acquisition, or transfer of shares.</p>	<p>Article 11 : Procedure of Public Disclosure of Information 1、The company shall announce and report the previous month's acquiring or disposing of assets transaction amount of its head office and subsidiaries by the 10th day of each month. The subsidiary shall submit its the previous month's acquiring or disposing of assets transaction amount to the Company by the 5th day of each month. If the subsidiary is a public company, it shall announce and report the previous month's acquiring or disposing of assets transaction amount of <u>its head office and subsidiaries</u> by the 10th day of each month. 2、The items and principle of publicly announce (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises</u>.</p>	<p>Revision is made in accordance with regulatory change.</p>

<p>(3) Where an asset transaction other than any of those referred to in the preceding two subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A、Trading of government bonds.</p> <p>B、Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.</p> <p>C、Trading of bonds under repurchase/resale agreements.</p> <p>D、Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>E、Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>F、Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>(4)(Omitted)。</p> <p>3、(Omitted)。</p> <p>4、Precedure of publicly announce</p> <p>(1)(Omitted)。</p> <p>(2))When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>(3)(Omitted)。</p>	<p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Where an asset transaction other than any of those referred to in the preceding two subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, , <u>and the transaction amount meets any of the following criteria:</u></p> <p><u>A.For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</u></p> <p><u>B.For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</u></p> <p>(4)Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding <u>five</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A.Trading of government bonds.</p> <p>B.Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate</p>	
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<p>(4)(Omitted) ◦</p>	<p><u>bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</u></p> <p>C.Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>(7)(Omitted).</p> <p>3、(Omitted).</p> <p>4、Precedure of publicly announce</p> <p>(1)(Omitted).</p> <p>(2) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing of such error or omission.</u></p> <p>(3)(Omitted).</p> <p>(4)(Omitted).</p>	
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