



Stock Code : 2908

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

**Handbook for the 2018 Annual Meeting of  
Shareholders**

**MEETING TIME: 9:00 a.m., Tuesday, June 19, 2018**

**PLACE: 6F., No.23, Hsin Hu 3<sup>rd</sup> Rd., Nei Hu, Taipei, Taiwan, ROC**



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

### **Meeting Procedure for the 2018 Annual Meeting of Shareholders**

- 1.Call Meeting to Order
- 2.Chairman's Remarks
- 3.Management Presentation
- 4.Proposals
- 5.Discussion(I)
- 6.Elections
- 7.Discussion(II)
- 8.Questions and Motions
- 9.Adjournment



**Test Rite International Co., Ltd.  
2018 Annual General Shareholders' Meeting**

**Agenda**

Time: 9:00 a.m., June 19, 2018

Place: Test Rite (6F., No. 23, Hsin-Hu 3rd Road, Nei Hu, Taipei, Taiwan)

Call Meeting to Order  
Chairman's Remarks

Management Presentation

1. 2017 Business Report.
2. Supervisor's Review Report on the 2017 Financial Statements.
3. Report of distribution of employees' compensation and directors' and supervisors' remuneration for 2017.

Proposals

1. Adoption of the 2017 Business Report and Financial Statements.
2. Adoption of the proposal for 2017 profits distribution.

Discussion (I)

1. Amendment to the Procedures for Endorsements and Guarantees.
2. Amendment to the Procedures for Lending Funds to Others.
3. Amendment to the Procedures for Acquisition and Disposal of Assets.
4. Amendment to the Procedures for Engaging in Trading Derivatives.
5. Amendment to the Rules for Election of Directors and Supervisors, and the Name Change of it as Rules for Election of Directors.
6. Amendment to the Rules and Procedures of Shareholders Meeting.
7. Amendment to the Articles of Incorporation.
8. Proposal for the issuance of public placement of common stock.

Elections: The fifteenth election of Directors.

Discussion (II)

Removal of new directors' and their representatives' non-compete restrictions.

Questions and Motions

Adjournment



## Management Presentation

### **1. 2017 Business Report. (proposed by the Board of Directors)**

Details : The 2017 Business Report is attached as Attachment 1 (page 11~15).

### **2. Supervisor's Review Report on the 2017 Financial Statements. (proposed by the Board of Directors)**

Details : The 2017 Supervisor's Review Report is attached as Attachment 2 (page 16).

### **3. Report of distribution of employees' compensation and directors' and supervisors' remuneration for 2017. (proposed by the Board of Directors)**

Details : In accordance with Articles of Incorporation, it is proposed that the Company's 2017 pretax profit before deducting the compensation of employees and the remuneration of directors and supervisors is NT\$833,223,535. The compensation of employees and the remuneration of directors and supervisors were determined by the board of directors on March 26, 2018. A total employees' compensation of NT\$8,332,235 shall be distributed to employees and a total directors' and supervisors' remuneration of NT\$ 12,498,353 shall be distributed to directors and supervisors. All compensation and remuneration shall be distributed in cash.

## Proposals

### **1. Adoption of the 2017 Business Report and Financial Statements. (proposed by the Board of Directors)**

Details :

- (1) 2017 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 2017 Business report, have been approved by the Board of Directors and examined by the supervisors of the Company.
- (2) Please refer to Attachment 1 (page 11~15) for 2017 Business report and attached 3 (page 17~27) for Financial Statements.
- (3) 2017 Business report and Financial Statements are to be discussed for approval by the shareholders.

Resolution :

### **2. Adoption of the Proposal for 2017 Profits Distribution. (proposed by the Board of Directors)**

Details :

- (1) In accordance with Articles of Incorporation, fiscal year 2017 profits are to be distributed in the following manners with profits from fiscal year 2017 are to be distributed with first. Please refer to Attachment 4 (page 28) for details.
  - i. 10% of the profits, or NT\$ 78,729,731 is to be reserved as Legal Reserve.
  - ii. Shareholder dividends totaled NT\$ 611,865,070 dollars. Total outstanding shares as of April 21st 2018 is 509,887,558 shares. Accordingly, each eligible share will receive a cash dividend payout of NT\$ 1.20 per share (payout amount of less than NT\$1 will be not be distributed).



- iii. After the distribution, the accumulated retained earnings is NT\$82,644,912.
- (2) The profit distribution proposal is to be approved by the shareholders at the 2018 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.
- Resolution :

## **Discussion (I)**

### **1. Amendment to the Procedures for Endorsements and Guarantees. Please proceed to discuss. (proposed by the Board of Directors)**

Details :

- (1) Partial amendment to Procedures for Endorsements and Guarantees in accordance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and establishment of an Audit Committee to replace board supervisors.
- (2) Please refer to Attachment 5 (page 29~31) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

### **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 establishment of an Audit Committee to replace board supervisors.
- (2) Please refer to Attachment 6 (page 32~34) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :

### **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 Regulations Governing the Acquisition and Disposal of Assets by Public Companies and establishment of an Audit Committee to replace board supervisors.
- (2) Please refer to Attachment 7 (page 35~39) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :



**4. Amendment to the Procedures for Engaging in Trading Derivatives. Please proceed to discuss. (proposed by the Board of Directors)**

Details :

- (1) Partial amendment to Procedures for Engaging in Trading Derivatives in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies and establishment of an Audit Committee to replace board supervisors.
- (2) Please refer to Attachment 8 (page 40~43) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :

**5. Amendment to the Rules for Election of Directors and Supervisors, and the Name Change of it as Rules for Election of Directors. Please proceed to discuss. (proposed by the Board of Directors)**

Details :

- (1) Partial amendment to the Rules for Election of Directors and Supervisors, and the Name Change of it as Rules for Election of Directors pursuant to corporate governance best practice, law or regulations, and establishment of an Audit Committee to replace board supervisors.
- (2) Please refer to Attachment 9 (page 44~48) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :

**6. Amendment to the Rules and Procedures of Shareholders Meeting. Please proceed to discuss. (proposed by the Board of Directors)**

Details :

- (1) Partial amendment to the Rules and Procedures of Shareholders Meeting pursuant to law or regulation.
- (2) Please refer to Attachment 10 (page 49~50) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :

**7. Amendment to the Articles of Incorporation. Please proceed to discuss. (proposed by the Board of Directors)**

Details :

- (1) Partial amendment to the Articles of Incorporation pursuant to law or regulation and establishment of an Audit Committee to replace board supervisors.
- (2) Please refer to Attachment 11 (page 51~55) for details.
- (3) The amendment is to be discussed by the shareholders' meeting.

Resolution :

**8. 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 :



## Elections:

### 1. The fifteen election of Directors. (proposed by the Board of Directors)

Details:

1. The term of office for seven directors and two supervisors will expire on June 14, 2018. It is proposed to elect all the directors (including the independent directors) of the fifteenth term in accordance with the Articles of Incorporation.
2. With reference to Letter Jin-Shang-I-Zi No. 09502320300 of 21 June 2006, a public company may amend or abolish articles relating to supervisors in the Articles of Incorporation in the same annual general meeting of shareholders where directors and supervisors are re-elected and an audit committee is established. Apart from omitting supervisor elections in accordance with the new articles of incorporation, a public company should specify regulations regarding an audit committee in the new articles of incorporation.
3. In accordance with the Articles of Incorporation, the Company should have seven directors (included 3 Independent Directors) with three years of term of office. Newly appointed directors will assume their office and their term of office (from June 19, 2018 to June 18, 2021) will be effective after the 2018 annual general shareholders' meeting.
4. The Company's directors (including independent directors) shall be elected according to the candidate nomination system and procedures. The list of director candidates (including independent directors) for this election has been reviewed and approved by the the Board of Directors of the fourteenth Term as follows:
5. Please refer to the attachment for the "Rules for Election of Directors". (Omitted)
6. Please vote.

Resolution :

#### Test Rite Int'l Co., Ltd. Candidates list of Directors

Category	Name	Education	Professional Experience	Current Position
Director	Ms. Lee, Judy	<ul style="list-style-type: none"> <li>● BS, Bank and Insurance - Tamkang University</li> </ul>	<ul style="list-style-type: none"> <li>● General Manager of Test Rite Int'l Co., Ltd.</li> <li>● Director of Tong Lung Metal Industry Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairperson of Test Rite Int'l Co., Ltd.</li> <li>● Director of Test Rite Retial Co., Ltd.</li> </ul>
Director	Mr. Ho, Tony	<ul style="list-style-type: none"> <li>● EMBA, NTU - Fudan EMBA Joint Program</li> <li>● BS, Philosophy - Fujen Catholic University</li> </ul>	<ul style="list-style-type: none"> <li>● Chairperson of Test Rite Int'l Co., Ltd.</li> <li>● Chairperson of Tong Lung Metal Industry Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman of Test Rite Group</li> <li>● Chairperson of Test Rite Retial Co., Ltd.</li> <li>● Director of Test Rite Int'l Co., Ltd.</li> </ul>
Director	Ms. Ho. Robin	<ul style="list-style-type: none"> <li>● MBA, Business Management - Fujen Catholic University</li> <li>● BA, Business Management - USC</li> </ul>	<ul style="list-style-type: none"> <li>● Vice President of Test Rite Int'l Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chief Operating Officer of Test Rite Int'l Co., Ltd.</li> <li>● Director of Test Rite Int'l Co., Ltd.</li> <li>● Director of Test Rite Retial Co., Ltd.</li> </ul>

Category	Name	Education	Professional Experience	Current Position
Director	Property Co., Ltd. Representative: Mr. Chen, Wen-Tzong	<ul style="list-style-type: none"> <li>● MBA, Business Management-Regis University</li> <li>● Master of Law - Soochow University</li> </ul>	<ul style="list-style-type: none"> <li>● Chairperson of Taiwan Financial Asset Service Corporation</li> <li>● Director-General, National Taxation Bureau of the Northern Area, Ministry of Finance</li> <li>● Deputy Director-General, National Taxation Bureau of the Northern Area, Ministry of Finance</li> <li>● Deputy Director-General, National Taxation Bureau of Kaohsiung, Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>● Director of Test Rite Int'l Co., Ltd.</li> <li>● Independent Director of Garnd Pacific Petrochemical Corporation</li> <li>● Independent Director of Advancetek Enterprise Co., Ltd.</li> </ul>
Independent Director	Mr. Liu, Ting-Yang	<ul style="list-style-type: none"> <li>● JD, Government Management-Peking University</li> <li>● Doctor of Education in Computer Education-AIU</li> <li>● MA, Education Administration-AIU</li> <li>● BA of Law, Public Administration-National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>● Principal of Taipei College of Maritime Technology</li> <li>● Director of National Kaohsiung Normal University Graduate Institute of Human Resource and Knowledge Management</li> <li>● Director Of Student Affairs of I-Shou University、Chairman of Department of Business Administration、Chairman of Department of Mass Communication、Director Extension Education Center、Acting Director of Graduate School of Management</li> <li>● Member of Research, Development and Evaluation Commission, Kaohsiung City Government</li> </ul>	<ul style="list-style-type: none"> <li>● Independent Director of Test Rite Int'l Co., Ltd.</li> <li>● Member of Remuneration Committee of Test Rite Int'l Co., Ltd.</li> <li>● Professor of Graduate Institute of Human Resource and Knowledge Management of National Kaohsiung Normal University</li> <li>● Visiting Professor of Macau University of Science and Technology</li> <li>● Advisors of Taipei City Government</li> <li>● Director of Li-Chih Valuable School</li> <li>● Member of Remuneration Committee of Level Biotechnology Inc.</li> </ul>

Category	Name	Education	Professional Experience	Current Position
Independent Director	Mr. Lai, Yung Chi	<ul style="list-style-type: none"> <li>● Master of Financial Research, National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>● Senior examination for Tax administration highest level qualification</li> <li>● CAP exam passed</li> <li>● Taxation and Tariff Committee officer</li> <li>● National Award of Outstanding SMEs evaluation committee member</li> <li>● Member of National Health Insurance Supervisory Committee, Department of Health, Executive Yuan</li> <li>● Member of Labor Pension fund Supervisory Committee, Council of Labor Affairs, Executive Yuan</li> <li>● Members of Presidential office Economic Development Advisory Conference</li> <li>● Supervisor of National Association of Small &amp; Medium enterprises R.O.C.</li> <li>● Executive Supervisor of Taiwan Provincial Association of Accountants</li> <li>● Director of Chinese Management Association</li> </ul>	<ul style="list-style-type: none"> <li>● Partner and Director of Baker Tilly Clock &amp; Co</li> <li>● Associate Professor of National Taipei University of Technology</li> </ul>
Independent Director	Ms. Yeh, Jo	<ul style="list-style-type: none"> <li>● Master of Finance, Drexel University, Philadelphia, USA</li> </ul>	<ul style="list-style-type: none"> <li>● Credit analyst of Westpac staged financing company Taiwan branch</li> <li>● AVP of Chase Manhattan Bank Taipei Branch</li> <li>● Executive Director of Canadian Imperial Bank of commerce Taipei Branch</li> <li>● Business Director of Comdisco Taiwan</li> <li>● Senior vice president of China Trust</li> </ul>	<ul style="list-style-type: none"> <li>● Managing Director of Everglory Group Pte. Ltd.</li> </ul>



Category	Name	Education	Professional Experience	Current Position
			Commercial Bank Head Office <ul style="list-style-type: none"> <li>● Managing Director of Citi Bank Taiwan</li> <li>● Independent director at Board of Bank Sinopac, and credit committee and risk management committee member at Bank Sinopac</li> </ul>	

## Discussion (II)

### 1. Removal of new directors' and their representatives' non-compete restrictions. 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.
- (3) Directors assume positions at the following companies :

Director	Company	Position
Ms. Lee, Judy	Chung Cin Enterprise Co., Ltd.	Director
	Test Rite Viet Nam Co., Ltd.	Director
Mr. Ho, Tony	Chung Cin Enterprise Co., Ltd.	Director
	Rui Feng Int'l Co., Ltd.	Director
Ms. Ho, Robin	Chung Cin Enterprise Co., Ltd.	Director
	Test Cin M&E Engineering Co., Ltd.	Director
	Rui Feng Int'l Co., Ltd.	Director
Mr. Chen, Wen-Tzong	Grand Pacific Petrochemical Corporation	Independent Director
	Advancetek Enterprise Co., Ltd.	Independent Director

- (4) The proposal is to be discussed by the shareholders during the shareholders' meeting.

Resolution :

## Questions and Motions

## Adjournment



## Attachment 1

### Test Rite International Co., Ltd. Business Report

Dear Shareholders,

Test-Rite Group's revenue in 2017 increased by 4.3% YoY to NT\$36.96 billion, while consolidated net income attributable to the company's shareholders increased by 21.7% to NT\$823 million, and basic EPS rose by 21.1% to NT\$1.61.

Our consolidated trading revenue was NT\$16.49 billion in 2017, marking an annual increase of 25.8%. Shipments to Walmart, the world's largest retailer by revenue, increased by 4.5% as we continued to hold the leading position as a "Tools Category Manager." Similarly, our strategic alliance with Hillman, the renowned U.S. hardware importer, performed well with shipments increasing significantly during the year. Our agency business also delivered a strong performance, with shipments up by 11% to NT\$12 billion. On the whole, total shipments reached an historic high of NT\$28.16 billion in 2017, representing an annual increase of 19.4%. Over the years, we have committed to offering best-in-class value-added products and services to our clients and key partners. Looking ahead, we remain focused on nurturing these strategic relationships as we develop new product categories, refine product value propositions, and strengthen our product expertise to drive further growth.

Our consolidated retail business in Taiwan reported revenue of NT\$16.74 billion in 2017, which was 4.8% lower than in the previous year, and net income after tax of NT\$523 million. Conditions for the housing-related segment of the retail market remain challenging. According to Taiwan's Department of Statistics, total sales in two housing-related industries, namely Housing Products and Accessories and Construction Materials, fell by 4.1% and 4.6%, respectively, in 2017. Despite these headwinds, we remained steadfast in elevating our customers' experience through effective marketing and high-quality services as a way to fortify their loyalty. Our efforts were acknowledged in Vision Magazine's "2017 Service Company Survey," where TLW and HOLA were awarded the first and second prizes in the housing industry category. Notably, sales of our private label products continued to post strong growth in 2017, with margins rate rose by 0.4% compared to 2016, and accounting for 13.5% and 33.0%, respectively, of TLW and HOLA's total sales (sales increased by 0.5% and 18.1%, respectively, compared to the previous year).

In addition to the progress made in our established retail channels in Taiwan, we have also deployed our resources to take advantage of new opportunities. In our brand agency business, sales picked up by 28.1% YoY in 2017. At the same time, overall sales from our e-commerce channels increased meaningfully by 59.2%, accounting for 4.7% of TLW and HOLA's total sales (sales from our stand-alone official website registered growth of 106.2%). In December 2017, we launched the new TR Plus website, which combined TLW and HOLA's online assets while also improving the overall user experience in browsing, buying and interactivity. Our aim is to establish a one-of-a-kind one-stop online platform in Taiwan for all things related to the home. Complementing the convenience of online access is an expanded offering of 'hardline' and 'softline' products and services, such as partial renovations and house-cleaning services. We expect e-commerce to play a key role in driving the growth of our



retail business and to offer increasingly more value-added services to fulfil evolving customer demands. Our TLW Home Improvement Service Unit, which provides renovations and home maintenance services, launched a website at the end of 2017 in conjunction with ITRI (Industrial Technology Research Institute) specifically for elderly customers. This single portal, the first of its kind in Taiwan, enables customers to conveniently book appointments, obtain evaluations and quotations, and make payments for integrated services such as cleaning and maintenance.

Our HOLA China business reported revenue of NT\$2.7 billion in 2017, which was a decline of 24.4% YoY. We continued with implementing our strategy of eliminating poorly performing stores and improving profitability and efficiency. With the closure of 7 stores in 2017, losses after tax narrowed to NT\$279 million, which was 21% lower than in the previous year. Major changes in the retail market are underway in China. Online companies have extended their businesses offline. Mainstream retail has now embraced the concept of “New Retail” as they operate without boundaries for an improved customer experience. Much has been invested in providing new experiential forms of product engagement and improving customer service. We aim to stay competitive in the China market by working with local strategic partners and leveraging our expertise in procurement, operating retail channels and stores, and offering customers distinctive experiences with our brand. All said, we expect to further narrow the losses and move closer to breakeven going forward.

As of the end of 2017, Test-Rite Group operated 27 TLW (DIY) stores, 25 HOLA stores in Taiwan, 2 Crate & Barrel stores, and 26 HOLA stores in China.

Below, we present our consolidated and stand-alone operating results for 2017, along with strategic highlights for 2018. We also share our thoughts regarding the external competition, regulations and global macroeconomic environment.

## 1. Operating Results for 2017

### i. Consolidated Results:

(NT\$ million)	2017	2016	YoY Change	YoY Change (%)
Net sales	36,963	35,443	1,520	4.3%
COGS	26,180	24,184	1,996	8.3%
Gross profit	10,783	11,259	(476)	(4.2%)
Operating expense	9,822	10,434	(612)	(5.9%)
Operating profit	961	825	136	16.5%
Non-operating profit/(loss)	150	67	83	123.9%
Net profit before tax	1,111	892	219	24.6%
Net profit after tax	826	676	150	22.2%
Recurring net profit attributable to TRIC	823	676	147	21.7%





ii. Stand-alone Results:

(NT\$ million)	2017	2016	YoY Change	YoY Change (%)
Net sales	15,687	11,998	3,689	30.7%
COGS	12,743	9,394	3,349	35.7%
Gross profit	2,944	2,604	340	13.1%
Operating expense	2,473	2,379	94	4.0%
Operating profit	471	225	246	109.3%
Non-operating profit/(loss)	377	496	(119)	(24%)
Net profit before tax	848	721	127	17.6%
Total net profit	823	676	147	21.7%

iii. Consolidated Balance Sheet and Profitability:

Item/Year		2017	2016	YoY Change (%)
Balance sheet	Total liabilities/total assets	66.46%	69.50%	(4.4%)
	Current ratio	115.84%	117.15%	(1.1%)
Profitability	ROE	10.98%	9.11%	20.6%
	Net margin	2.23%	1.91%	17.0%
	EPS	1.61	1.33	21.1%

2. 2018 Business Plan and Future Strategic Developments

(1) Business Plan and Managerial Principles:

A. Retail business:

- Taiwan: No new TLW or HOLA stores will be opened in 2018. Our focus is improving customer interactions and broadening the successful implementation of an enhanced customer experience pioneered at our TLW Shilin store to our other stores.
- China: We will continue to restructure and reorganize bad-performing stores while improving operational efficiency and profitability at all stores.
- The launch of our TR Plus website at the end of 2017 will play a pivotal part in our Taiwan online business in 2018. In China, we will ramp up our e-commerce product offerings.
- Through the integration of our POS systems, we plan to move a step closer to fully eliminating the boundary between online and offline commerce in terms of products, payments, memberships and marketing.
- We will maintain the growth momentum of our TLW Home Improvement Service Unit in providing value-added services to our customers and to enhance cooperation with construction projects.
- A fundamental part of our brand agency's value proposition is to further raise and foster customer awareness and perceptions of our portfolio of existing brands.
- Strengthen the sales of TLW and HOLA private label products to improve margins.





B. Trading business:

- Reinforce our existing relationships with major clients such as Walmart, Hillman and Costco, among others, to increase shipment volumes.
- Develop existing and new categories of products, including those that incorporate artificial intelligence and automation capabilities, and strengthen our product expertise and differentiation.
- Broaden and deepen our strategic cooperation with suppliers to strengthen our supply chain.
- Enlarge the scope of our global sourcing capabilities.

(2) Future Strategic Developments:

A. Retail business:

- Increase sales of private label products to improve profitability.
- Enrich our customers' online and offline shopping experience, and integrate online and offline resources.

B. Trading business:

- Product development, procurement, and supply-chain management to offer best-in-class value-added products and services to our clients.
- Build on our initiatives in transforming to a product development company.
- Maintain both principal and agency trading relationships with customers and aggressively pursue potential business opportunities.
- The business consolidation of trading and retail, and identify growth opportunities for the group.

### **3. Potential Influences from External Competition, Regulations and the Macroeconomic Environment**

According to the Taiwan government's latest release, real GDP growth is projected at 2.4% for 2018, somewhat lower than the preliminary estimate of 2.9% for 2017. The 2018 forecast sees the domestic economy continuing to grow steadily, with improvements in the labor market as well as a higher minimum wage and remuneration for public sector workers. Although consumer spending will be supported if employers raise compensation levels, structural issues among the population, such as a low birth rate and an aging demographic in addition to a lackluster housing market, will provide offsets to that growth. We see this trend reflected in the data: while total houses transferred increased by 8.4% year on year to 266K in 2017, demand mostly came from self-occupation rather than arbitrage. At the same time, there were no significant price changes. Against this backdrop, as mentioned above, sales trends in housing-related industries are also weak, which suggests an overall soft housing market.

Despite a mixed outlook for the economy, our retail business continues to focus on the things we have influence over, such as private label products, product uniqueness, and delivering an excellent customer experience. In this respect, we look to leverage our leading position in the Taiwan DIY market to further advance our competitive edge. One area where we are laying the groundwork for future growth is the evolution of our e-commerce capabilities into the so-called "New Retail." The launch of our TR Plus website in December 2017 forms a key part of the integration of our online, offline and logistics assets. We aim to consolidate our resources and focus on providing a unified online-offline shopping experience that includes offering more product lines and to apply big data analysis in managing the expansion of our e-commerce business.



As for the global environment, consumption trends are encouraging in many respects. Official statistics indicate that growth in the world economy and trade will go hand in hand with increasing consumer appetite for new-technology applications, such as high-performance computing, automotive electronics, Internet of Things products, and artificial intelligence. According to the Taiwan government's forecasts, exports are expected to grow by 4.5% in 2018 while imports should rise by close on 7.0% due to higher raw material prices as well as increasing demand. In terms of the outlook for the U.S., our main trading market, economic and labor conditions seem constructive. Corporate investment, jobs and wages have been bolstered by the benefits of the Tax Cut and Jobs Act of 2017. Meanwhile, economic growth in the Eurozone remains steady with a positive labor market environment along with robust consumer confidence and retail spending. Cultivated over 40 years, the foundation of our global trading business is in good shape and we will continue to nurture our relationships with key global partners, including many of the world's leading retailers in the U.S. and Europe. We are committed to further developing our value-added services, including our agency business, to provide a one-stop trading solution with best-in-class quality and quotations in order to advance our goal of becoming the most outstanding trading company for home-related durable products based in Asia.

Significant transformations in China's consumer market present opportunities that we are positioning to take advantage of. The authorities are promoting its Internet Plus strategy, which includes the application of big data analysis, cloud computation and artificial intelligence, and forms a key part of the country's growth plans. GDP growth of 6.9% in 2017 was above the official target. Prospects for the New Economy certainly remain encouraging, not least by the fact that China has one of the world's leading mobile payments infrastructure, which lowers transaction costs substantially and improves efficiency. It's no surprise then that online sales growth (32% in 2017 vs. 26% in 2016) is outpacing overall retail sales. Other complementary industries, such as robotics, are also helping to streamline the logistics infrastructure to fuel expansion of the retail market. Technology growth has had its own headwinds, however, as witnessed by increased pressure for environmental protection, the elimination of excess productive capacity, tighter financial supervision, and the reigning in of the real estate market. Our retail business in China has been reorganized to improve profitability. We are hard at work in establishing our place in the expansive China retail market by focusing on the home segment and providing comprehensive housing and decorative products to satisfy customer demand for improving their living environments.

We thank you for placing your confidence in us. Our commitment to plan and manage our trading, retail and other group businesses with integrity and resilience remains stronger than ever. With that in mind, we look to fortify our balance sheet and further enhance the returns to our shareholders' equity and validate your trust in us.

Sincerely yours,

Chairman: Judy Lee

GM: Sophia Tong

Controller: Linda Lin



**Attachment 2**

To: Test Rite International Co., Ltd. 2018 Shareholders' Meeting  
From: Supervisors of Test Rite International Co., Ltd  
Re: Supervisor's review report on the 2017 Financial Statements

Dear shareholders,

Here we ensure the annual financial reports of TRIC stands alone and its consolidation for 2017 have been rendered by Board and audited independent auditors Mr. HONG, KUO-TYAN and Mr. WU, KER-CHANG of Deloitte Touche. Further we review 2017 Business report and 2017 Profits Distribution proposal and assure to it's compliance with Company Act No. 219 as well.

Supervisors:

Tsai-Chi Co., Ltd.

Representative: Mr. Liao, Hsueh-Hsing

Mr. Huang, Chung-Hsing

March 26, 2018



**Attachment 3**

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2017 and 2016 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, 2017 and 2016, 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, 2017 and 2016, 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 for the year ended December 31, 2017. 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, 2017:

#### Sales Revenue Recognition

The recognition of sales revenue depends on whether the risks and rewards of the ownership of goods have been transferred to customers and on the point of transfer of the risks and rewards of the ownership of goods to customers. This is critical to the Group's sales revenue recognition and to the presentation of the financial statements. As a result, the recognition of sales revenue is regarded as a key audit matter of these 2017 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: According to the transaction documents, we understood and evaluated the appropriateness of the Group's accounting policy of sales revenue recognition; 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, 2017, the amount of accounts receivable was material for the Group, and the recognition of an allowance for impairment loss 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 these 2017 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 in 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 inspected cash collections of accounts receivable after the balance sheet date to verify the collectability of accounts receivable.

#### **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, 2017 and 2016 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee, predecessor to IFRIC (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, 2017 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 26, 2018

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, 2017 AND 2016**  
(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,461,147	6	\$ 2,302,564	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	630,141	3	451,827	2
Debt investments with no active market - current (Notes 4 and 9)	2,222	-	172,069	1
Notes receivable from unrelated parties (Notes 4 and 10)	46,054	-	61,825	-
Trade receivables from unrelated parties (Notes 4 and 10)	2,977,355	13	2,403,141	10
Other receivables	377,546	2	244,056	1
Inventories (Notes 4 and 11)	6,043,748	27	6,642,730	27
Prepayments	290,254	1	341,397	1
Other current financial assets	21,788	-	17,433	-
Other current assets	1,061	-	4,335	-
Total current assets	<u>11,851,316</u>	<u>52</u>	<u>12,641,377</u>	<u>52</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets measured at cost - non-current (Notes 4 and 8)	75,744	-	93,775	-
Debt investments with no active market - non-current (Notes 4 and 9)	235,461	1	108,899	1
Property, plant and equipment (Notes 4 and 13)	5,618,359	25	6,171,912	25
Goodwill (Notes 4 and 14)	2,336,399	10	2,335,902	10
Other intangible assets (Notes 4 and 15)	234,708	1	236,055	1
Deferred tax assets (Note 4)	1,166,110	5	1,279,315	5
Refundable deposits	802,502	4	812,030	3
Other non-current assets	551,679	2	638,033	3
Total non-current assets	<u>11,020,962</u>	<u>48</u>	<u>11,675,921</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 22,872,278</u>	<u>100</u>	<u>\$ 24,317,298</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 1,211,838	5	\$ 1,799,526	7
Short-term bills payable (Note 16)	79,992	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	40,159	-	51,019	-
Notes payable to unrelated parties	9,567	-	21,714	-
Trade payables to unrelated parties	5,516,821	24	5,783,246	24
Other payables (Notes 4 and 18)	1,427,836	6	1,657,087	7
Current tax liabilities (Note 4)	126,171	1	184,575	1
Advance receipts	562,283	3	555,304	2
Current portion of long-term borrowings and bonds payable (Note 16)	1,225,000	6	600,000	3
Other current liabilities	31,327	-	156,135	1
Total current liabilities	<u>10,230,994</u>	<u>45</u>	<u>10,808,606</u>	<u>45</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	4,491,928	19	5,571,922	23
Deferred tax liabilities (Note 4)	22,799	-	27,661	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	150,138	1	172,262	1
Guarantee deposits received	230,277	1	237,375	1
Other non-current liabilities	73,875	-	83,189	-
Total non-current liabilities	<u>4,969,017</u>	<u>21</u>	<u>6,092,409</u>	<u>25</u>
Total liabilities	<u>15,200,011</u>	<u>66</u>	<u>16,901,015</u>	<u>70</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF TEST-RITE</b>				
Share capital				
Common shares (Notes 4 and 20)	5,098,875	23	5,098,875	21
Capital surplus (Notes 4 and 20)	647,962	3	673,456	3
Retain earnings (Notes 4 and 20)				
Legal reserve	1,110,326	5	1,049,379	4
Special reserve	166,380	1	148,098	1
Unappropriated earnings	787,297	3	609,465	2
Total retain earnings	2,064,003	9	1,806,942	7
Other equity (Notes 4 and 20)	(180,438)	(1)	(166,380)	(1)
Total equity attributable to owners of TEST-RITE	7,630,402	34	7,412,893	30
<b>NON-CONTROLLING INTERESTS (Note 4)</b>	41,865	-	3,390	-
Total equity	<u>7,672,267</u>	<u>34</u>	<u>7,416,283</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 22,872,278</u>	<u>100</u>	<u>\$ 24,317,298</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, 2017 AND 2016  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 36,963,212	100	\$ 35,443,444	100
OPERATING COSTS (Note 11)	<u>26,180,545</u>	<u>71</u>	<u>24,184,630</u>	<u>68</u>
GROSS PROFIT	10,782,667	29	11,258,814	32
OPERATING EXPENSES	<u>9,822,012</u>	<u>26</u>	<u>10,433,994</u>	<u>29</u>
PROFIT FROM OPERATIONS	<u>960,655</u>	<u>3</u>	<u>824,820</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	25,151	-	19,984	-
Other income	255,922	1	217,361	1
Gain on disposal of property, plant and equipment (Note 13)	225,690	1	-	-
(Loss) gain on sale of investments, net	(6,977)	-	8,932	-
Foreign exchange gains	68,234	-	368,318	1
Interest expense	(227,639)	(1)	(229,381)	(1)
Other expenses	(172,323)	(1)	(125,977)	-
Loss on disposal of property, plant and equipment	-	-	(25,647)	-
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	<u>(17,709)</u>	<u>-</u>	<u>(166,047)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>150,349</u>	<u>-</u>	<u>67,543</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,111,004	3	892,363	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(284,899)</u>	<u>(1)</u>	<u>(216,343)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>826,105</u>	<u>2</u>	<u>676,020</u>	<u>2</u>

(Continued)



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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017		2016	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (40,281)	-	\$ (67,160)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(14,073)</u>	<u>-</u>	<u>(137,606)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(54,354)</u>	<u>-</u>	<u>(204,766)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 771,751</u>	<u>2</u>	<u>\$ 471,254</u>	<u>1</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 823,012	2	\$ 676,029	2
Non-controlling interests	<u>3,093</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
	<u>\$ 826,105</u>	<u>2</u>	<u>\$ 676,020</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 768,703	2	\$ 471,346	1
Non-controlling interests	<u>3,048</u>	<u>-</u>	<u>(92)</u>	<u>-</u>
	<u>\$ 771,751</u>	<u>2</u>	<u>\$ 471,254</u>	<u>1</u>
<b>EARNINGS PER SHARE (Notes 4 and 22)</b>				
Basic	<u>\$ 1.61</u>		<u>\$ 1.33</u>	
Diluted	<u>\$ 1.61</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, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of Test-Rite						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets			
	Share (In Thousands of Share)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2016	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 (loss) for the year ended December 31, 2016	-	-	-	-	-	676,029	-	-	676,029	(9)	676,020
Other comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	(67,160)	(137,523)	-	(204,683)	(83)	(204,766)
Total comprehensive income (loss) 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
Appropriation of 2016 earnings (Note 20)											
Legal reserve	-	-	-	60,947	-	(60,947)	-	-	-	-	-
Special reserve	-	-	-	-	18,282	(18,282)	-	-	-	-	-
Cash dividends	-	-	(25,494)	-	-	(525,184)	-	-	(550,678)	-	(550,678)
Net profit for the year ended December 31, 2017	-	-	-	-	-	823,012	-	-	823,012	3,093	826,105
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(40,251)	(14,058)	-	(54,309)	(45)	(54,354)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	782,761	(14,058)	-	768,703	3,048	771,751
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	(23,156)	(23,156)
Changes in ownership of subsidiary companies	-	-	-	-	-	(516)	-	-	(516)	58,583	58,067
BALANCE AT DECEMBER 31, 2017	<u>509,888</u>	<u>\$ 5,098,875</u>	<u>\$ 647,962</u>	<u>\$ 1,110,326</u>	<u>\$ 166,380</u>	<u>\$ 787,297</u>	<u>\$ (180,463)</u>	<u>\$ 25</u>	<u>\$ 7,630,402</u>	<u>\$ 41,865</u>	<u>\$ 7,672,267</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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,111,004	\$ 892,363
Adjustments for:		
Depreciation expenses	621,181	685,452
Amortization expenses	130,816	148,317
Impairment loss (reversed) recognized on trade receivables	(3,602)	15,601
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	17,709	166,047
Interest expense	227,639	229,381
Interest income	(25,151)	(19,984)
Compensation cost of employee share options	42	-
(Gain) loss on disposal and impairment of property, plant and equipment	(225,690)	25,647
Loss on disposal of intangible assets	-	117
Loss (gain) on disposal of investments	6,977	(8,932)
Amortization of unrealized gain on sale-leasebacks	(50,000)	(50,000)
Changes in operating assets and liabilities		
Financial assets held for trading	(201,527)	381,031
Notes receivable	15,771	(332)
Trade receivables	(570,612)	(7,295)
Other receivables	(133,750)	13,704
Inventories	598,982	75,879
Prepayments	51,143	39,577
Other current assets	3,274	332,422
Other financial assets	364	328
Other operating assets	(128,975)	142,878
Notes payable	(12,147)	19,017
Trade payables	(266,425)	(38,503)
Other payables	(226,652)	247,492
Advance receipts	6,979	51,893
Other current liabilities	(74,808)	(34,760)
Other operating liabilities	(60,645)	(76,155)
Cash generated from operations	811,897	3,231,185
Interest received	25,411	19,780
Interest paid	(228,933)	(232,989)
Income tax paid	(268,196)	(203,831)
Net cash generated from operating activities	<u>340,179</u>	<u>2,814,145</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	(13,830)	(163,174)
Proceeds from sale of debt investments with no active market	57,115	229,548
Purchase of financial assets measured at cost	(1,088)	-
Proceeds from sale of financial assets measured at cost	6,211	-
Payments for property, plant and equipment	(223,310)	(1,026,851)

(Continued)



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

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from disposal of property, plant and equipment	\$ 463,220	\$ 22,447
Decrease in refundable deposits	9,528	157,161
Payments for intangible assets	<u>(13,727)</u>	<u>(23,105)</u>
Net cash generated from (used in) investing activities	<u>284,119</u>	<u>(803,974)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(587,688)	(483,801)
Proceeds (repayments) of short-term bills payable	79,992	(49,966)
Proceeds from long-term borrowings	4,007,172	6,761,305
Repayments of long-term borrowings	(4,462,166)	(7,299,993)
Decrease in guarantee deposits received	(7,098)	(13,262)
Dividends paid	(550,678)	(484,393)
Change in non-controlling interests	<u>34,869</u>	<u>-</u>
Net cash used in financing activities	<u>(1,485,597)</u>	<u>(1,570,110)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>19,882</u>	<u>(40,903)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(841,417)	399,158
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,302,564</u>	<u>1,903,406</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,461,147</u>	<u>\$ 2,302,564</u>

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

(Concluded)



**Attachment 4**

**Test Rite International Co., Ltd  
2017 Profits Distribution Table**

(NTD)

Item	Amonut	Notes
Beginning balance of retained earnings	5,051,645	
Adjusted retained earnings for Investments accounted for using equity method	(30,904,121)	
Remeasurement of defined benefit plans recognized in retained earnings	(9,862,598)	
Adjusted undistributed earnings (a)	(35,715,074)	
Add: Net profit after tax(b)	823,012,382	
Less: 10% for Legal reservation	(78,729,731)	(a+b)*10%
Less : special reserve	(14,057,595)	
Earnings available for pay-out	694,509,982	
Allocation:		
Cash dividend	(611,865,070)	NTD1.20 per share
Ending balance of retained earnings	<u>82,644,912</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 5**

**TEST RITE International Co., Ltd.  
Procedures for Endorsements and Guarantees Reference  
Reference Table for Revised Clauses**

Original clause	Revised clause	Basis and reasons for revision
<p>Article 1 This <del>procedure</del> was established to safeguard shareholders equity, improve the financial management of endorsements, and reduce operating risks. The Company shall comply with the operational procedures when endorsements/guarantees for others; provided that where another act provides otherwise, the provisions of such act shall prevail.</p>	<p>Article 1 This <u>procedures</u> was established to safeguard shareholders equity, improve the financial management of endorsements, and reduce operating risks. The Company shall comply with the operational procedures when endorsements/guarantees for others; provided that where another act provides otherwise, the provisions of such act shall prevail.</p>	<p>Revision is made in accordance with regulatory.</p>
<p>Article 8 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer meets the requirements of the operational procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans to discharge the amount in excess within a given time limit and submit the rectification plans to the <del>Supervisors</del>, and report to the Board of Directors meeting.</p>	<p>Article 8 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer meets the requirements of the operational procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans to discharge the amount in excess within a given time limit and submit the rectification plans to the <u>Audit Committee</u>, and report to the Board of Directors meeting.</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 12 The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: including the entity for which the endorsement/ guarantee is made, the results of risk assessment, the amount of guarantee, the collateral obtained, conditions under which the endorsement / guarantee responsibility is</p>	<p>Article 12 The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: including the entity for which the endorsement/ guarantee is made, the results of risk assessment, the amount of guarantee, the collateral obtained, conditions under which</p>	<p>Amended as the Company establishes audit committee.</p>



Original clause	Revised clause	Basis and reasons for revision
<p>discharged, and date of discharge.            For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, constant attention shall be paid to its financial condition, business operations, and credit status. If collateral is provided, attention shall be paid to changes in the value of the collateral.</p> <p>In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be applied.</p> <p>The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <del>Supervisors</del> in writing of any material violation found.</p> <p>In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated <del>the guidelines</del> or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p>	<p>the endorsement / guarantee responsibility is discharged, and date of discharge.</p> <p>For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, constant attention shall be paid to its financial condition, business operations, and credit status. If collateral is provided, attention shall be paid to changes in the value of the collateral.</p> <p>In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be applied.</p> <p>The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>Audit Committee</u> in writing of any material violation found. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated <u>the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies</u> or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules. °</p>	

Original clause	Revised clause	Basis and reasons for revision
<p>Article 19 Where the Company has established the position of independent director, when it submits the operational procedures for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>The operational procedures be enforced after approved by the Board of Directors meeting, the <del>Supervisors</del>, and shareholders' meeting; the amendment of the operational procedures also shall be approved by the Audit Committee , the Board of Directors meeting, and the shareholders' meeting.</p> <p>Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the <del>Supervisors</del> and for discussion by the shareholders' meeting. The same shall apply to any amendments to the operational procedures.</p>	<p>Article 19 Where the Company has established the position of independent director, when it submits the operational procedures for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the <u>Audit Committee</u> and for discussion by the shareholders' meeting. The same shall apply to any amendments to the operational procedures. The operational procedures <u>are promulgated pursuant to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"</u> shall be enforced after approved by the <u>Audit Committee</u> , the Board of Directors meeting, and shareholders' meeting; the amendment of the operational procedures also shall be approved by the Audit Committee , the Board of Directors meeting, and the shareholders' meeting.</p>	<p>Amended as the Company establishes audit committee.</p>



**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 8 : Subsequent measures for control and management of loans, and <del>procedure</del> for handling delinquent creditor's rights.</p> <p>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.</p> <p>2. Upon maturity the borrower will remit payment of the loan principle plus interest to the Company and the Company shall in turn return all guarantees documents.</p> <p>3. When the borrower requests for the cancellation of pledge, it is necessary to verify the remaining loan balance prior the decision of the cancellation.</p> <p>4. Upon maturity, the borrower needs to repay the loan and the interest. When violated, the Company shall take legal actions to enforce all measures of the pledge or guarantor to safeguard the credit.</p> <p>5. The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <del>Supervisors</del> in writing of any material violation found. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated the</p>	<p>Article 8 : Subsequent measures for control and management of loans, and <u>procedures</u> for handling delinquent creditor's rights.</p> <p>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.</p> <p>2. Upon maturity the borrower will remit payment of the loan principle plus interest to the Company and the Company shall in turn return all guarantees documents.</p> <p>3. When the borrower requests for the cancellation of pledge, it is necessary to verify the remaining loan balance prior the decision of the cancellation.</p> <p>4. Upon maturity, the borrower needs to repay the loan and the interest. When violated, the Company shall take legal actions to enforce all measures of the pledge or guarantor to safeguard the credit.</p> <p>5. The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>Audit Committee</u> in writing of any</p>	<p>Amended as the Company establishes audit committee.</p>

Original clause	Revised clause	Basis and reasons for revision
<p>guidelines or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p> <p>6.If, as a result of a change in circumstances, an entity for which an loan of fund is made does not meet the requirements of these operational procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the <del>Supervisors</del>, and shall complete the rectification according to the timeframe set out in the plan.</p>	<p>material violation found. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated the guidelines or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p> <p>6.If, as a result of a change in circumstances, an entity for which an loan of fund is made does not meet the requirements of these operational procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the <u>Audit Committee</u>, and shall complete the rectification according to the timeframe set out in the plan.</p>	
<p>Article 14 : Where the Company has established the position of independent director, the Board of Directors <del>will</del> take into full consideration each independent director's opinions; independent directors' opinions specifically 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 by Public Companies. Following the approval by the Board of Directors of the Procedures, the same shall be forwarded to the respective <del>Supervisors</del> and shall furthermore be submitted for approval at the shareholders' meeting. The same procedure shall apply in the case of</p>	<p>Article 14 : Where the Company has established the position of independent director, the Board of Directors <u>shall</u> take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the <u>Audit Committee</u> and for discussion by the shareholders' meeting.</p> <p>The procedures are promulgated pursuant to "Regulations</p>	<p>Amended as the Company establishes audit committee.</p>


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Original clause	Revised clause	Basis and reasons for revision
<p>amendments. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the <del>Supervisors</del> and for discussion by the shareholders' meeting.</p>	<p>Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” shall be enforced after approved by the <u>Audit Committee</u> , the Board of Directors meeting, and shareholders’ meeting. The same procedure shall apply in the case of amendments.</p>	

**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 procedure</p> <p>The Company shall comply with the Company's 'Internal management control system' when acquiring or disposing of real property or equipment.</p> <p>In acquiring or disposing of real property or equipment that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <del>each supervisor</del>.</p> <p>(Omitted)</p>	<p>Article 6 :</p> <p>In acquiring or disposing of real property or equipment procedure</p> <p>1、Appraisal and operating procedure</p> <p>The Company shall comply with the Company's "Internal management control system" when acquiring or disposing of real property or equipment.</p> <p>In acquiring or disposing of real property or equipment that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <u>the Audit Committee</u>.</p> <p>(Omitted)</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 7 :</p> <p>Procedure of acquiring or disposing of securities</p> <p>1、Appraisal and Operating procedures</p> <p>The Company shall comply with the Company's 'Internal management control system' when acquiring or disposing of securities.</p> <p>In acquiring or disposing of securities that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <del>each supervisor</del>.</p> <p>(Omitted)</p>	<p>Article 7 :</p> <p>Procedure of acquiring or disposing of securities</p> <p>1、Appraisal and Operating procedures</p> <p>The Company shall comply with the Company's "Internal management control system" when acquiring or disposing of securities.</p> <p>In acquiring or disposing of securities that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <u>the Audit Committee</u>.</p> <p>(Omitted)</p>	<p>Amended as the Company establishes audit committee.</p>

<p>Article 8 :</p> <p>Procedure of acquires or disposes of memberships or intangible assets</p> <p>1 · Appraisal and Operating procedures</p> <p>The Company shall comply with the Company's 'Internal management control system' when acquiring or disposing of memberships or intangible assets.</p> <p>In acquiring or disposing of memberships or intangible assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <del>each supervisor</del>.</p> <p>(Omitted)</p>	<p>Article 8 :</p> <p>Procedure of acquires or disposes of memberships or intangible assets</p> <p>1 · Appraisal and Operating procedures</p> <p>The Company shall comply with the Company's "Internal management control system" when acquiring or disposing of memberships or intangible assets.</p> <p>In acquiring or disposing of memberships or intangible assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to <u>the Audit Committee</u>.</p> <p>(Omitted)</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 10 :</p> <p>Related Party Transactions</p> <p>1 · (Omitted)</p> <p>2 · Appraisal and Operating procedures</p> <p>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 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 <del>and recognized by the supervisors</del>:</p> <p>(Omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance</p>	<p>Article 10 :</p> <p>Related Party Transactions</p> <p>1 · (Omitted)</p> <p>2 · Appraisal and Operating procedures</p> <p>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 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 <u>the Audit Committee and the board of directors</u>.</p> <p>(Omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance</p>	<p>Amended as the Company establishes audit committee.</p>



<p>with Article 11, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors <del>and recognized by the supervisors</del> need not be counted toward the transaction amount. With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the company's board of directors delegate the board chairman to decide such matters when the transaction is within a certain amount NT\$ 300million and have the decisions subsequently submitted to and ratified by the next board of directors meeting. Where the position of independent director has been created, when a matter is submitted for discussion by the board of directors pursuant to the procedure, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established in accordance with the provisions of the Act, the matters for which paragraph 1 requires <del>recognition by the supervisors</del> shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution.</p> <p>(Omitted)</p> <p>3、Reasonable assessment of transaction costs</p> <p>(1)~(4) (Omitted)</p> <p>(5) If the evaluation value of real estate properties the required from the Company's related parties, evaluated base on the requirements in Paragraph 1 and 2 of Article 3, is lower than transaction price, following matters</p>	<p>with Article 11, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by <u>the Audit Committee and</u> the board of directors need not be counted toward the transaction amount. With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the company's board of directors delegate the board chairman to decide such matters when the transaction is within a certain amount NT\$ 300million and have the decisions subsequently submitted to and ratified by the next board of directors meeting. Where the position of independent director has been created, when a matter is submitted for discussion by the board of directors pursuant to the procedure, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established in accordance with the provisions of the Act, the matters for which paragraph 1 requires <u>to be</u> approved by more than half of all audit committee members and then submitted to the board of directors for a resolution.</p> <p>(Omitted)</p> <p>3、Reasonable assessment of transaction costs</p> <p>(1)~(4) (Omitted)</p> <p>(5) If the evaluation value of real estate properties the required from the Company's related parties, evaluated base on the requirements in Paragraph 1 and 2 of Article 3, is lower than transaction price, following matters shall be complied. If the Company or</p>	
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<p>shall be complied. If the Company or A company that evaluates the company's investment in the equity method is a public company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>i. (Omitted)</p> <p>ii. Supervisors shall apply the provisions set out in article 208 of Company Law.</p> <p>iii. (Omitted)</p> <p>(6)~(7) (Omitted)</p>	<p>A company that evaluates the company's investment in the equity method is a public company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>i. (Omitted)</p> <p>ii. The <u>Audit Committee</u> shall apply the provisions set out in article 208 of Company Law.</p> <p>iii. (Omitted)</p> <p>(6)~(7) (Omitted)</p>	
<p>Article 13 : Enforcement and establishment</p> <p>The Company shall establish Procedures for Acquisition and Disposal of Assets. After the procedures have been approved by <del>the board of directors, they shall be submitted to each supervisor, and then</del> to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion <del>to each supervisor.</del></p> <p>Where the position of independent director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses</p>	<p>Article 13 : Enforcement and establishment</p> <p>The Company shall establish Procedures for Acquisition and Disposal of Assets. After the procedures have been approved by <u>more than half of all audit committee members and submitted to the board of directors for a resolution,</u> and then to a shareholders' meeting for approval; the same applies when the procedures are amended.</p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p>If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion <u>to Audit Committee.</u></p> <p>Where the position of independent</p>	<p>Amended as the Company establishes audit committee.</p>



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<p>reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. (Omitted)</p>	<p>director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. (Omitted)</p>	
<p><b>Article 14 : Penalty</b> The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <del>Supervisors</del> in writing of any material violation found. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated the guidelines or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p>	<p><b>Article 14 : Penalty</b> The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>Audit Committee</u> in writing of any material violation found. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated the guidelines or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p>	<p>Amended as the Company establishes audit committee.</p>

**Attachment 8**

**TEST RITE International Co., Ltd.  
Procedures for Engaging in Trading Derivatives  
Reference Table for Revised Clauses**

Original clause	Revised clause	Basis and reasons for revision												
<p>Article 1: Objectives For the purpose of protecting investments, ensure information disclosure, and reinforce the Company's risk management system for derivative trading, the Company shall adhere to the <u>Guidelines</u> when trading derivatives.</p>	<p>Article 1: Objectives For the purpose of protecting investments, ensure information disclosure, and reinforce the Company's risk management system for derivative trading, the Company shall adhere to the <u>Procedures</u> when trading derivatives.</p>	<p>Revision is made in accordance with regulatory.</p>												
<p>Article 4 Trading principles and strategies (Omitted) 3.Division of responsibilities For coordination of trading operation, each relevant department shall be responsible for the performance of its respective works:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Department</th> <th style="width: 70%;">Contents of works</th> <th style="width: 20%;">Note</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Audit unit</td> <td>1.Regular and irregular audit operation 2.Filling of audit report 3.Significant violation, if found, shall be notified to <del>the supervisors</del> in writing.</td> <td></td> </tr> </tbody> </table>	Department	Contents of works	Note	Audit unit	1.Regular and irregular audit operation 2.Filling of audit report 3.Significant violation, if found, shall be notified to <del>the supervisors</del> in writing.		<p>Article 4 Trading principles and strategies (Omitted) 3.Division of responsibilities For coordination of trading operation, each relevant department shall be responsible for the performance of its respective works:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Department</th> <th style="width: 70%;">Contents of works</th> <th style="width: 20%;">Note</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Audit unit</td> <td>1.Regular and irregular audit operation 2.Filling of audit report 3.Significant violation, if found, shall be notified to <u>the Audit Committee</u> in writing.</td> <td></td> </tr> </tbody> </table>	Department	Contents of works	Note	Audit unit	1.Regular and irregular audit operation 2.Filling of audit report 3.Significant violation, if found, shall be notified to <u>the Audit Committee</u> in writing.		<p>1.Amended as the Company establishes audit committee . 2.For the setting of loss ceiling amount for individual contract in hedging activities.</p>
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Audit unit	1.Regular and irregular audit operation 2.Filling of audit report 3.Significant violation, if found, shall be notified to <del>the supervisors</del> in writing.													
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Audit unit	1.Regular and irregular audit operation 2.Filling of audit report 3.Significant violation, if found, shall be notified to <u>the Audit Committee</u> in writing.													
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Original clause	Revised clause	Basis and reasons for revision
<p>position of the Company, a notice shall be given to relevant management immediately for discussion of reactive measure. If necessary, the chairman may take measure first, and then reported such measure to the board of directors for approval.</p> <p>b. operating or hedging strategies : (Omitted)</p>	<p>control in prior evaluation. However, if the loss of entire hedging positions exceeds 70% of risk position of the Company, a notice shall be given to relevant management immediately for discussion of reactive measure. If necessary, the chairman may take measure first, and then reported such measure to the board of directors for approval. The loss of individual contract shall not exceed 20% of contract amount.</p> <p>b. operating or hedging strategies : (Omitted)</p>	
<p>Article 5: <del>Operation procedure</del>—</p> <p>1、Authorized limits and levels: Trading of derivatives shall be subject to the Company's authorized limits. Revisions of the aforementioned authorized limits shall be approved by the chairperson before implementation.</p> <p>2、Functional units: Because of the complexity and specialized nature of derivatives, the trade team and the finance department shall be responsible for executing transactions, including trading, confirmation, and settlement.</p> <p>3、Operation procedure : Trading of derivatives shall follow the following procedure. (Omitted)</p>	<p>Article 5: <u>Operation procedures</u></p> <p>1、Authorized limits and levels: Trading of derivatives shall be subject to the Company's authorized limits. Revisions of the aforementioned authorized limits shall be approved by the chairperson before implementation.</p> <p>2、Functional units: Because of the complexity and specialized nature of derivatives, the trade team and the finance department shall be responsible for executing transactions, including trading, confirmation, and settlement.</p> <p>3、Operation procedure : Trading of derivatives shall follow the following procedure. (Omitted)</p>	<p>Revision is made in accordance with regulatory.</p>
<p>Article 7: Internal control system</p> <p>1. Internal control operating <del>procedure</del> (Omitted)</p> <p>2. Risk management measures: (Omitted)</p> <p>(4)Operational risk management: Authorized limits, operation procedures, and registration of relevant trading records should be strictly followed, to avoid</p>	<p>Article 7: Internal control system</p> <p>1. Internal control operating <u>procedures</u> (Omitted)</p> <p>2. Risk management measures: (Omitted)</p> <p>(4)Operational risk management: Authorized limits, operation procedures, and registration of</p>	<p>Revision is made in accordance with regulatory.</p>

Original clause	Revised clause	Basis and reasons for revision
<p>operational risk. (Omitted) 3、Periodical assessment (1)The senior officers authorized by the board of directors shall periodical monitor and assessment the compliance status, the risk tolerance level for the derivative transactions, and to the performance against business strategy. (Omitted)</p>	<p>relevant trading records should be strictly followed, to avoid operational risk. (Omitted) 3、Periodical assessment (1)The senior officers authorized by the board of directors shall periodical monitor and assessment the compliance status, the risk tolerance level for the derivative transactions, and to the performance against business strategy. (Omitted)</p>	
<p>Article 8 : Internal Audit System Internal auditors shall periodically review the suitability of internal control system for the derivative transactions. They shall disclose important findings in their audit reports and making reports to <del>the Supervisors</del>. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated the guidelines or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p>	<p>Article 8 : Internal Audit System Internal auditors shall periodically review the suitability of internal control system for the derivative transactions. They shall disclose important findings in their audit reports and making reports to <u>the Audit Committee</u>. In addition, if the manager(s) and responsible person(s) indicated in the program are found to have violated the guidelines or the operating program after an audit, they shall make corrections during the disciplinary probationary period and submit a corrective report within the specific deadline, or the Company will take disciplinary action according to the rules.</p>	<p>Amended as the Company establishes audit committee</p>
<p>Article 9 : If it is necessary for one of the Company's subsidiaries to engage in derivative trading as part of its business operations, the subsidiary shall follow the Company's derivative trading <del>procedure</del>. The subsidiary and parent company referred to in the procedure shall be defined as specified in the Statements of Financial Accounting Standards No. 5 and No. 7 released by the Accounting Research and Development Foundation in Taiwan.</p>	<p>Article 9 : If it is necessary for one of the Company's subsidiaries to engage in derivative trading as part of its business operations, the subsidiary shall follow the Company's derivative trading <u>procedures</u>. The subsidiary and parent company referred to in the procedure shall be defined as specified in the Statements of Financial Accounting Standards No. 5 and No. 7 released by the Accounting Research and Development Foundation in Taiwan.</p>	<p>Revision is made in accordance with regulatory.</p>

Original clause	Revised clause	Basis and reasons for revision
<p>Article 10            Procedures for Engaging in Trading Derivatives by the Company shall be approved by the board of directors <del>and supervisors</del>, and shareholders meeting. The same approval shall be applied for subsequent amendments. Any reservations or disapprovals by the Directors <del>will</del> be recorded in the minutes and reported to the <u>Supervisors</u>.</p> <p>Where the position of independent director has been created in accordance with the provisions of the Act, when the Procedures for Engaging in Trading Derivatives are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors <del>will</del> take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>Article 10            Procedures for Engaging in Trading Derivatives by the Company shall be approved by <u>the Audit Committee</u>, the board of directors and shareholders meeting. The same approval shall be applied for subsequent amendments. Any reservations or disapprovals by the Directors <u>shall</u> be recorded in the minutes and reported to <u>the Audit Committee</u>.</p> <p>Where the position of independent director has been created in accordance with the provisions of the Act, when the Procedures for Engaging in Trading Derivatives are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors <u>shall</u> take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>Amended as the Company establishes audit committee .</p>



**Attachment 9**

**TEST RITE International Co., Ltd.  
Rules for Election of Directors and Supervisors  
Reference Table for Revised Clauses**

Officially approved at the shareholders' meeting of May 24, 2002  
Amendment was approved at the shareholders' meeting of June 11, 2014  
Amendment was approved at the shareholders' meeting of June 19, 2018

Original clause	Revised clause	Basis and reasons for revision
Rules Name Election of Directors <del>and Supervisors</del>	Rules Name Election of Directors	Amended as the Company establishes audit committee.
Article 1 <del>These Regulations are duly enacted in accordance with "the Company Act of the Republic of China" and "the Articles of Incorporation".</del> The election of the Company's directors <del>and supervisors</del> , unless otherwise provided in the applicable laws, regulations, or the Articles of Incorporation, shall be conducted in accordance with these Regulations.	Article 1 Except as otherwise provided by law and regulation or by the Company's articles of incorporation, the election of the Company's directors shall be conducted in accordance with these Regulations.	Amended as the Company establishes audit committee.
Article 2 Election of directors <del>and supervisors</del> of this Company shall be held at the shareholders' meeting.	Article 2 Election of directors of this Company shall be held at the shareholders' meeting.	Amended as the Company establishes audit committee.
	<u>Article 2-1</u> <u>The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:</u> <u>1. Basic requirements and values: Gender, age, nationality, and culture.</u>	This Article is added for the requirement of diversity and performance assessment to the Board, according to "Corporate Governance Best Practice Principles for



Original clause	Revised clause	Basis and reasons for revision
	<p><u>2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</u></p> <p><u>1. Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:</u></p> <p><u>The ability to make judgments about operations.</u></p> <p><u>2. Accounting and financial analysis ability.</u></p> <p><u>3. Business management ability.</u></p> <p><u>4. Crisis management ability.</u></p> <p><u>5. Knowledge of the industry.</u></p> <p><u>6. An international market perspective.</u></p> <p><u>7. Leadership ability.</u></p> <p><u>8. Decision-making ability.</u></p> <p><u>More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</u></p> <p><u>The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.</u></p>	<p>TWSE/TPEX Listed Companies.”</p>
<p>Article 3 The Company’s directors <del>and supervisors</del> shall be elected by means of <del>single named</del> cumulative ballots method. In the election of directors and supervisors, the names of voters may be represented by shareholder’s numbers.</p>	<p>Article 3 The Company’s directors shall be elected by means of cumulative ballots method. In the election of directors and supervisors, the names of voters may be represented by shareholder’s numbers <u>or attendance card numbers printed on the ballots.</u></p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 4 Elections of both directors <del>and supervisors</del> at the Company shall be conducted in accordance with the candidate nomination system and procedures. Each share is entitled to have votes equivalent to the number of directors <del>and supervisors</del> to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.</p>	<p>Article 4 Elections of both directors at the Company shall be conducted in accordance with the candidate nomination system and procedures. Each share is entitled to have votes equivalent to the number of directors to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.</p> <p><u>The election of independent directors and non-independent directors shall be held together’ provided, however, that the</u></p>	<p>Amended as the Company establishes audit committee.</p>



Original clause	Revised clause	Basis and reasons for revision
	<u>number of independent directors and non-independent directors elected shall be calculated separately.</u>	
<p>Article 5 The directors, independent directors <del>and supervisors</del> of the Company are elected by the shareholders meeting with qualification that is defined as “capable person” and by the Article of Incorporation and those who obtain higher votes individually will be the independent, non-independent directors <del>and supervisors</del>. If two or more persons receive the same number of votes, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person’s behalf. <del>If the candidate who has been elected as a director and supervisor at the same time, the candidate shall decide what position that he/she intends to be, the absent position shall be fulfilled by the candidate who acquired the second highest votes in the same election.</del></p>	<p>Article 5 The directors and independent directors of the Company are elected by the shareholders meeting with qualification that is defined as “capable person” and by the Article of Incorporation and those who obtain higher votes individually will be the independent and non-independent directors. If two or more persons receive the same number of votes, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person’s behalf.</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 6 The board of directors shall prepare separate ballots for directors <del>and supervisors</del> in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</p>	<p>Article 6 The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 7 Before beginning of the election, the chairman shall designate a certain number of persons who are also shareholders to check, count ballots and perform the relevant duties.</p>	<p>Article 7 Before beginning of the election, the chairman shall designate a number of persons <u>to perform the respective duties of counting personnel</u> and a number of persons with shareholder status <u>to perform the respective duties of vote monitoring.</u></p>	<p>Revision is made in accordance with regulatory.</p>

Original clause	Revised clause	Basis and reasons for revision
<p>Article 9</p> <p>If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</p>	<p>Article 9</p> <p>If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</p>	<p>Revision is made in accordance with regulatory.</p>
<p>Article 10</p> <p>A ballot is invalid under any of the following circumstances:</p> <p>(1)The ballot was not prepared by the board of directors.</p> <p>(2)A blank ballot is placed in the ballot box.</p> <p>(3)The writing is unclear and indecipherable or has been altered.</p> <p>(4)The candidate <del>who</del> is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</p> <p>(5)Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.</p> <p>(6)The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such</p>	<p>Article 10</p> <p>A ballot is invalid under any of the following circumstances:</p> <p>(1)The ballot was not prepared by the board of directors.</p> <p>(2)A blank ballot is placed in the ballot box.</p> <p>(3)The writing is unclear and indecipherable or has been altered.</p> <p>(4)The candidate <u>whose name</u> is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</p> <p>(5)Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.</p> <p>(6)The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such</p>	<p>Revision is made in accordance with regulatory.</p>



# TESTRITE

Original clause	Revised clause	Basis and reasons for revision
<p>individual.  <del>(7) A ballot is entered two or more than two candidate names.</del></p>	<p>individual.  <u>(7) The total votes cast by the voter exceeding the total voting rights of such voter.</u>  <u>(8) The number of candidates filled in the ballot exceeding the number of the seats to be elected.</u></p>	
<p>Article 11            Separate ballot boxes <del>will</del> be made for the election of directors <del>and the election of supervisors</del>. After all the votes have been cast <del>separately</del>, the ballot boxes should be opened jointly by the ballot examiner and the ballot counter.</p>	<p>Article 11            Separate ballot boxes <u>should</u> be made for the election of directors. After all the votes have been cast, the ballot boxes should be opened jointly by the ballot examiner and the ballot counter.</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 12            The ballot counting process should be monitored by the ballot examiner, and the result should be <del>submitted by the ballot counter</del> to the Chairman to be promptly announced.</p>	<p>Article 12            The ballot counting process should be monitored by the ballot examiner, and the results of the calculation shall be announced by the Chairman <u>or his designated person</u> on the site.  <u>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p>	<p>Added as the requirements for the keeping of ballots.</p>
<p>Article 13            The board of directors of this Corporation shall issue notifications to the persons elected as directors <del>or supervisors separately</del>.</p>	<p>Article 13            The board of directors of this Corporation shall issue notifications to the persons elected as directors.</p>	<p>Amended as the Company establishes audit committee.</p>

**Attachment 10**

**TEST RITE International Co., Ltd.  
Rules and Procedures of Shareholders Meeting  
Reference Table for Revised Clauses**

Original clause	Revised clause	Basis and reasons for revision
<p>Article 2 This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in</p>	<p>Article 2 This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in <u>plus the number of shares whose voting rights are exercised by correspondence or electronically.</u></p>	<p>Revision is made in accordance with regulatory.</p>
<p>Article 8 The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the meeting pursuant to Article 174 of the Company Act.</p>	<p>Article 8 The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the <u>shareholders'</u> meeting pursuant to Article 174 of the Company Act.</p>	<p>Revision is made in accordance with regulatory.</p>

Original clause	Revised clause	Basis and reasons for revision
<p>Article 15 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation. the results of the voting shall be announced on-site at the meeting, and a record made of the vote.</p>	<p>Article 15 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation. the results of the voting shall be announced on-site at the meeting, and a record made of the vote.</p>	<p>Revision is made in accordance with regulatory.</p>
<p>Article 17 Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. <del>Upon voting for resolution on a proposal, if no opposition is expressed by any of the shareholders present at the meeting in response to the chairperson's invitation for opinion on that proposal, the resolution shall be deemed adopted unanimously and will function just as one adopted by voting.</del></p>	<p>Article 17 Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. <u>When voting, the chairman or the person designated by the chairman shall announce the total number of shareholders' voting rights held by the attending shareholders before voting.</u></p>	<p>Revision is made in accordance with regulatory.</p>



**Attachment 11**

**TEST RITE International Co., Ltd.  
Articles of Incorporation  
Reference Table for Revised Clauses**

Original clause	Revised clause	Basis and reasons for revision
Chapter 4 Directors and <del>Supervisors</del>	Chapter 4 Directors and <u>the Audit committee</u>	Amended as the Company establishes audit committee.
<p>Article 19 The board of directors of the Company consists of seven directors, at least <del>two</del> of whom, and not less than one fifth of the total number of seats, are independent directors. The directors are elected by the shareholders meeting with qualification that is defined as “capable person” by the Company Law. The directors shall serve a 3-year term, and may be re-elected to further terms.</p> <p>Candidates for the election of directors and supervisors are chosen by nomination and the shareholders' meeting votes on the list of candidates. The professional qualifications, shareholding, restrictions of second jobs, determination of dependence, nomination and assignment, and other related rules to follow for independent directors shall comply with the rules of the securities authority.</p> <p>The Company may purchase liability insurance for its directors to cover the liabilities to be borne by the directors while performing their duties during their term of office.</p> <p>The total number and percentage of registered shares held by the Company's board of directors shall be governed by the rules of the competent authority.</p>	<p>Article 19 The board of directors of the Company consists of seven directors, at least <u>three</u> of whom, and not less than one fifth of the total number of seats, are independent directors. The directors are elected by the shareholders meeting with qualification that is defined as “capable person” by the Company Law. The directors shall serve a 3-year term, and may be re-elected to further terms.</p> <p>Candidates for the election of directors and supervisors are chosen by nomination and the shareholders' meeting votes on the list of candidates. The professional qualifications, shareholding, restrictions of second jobs, determination of dependence, nomination and assignment, and other related rules to follow for independent directors shall comply with the rules of the securities authority.</p> <p>The Company may purchase liability insurance for its directors to cover the liabilities to be borne by the directors while performing their duties during their term of office.</p> <p>The total number and percentage of registered shares held by the Company's board of directors shall be governed by the rules of the competent authority.</p>	Amended as the Company establishes audit committee.

Original clause	Revised clause	Basis and reasons for revision
<p>Article 22 A board of directors shall meet at least quarterly. In the case of emergency or upon the requisition of a majority of the Directors, the meeting of the Board of Directors may be called by the Chairman at any time. The reasons for calling a board of directors meeting shall be notified to each directors <del>and supervisors</del> at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The notice may be effected by means of personal delivery, registered mail, electronic mail or facsimile. In accordance with Article 203 of the Company Act, except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of Board of Directors shall be convened by the Chairman of the Board of Directors. In the event that the Chairman is on leave or otherwise unable to preform his/her duties, the delegation of his/her office shall be made in accordance with Article 208 of the Company Act. A Director may appoint another Director as his/her proxy to attend and vote on his/her behalf in accordance with the scope of proxy at the meeting; however, no Director may act as proxy for more than one Director.</p>	<p>Article 22 A board of directors shall meet at least quarterl. In the case of emergency or upon the requisition of a majority of the Directors, the meeting of the Board of Directors may be called by the Chairman at any time. The reasons for calling a board of directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The notice may be effected by means of personal delivery, registered mail, electronic mail or facsimile. In accordance with Article 203 of the Company Act, except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of Board of Directors shall be convened by the Chairman of the Board of Directors. In the event that the Chairman is on leave or otherwise unable to preform his/her duties, the delegation of his/her office shall be made in accordance with Article 208 of the Company Act. A Director may appoint another Director as his/her proxy to attend and vote on his/her behalf in accordance with the scope of proxy at the meeting; however, no Director may act as proxy for more than one Director.</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 24 The Company shall <del>have two supervisors who are competent persons appointed by the shareholders' meeting. The supervisors shall serve a 3-year term, and may be re-elected to further</del></p>	<p>Article 24 The Company shall <u>organize an audit committee consisting of all independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have</u></p>	<p>Amended as the Company establishes audit committee.</p>



Original clause	Revised clause	Basis and reasons for revision
<p><del>terms. The Company may purchase liability insurance for its supervisors to cover the liabilities to be borne by the supervisors while performing their duties during their term of office.</del></p> <p><del>The total number and percentage of registered shares held by the Company's supervisors shall be governed by the rules of the competent authority.</del></p>	<p><u>accounting or financial expertise. The audit committee, the provisions regarding supervisors in the Company Act, the Securities and Exchange Act and other laws and regulations shall apply mutatis mutandis to the audit committee. The exercise of powers by the audit committee, and other relevant matters, shall be handled in accordance with relevant requirements of laws or the Articles of incorporation.</u></p>	
<p>Article 25 Supervisor's duties are as below:</p> <ol style="list-style-type: none"> <li>1. Supervision of business operations</li> <li>2. Reviewing the books and records of this Company</li> <li>3. Reviewing the business and finances of this Company.</li> <li>4. Reviewing the annual final report and examining all accounts, and stating their opinion at the shareholder meeting.</li> <li>5. Other matters as required or permitted by law.</li> </ol>	<p>Article 25 <u>The Board of Directors may set up various kinds of functional committees in accordance with relevant laws or management requirements.</u></p>	<p>This Articles is amended for the establishment of audit committee, and the deletion of requirements regarding Supervisors' excise of power. Revision is made in accordance with corporate governance.</p>
<p>Article 26 The directors <del>and supervisors</del> shall be compensated for their duty as directors disregard the result of operations of the Company. The board of directors shall be authorized to determine the said compensation based on their participation, contribution and industry market level.</p>	<p>Article 26 The directors shall be compensated for their duty as directors disregard the result of operations of the Company. The board of directors shall be authorized to determine the said compensation based on their participation, contribution and industry market level.</p>	<p>Amended as the Company establishes audit committee.</p>



Original clause	Revised clause	Basis and reasons for revision
<p>Article 30</p> <p>After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, <del>and shall forward the same to supervisors for their auditing not later than the 30th day.</del> The statements and records of accounts prepared by the Board of Directors and the report made by the supervisors and submitted to the regular shareholders' meeting for acceptance:</p> <ol style="list-style-type: none"> <li>1. Business Report</li> <li>2. Financial Statement</li> <li>3. Proposal Concerning Appropriation of Earnings or Covering of Losses</li> </ol>	<p>Article 30</p> <p>After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:</p> <ol style="list-style-type: none"> <li>1. Business Report</li> <li>2. Financial Statement</li> <li>3. Proposal Concerning Appropriation of Earnings or Covering of Losses</li> </ol>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 31</p> <p>The Company shall distribute no less than 1 % of the current year's profit if any as remuneration for employees and the Board could decide to distribute in stocks or cash. The employees to receive remuneration may include certain qualified employees from affiliate companies and the qualification of such employees is to be decided by the chairperson.</p> <p>The Board could also decide no more than 2 % of the abovementioned profit as remuneration for Directors and Supervisors. The distribution of remuneration for employees and Directors and Supervisors should be reported during Shareholders' Meeting.</p> <p>However, when there's accumulated losses, the Company shall reserve certain amount to compensate the accumulated losses and then distribute the profits to employees and Directors based on the abovementioned percentage.</p>	<p>Article 31</p> <p>The Company shall distribute no less than 1 % of the current year's profit <u>(namely the profit before deducting the distributed employee remuneration and director remuneration from pretax profit)</u> if any as remuneration for employees and the Board could decide to distribute in stocks or cash. The employees to receive remuneration may include certain qualified employees from affiliate companies and the qualification of such employees is to be decided by the chairperson.</p> <p>The Board could also decide no more than 2 % of the abovementioned profit as remuneration for Directors and Supervisors. The distribution of remuneration for employees and Directors and Supervisors should be reported during Shareholders' Meeting.</p> <p>However, when there's accumulated losses, the Company shall reserve certain amount to compensate the accumulated losses and then</p>	<p>Revision is made in accordance with regulatory. Amended as the Company establishes audit committee.</p>



Original clause	Revised clause	Basis and reasons for revision
	distribute the profits to employees and Directors based on the abovementioned percentage.	
<p>Article 32  <del>The Board of Directors, Supervisors or executive shareholders</del> shall be entitled to transportation allowance based on industry market level disregarding the result of operations of the Company.</p>	<p>Article 32            The Board of Directors shall be entitled to transportation allowance based on industry market level disregarding the result of operations of the Company.</p>	<p>Amended as the Company establishes audit committee.</p>
<p>Article 34            The Articles of Incorporation were drawn up on July 24, 1978.            (Omitted)            The 41th revision was adopted on June 23, 2016.</p>	<p>Article 34            The Articles of Incorporation were drawn up on July 24, 1978.            (Omitted)            The 41th revision was adopted on June 23, 2016.  <u>The 42th revision was adopted on June 19, 2018.</u></p>	<p>Date of amendment added.</p>

**Appendix 1**
**Test Rite International Co., Ltd.**
**Current Shareholdings of Directors and Supervisors**

Record Date: April 21, 2018

Title	Title Shareholding Name	The minimum number of shares	Number of shares	
			Shares	Total
Chairman	Ms. Lee, Judy	16,316,402	25,711,294	67,312,506
Directors	Mr. Ho, Tony		38,995,550	
	Ms. Ho, Robin		1,949,579	
	Mr. Ting, Hung-Hsun		0	
	Mr. Liu, Ting-Yang		0	
	Property Co., Ltd. Representative: Ms. Lee, Ai-Chen		656,083	
	Property Co., Ltd. Representative: Mr. Chen, Wen-Tzong		656,083	
Supervisor	Mr. Huang, Chung-Hsing		0	
	Tsai-Chi Co., Ltd. Representative: Mr. Liao, Hsueh-Hsing	1,631,640		

## Notes:

1. As of the April 21, 2018, the Company's paid-in capital is 5,098,875,580 ; the number of outstanding shares is 509,887,558.
2. The tenure of directors is from June 15, 2015 to on June 14, 2018.

\* According to Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: Where the paid-in capital of the company is more than NT\$4 billion but NT\$10 billion or less, the total registered shares owned by all directors shall not be less than four percent of the total issued shares; the total registered shares owned by all supervisors shall not be less than 0.4 percent of the total issued shares. If a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors and shall be decreased by 20 percent.



## **Appendix 2**

### **Other Matters-Details of Shareholder Proposal at Shareholders' Meeting**

Note:

1. According to Company Act No. 172, Shareholders who hold more than 1% can submit only ONE written shareholder proposal that is 300 characters or less.
2. Written submission of shareholder proposals must be submitted between the dates of April 14th, 2018 and April 23th, 2018. The Company has posted information regarding shareholder proposals on the Market Observation Post System (MOPS) as required by regulation.
3. The company has not yet to receive any written submission of shareholder proposals.